

VILLAGE OF TOLONO, ILLINOIS

Tolono, Illinois

**Financial Statements  
and Supplementary Information**

For the Year Ended

April 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

Board of Village Trustees  
Village of Tolono, Illinois  
Tolono, Illinois

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities and governmental funds and the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) of the business-type activities and proprietary funds of the Village of Tolono, Illinois as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Tolono, Illinois' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 or GAAP, as applicable; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements of the governmental activities and governmental funds in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major governmental fund, and the GAAP basis financial position of the business-type activities and each major proprietary fund of the Village of Tolono, Illinois, as of April 30, 2014, the respective changes in modified cash basis or GAAP basis financial position, as applicable; and, where applicable, GAAP basis cash flows thereof, and the respective modified cash basis budgetary comparisons for the General Fund and each major special revenue fund for the year then ended.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements of the governmental activities and the governmental funds are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, require that the Schedule of Funding Progress for IMRF on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management of the Village of Tolono, Illinois has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Tolono, Illinois' basic financial statements. Schedules 1 through 3 and Table 1 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Schedules 1 through 3 and Table 1 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules 1 through 3 and Table 1 is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Martin, Hood, Friese & Associates, LLC*

Champaign, Illinois  
July 23, 2014

VILLAGE OF TOLONO, ILLINOIS  
Statement of Net Position - Modified Cash Basis (Governmental Activities) and  
GAAP Basis (Business-Type Activities)  
April 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 993,705	\$ 931,906	\$ 1,925,611
Accounts Receivable	-	50,111	50,111
Supplies and Parts Inventory	-	12,830	12,830
Cash - Restricted	350,656	-	350,656
Property and Equipment, Net:			
Land (Not Being Depreciated)	-	3,392	3,392
Waterworks System	-	301,469	301,469
Waterworks Equipment	-	19,873	19,873
Sewerage System	-	624,900	624,900
Sewerage Equipment	-	204,741	204,741
Total Assets	<u>1,344,361</u>	<u>2,149,222</u>	<u>3,493,583</u>
<b>Liabilities</b>			
Accounts Payable	-	64,645	64,645
General Obligation Bonds:			
Due Within One Year	100,000	-	100,000
Due After One Year	3,175,000	-	3,175,000
Total Liabilities	<u>3,275,000</u>	<u>64,645</u>	<u>3,339,645</u>
<b>Net Position</b>			
Net Investment in Capital Assets	-	1,154,375	1,154,375
Restricted for:			
Streets and Alleys	112,209	-	112,209
TIF District	225,281	-	225,281
Unrestricted	(2,268,129)	930,202	(1,337,927)
Total Net Position	<u>\$ (1,930,639)</u>	<u>\$ 2,084,577</u>	<u>\$ 153,938</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Activities - Modified Cash Basis (Governmental Activities) and  
GAAP Basis (Business-Type Activities)  
For the Year Ended April 30, 2014

	Total	Business-Type	Governmental Activities					
		Activities	Total	General	Public	Recreation	Public	Redevelopment
		Water		Government	Works		Safety	
		and Sewer						
<b>Expenses</b>								
Salaries and Related Expenses	\$ 469,560	\$ 143,128	\$ 326,432	\$ 37,665	\$ 79,245	\$ -	\$ 209,522	\$ -
Materials and Supplies	25,761	10,527	15,234	8,713	948	-	5,573	-
Contractual Services	1,761,335	169,447	1,591,888	128,970	407,961	-	91,981	962,976
Depreciation	128,513	128,513	-	-	-	-	-	-
Water Purchases	323,708	323,708	-	-	-	-	-	-
Electricity for Pumping	44,642	44,642	-	-	-	-	-	-
Debt Service and Issuance Costs	93,058	-	93,058	-	-	-	-	93,058
Capital Outlay	646,636	-	646,636	-	18,475	-	76,891	551,270
Other	45,579	3,722	41,857	17,850	764	21,876	1,367	-
<b>Total Expenses</b>	<b>3,538,792</b>	<b>823,687</b>	<b>2,715,105</b>	<b>193,198</b>	<b>507,393</b>	<b>21,876</b>	<b>385,334</b>	<b>1,607,304</b>
<b>Program Revenues</b>								
Charges for Services:								
User Fees, Fines, Licenses and Permits	771,886	749,774	22,112	480	7,125	-	14,507	-
<b>Net Program Expense</b>	<b>2,766,906</b>	<b>73,913</b>	<b>2,692,993</b>	<b>\$ 192,718</b>	<b>\$ 500,268</b>	<b>\$ 21,876</b>	<b>\$ 370,827</b>	<b>\$ 1,607,304</b>
<b>General Revenues</b>								
<i>General Revenues</i>								
Taxes:								
TIF District Receipts	1,159,930	-	1,159,930					
Income Tax	366,009	-	366,009					
Sales Tax	244,134	-	244,134					
Property Tax	149,314	-	149,314					
Motor Fuel Tax	96,397	-	96,397					
Use Tax	58,844	-	58,844					
Road and Bridge Allocation	26,603	-	26,603					
Municipal Utility Tax	16,930	-	16,930					
Replacement Tax	8,107	-	8,107					
Gaming Tax	17,274	-	17,274					
Interest Income	275	-	275					
Other	22,056	-	22,056					
<b>Total General Revenues</b>	<b>2,165,873</b>	<b>-</b>	<b>2,165,873</b>					
<b>Change in Net Position</b>	<b>(601,033)</b>	<b>(73,913)</b>	<b>(527,120)</b>					
<b>Net Position, May 1, 2013</b>	<b>754,971</b>	<b>2,158,490</b>	<b>(1,403,519)</b>					
<b>Net Position, April 30, 2014</b>	<b>\$ 153,938</b>	<b>\$ 2,084,577</b>	<b>\$ (1,930,639)</b>					

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 April 30, 2014

	General Fund	Police Fund	Street and Alley Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Total
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	\$ 656,215	\$ -	\$ -	\$ 112,209	\$ 225,281	\$ 993,705
<b>Other Assets</b>						
Cash - Restricted	-	-	-	-	350,656	350,656
Due from Other Funds	65,109	-	-	-	-	65,109
Total Other Assets	65,109	-	-	-	350,656	415,765
Total Assets	\$ 721,324	\$ -	\$ -	\$ 112,209	\$ 575,937	\$ 1,409,470
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to Other Funds	\$ -	\$ 57,677	\$ 7,432	\$ -	\$ -	\$ 65,109
<b>Fund Balances</b>						
<i>Restricted</i>						
TIF District Bond Reserves	-	-	-	-	350,656	350,656
TIF District	-	-	-	-	225,281	225,281
Streets and Alleys	-	-	-	112,209	-	112,209
<i>Committed</i>	375	-	-	-	-	375
<i>Unassigned</i>	720,949	(57,677)	(7,432)	-	-	655,840
Total Fund Balances	721,324	(57,677)	(7,432)	112,209	575,937	1,344,361
Total Liabilities and Fund Balances	\$ 721,324	\$ -	\$ -	\$ 112,209	\$ 575,937	\$ 1,409,470

**Reconciliation to Statement of Net Position**

Total Fund Balances	\$ 1,344,361
The governmental funds are reported on the modified cash basis, which, as it applies to the governmental funds, as discussed in Note 1, does not include Bonds Payable. However, the modified cash basis, as it applies to the governmental activities on Exhibit A, as discussed in Note 1, does include Bonds Payable. This amount is the outstanding principal amount on the Bonds Payable.	
Net Position of Governmental Activities	<u>(3,275,000)</u> \$ (1,930,639)

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Modified Cash Basis  
*Governmental Funds*  
For the Year Ended April 30, 2014

	General Fund	Police Fund	Street and Alley Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Total
<b>Revenue</b>						
Local Taxes:						
Property Tax	\$ 130,769	\$ 18,545	\$ -	\$ -	\$ -	\$ 149,314
Municipal Utility Tax	16,930	-	-	-	-	16,930
Road and Bridge Allocation	-	-	26,603	-	-	26,603
TIF District Receipts	-	-	-	-	1,159,930	1,159,930
State Taxes:						
Income Tax	366,009	-	-	-	-	366,009
Motor Fuel Tax	-	-	-	96,397	-	96,397
Sales Tax	244,134	-	-	-	-	244,134
Use Tax	58,844	-	-	-	-	58,844
Replacement Tax	8,107	-	-	-	-	8,107
Gaming Tax	-	-	17,274	-	-	17,274
Other:						
Licenses and Permits	480	-	7,125	-	-	7,605
Fines	-	14,507	-	-	-	14,507
Interest Income	148	-	-	127	-	275
Rental Income	13,206	-	-	-	-	13,206
Miscellaneous	3,195	3,570	2,085	-	-	8,850
Total Revenue	<u>841,822</u>	<u>36,622</u>	<u>53,087</u>	<u>96,524</u>	<u>1,159,930</u>	<u>2,187,985</u>
<b>Expenditures</b>						
Current:						
General Government	193,198	-	-	-	-	193,198
Public Works	32,566	-	185,885	270,467	-	488,918
Public Safety	41,069	267,374	-	-	-	308,443
Recreation	21,876	-	-	-	-	21,876
Redevelopment	-	-	-	-	962,976	962,976
Debt Service:						
Bond Administration Costs	-	-	-	-	550	550
Principal Repayments	-	-	-	-	100,000	100,000
Interest Expense	-	-	-	-	92,508	92,508
Capital Outlay	-	76,891	18,475	-	551,270	646,636
Total Expenditures	<u>288,709</u>	<u>344,265</u>	<u>204,360</u>	<u>270,467</u>	<u>1,707,304</u>	<u>2,815,105</u>
<b>Excess (Deficit) of Revenue Over Expenditures</b>	<u>553,113</u>	<u>(307,643)</u>	<u>(151,273)</u>	<u>(173,943)</u>	<u>(547,374)</u>	<u>(627,120)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	191,000	81,100	-	-	272,100
Transfers Out	(272,100)	-	-	-	-	(272,100)
Net Other Financing Sources (Uses)	<u>(272,100)</u>	<u>191,000</u>	<u>81,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	281,013	(116,643)	(70,173)	(173,943)	(547,374)	(627,120)
<b>Fund Balances, May 1, 2013</b>	<u>440,311</u>	<u>58,966</u>	<u>62,741</u>	<u>286,152</u>	<u>1,123,311</u>	<u>1,971,481</u>
<b>Fund Balances, April 30, 2014</b>	<u>\$ 721,324</u>	<u>\$ (57,677)</u>	<u>\$ (7,432)</u>	<u>\$ 112,209</u>	<u>\$ 575,937</u>	<u>\$ 1,344,361</u>
<b>Reconciliation to the Statement of Activities</b>						
Net Changes in Fund Balances						\$ (627,120)
Principal Repayment on Bonds Payable						100,000
Change in Net Position of Governmental Activities						<u>\$ (527,120)</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Expenditures - Budget and Actual - Modified Cash Basis  
*Major Governmental Funds*  
For the Year Ended April 30, 2014

	Budget		Actual	Under/(Over) Budget
	Original	Final		
<b>General Fund*</b>				
<i>Current</i>				
General Government:				
Salaries and Related Expenditures	\$ 86,700	\$ 86,700	\$ 37,665	\$ 49,035
Materials and Supplies	6,200	6,200	8,713	(2,513)
Contractual Services	117,300	117,300	115,342	1,958
Other	21,800	21,800	17,850	3,950
Total General Government Expenditures	<u>232,000</u>	<u>232,000</u>	<u>179,570</u>	<u>52,430</u>
Public Works:				
Salaries and Related Expenditures	-	-	31,871	(31,871)
Contractual Services	5,000	5,000	695	4,305
Total Public Works Expenditures	<u>5,000</u>	<u>5,000</u>	<u>32,566</u>	<u>(27,566)</u>
Public Safety:				
Salaries and Related Expenditures	-	-	24,069	(24,069)
Recreation:				
Other	30,000	30,000	21,876	8,124
Total General Fund Expenditures	<u>\$ 267,000</u>	<u>\$ 267,000</u>	<u>\$ 258,081</u>	<u>\$ 8,919</u>
<b>Police Fund</b>				
<i>Current</i>				
Public Safety:				
Salaries and Related Expenditures	\$ 225,000	\$ 225,000	\$ 185,453	\$ 39,547
Materials and Supplies	1,250	1,250	5,573	(4,323)
Contractual Services	79,250	79,250	74,981	4,269
Other	3,000	3,000	1,367	1,633
Total Public Safety Expenditures	<u>308,500</u>	<u>308,500</u>	<u>267,374</u>	<u>41,126</u>
<i>Capital Outlay</i>	77,500	77,500	76,891	609
Total Police Fund Expenditures	<u>\$ 386,000</u>	<u>\$ 386,000</u>	<u>\$ 344,265</u>	<u>\$ 41,735</u>
<b>Street and Alley Fund</b>				
<i>Current</i>				
Public Works:				
Salaries and Related Expenditures	\$ 60,000	\$ 60,000	\$ 47,374	\$ 12,626
Materials and Supplies	18,000	18,000	948	17,052
Contractual Services	137,500	137,500	136,799	701
Other	4,000	4,000	764	3,236
Total Public Works Expenditures	<u>219,500</u>	<u>219,500</u>	<u>185,885</u>	<u>33,615</u>
<i>Capital Outlay</i>	67,800	67,800	18,475	49,325
Total Street and Alley Fund Expenditures	<u>\$ 287,300</u>	<u>\$ 287,300</u>	<u>\$ 204,360</u>	<u>\$ 82,940</u>
<b>Motor Fuel Tax Fund</b>				
<i>Current</i>				
Public Works:				
Street Maintenance	\$ 257,425	\$ 277,891	\$ 270,467	\$ 7,424
<b>Tax Increment Financing Fund</b>				
<i>Current</i>				
Redevelopment and Debt Service				
Contractual Services	\$ 1,030,000	\$ 1,030,000	\$ 1,156,034	\$ (126,034)
<i>Capital Outlay</i>	2,970,000	2,970,000	551,270	2,418,730
Total Tax Increment Financing Expenditures	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 1,707,304</u>	<u>\$ 2,292,696</u>

\* Excludes appropriations and actual amounts for the Audit subfund and ESDA subfund

See Accompanying Notes

## VILLAGE OF TOLONO, ILLINOIS

## Balance Sheet

## Proprietary Funds

April 30, 2014

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 433,221	\$ 78,463	\$ 420,222	\$ 931,906
Accounts Receivable	-	29,014	21,097	50,111
Supplies and Parts Inventory	-	12,830	-	12,830
Total Current Assets	<u>433,221</u>	<u>120,307</u>	<u>441,319</u>	<u>994,847</u>
<b>Property and Equipment, Net</b>				
Land (Not Being Depreciated)	-	1,392	2,000	3,392
Waterworks System and Equipment	-	321,342	-	321,342
Sewerage System and Equipment	-	-	829,641	829,641
Total Property and Equipment, Net	<u>-</u>	<u>322,734</u>	<u>831,641</u>	<u>1,154,375</u>
Total Assets	<u>\$ 433,221</u>	<u>\$ 443,041</u>	<u>\$ 1,272,960</u>	<u>\$ 2,149,222</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ -	\$ 38,915	\$ 25,730	\$ 64,645
<b>Net Position</b>				
Net Investment in Capital Assets	-	322,734	831,641	1,154,375
Unrestricted	433,221	81,392	415,589	930,202
Total Net Position	<u>433,221</u>	<u>404,126</u>	<u>1,247,230</u>	<u>2,084,577</u>
Total Liabilities and Net Position	<u>\$ 433,221</u>	<u>\$ 443,041</u>	<u>\$ 1,272,960</u>	<u>\$ 2,149,222</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Revenues, Expenses, and  
Changes in Net Position  
*Proprietary Funds*  
For the Year Ended April 30, 2014

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>Operating Revenue</b>				
User Fees	\$ -	\$ 436,004	\$ 313,770	\$ 749,774
<b>Operating Expenses</b>				
Contractual Services	-	37,608	131,839	169,447
Water Purchased	-	323,708	-	323,708
Electricity for Pumping	-	-	44,642	44,642
Depreciation	-	25,284	103,229	128,513
Salaries and Related Expenses	-	73,323	69,805	143,128
Materials and Supplies	-	8,192	2,335	10,527
Other	-	3,722	-	3,722
Total Operating Expenses	-	471,837	351,850	823,687
<b>Change in Net Position</b>	-	(35,833)	(38,080)	(73,913)
<b>Net Position, May 1, 2013</b>	433,221	439,959	1,285,310	2,158,490
<b>Net Position, April 30, 2014</b>	<u>\$ 433,221</u>	<u>\$ 404,126</u>	<u>\$ 1,247,230</u>	<u>\$ 2,084,577</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended April 30, 2014

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ -	\$ 439,002	\$ 315,950	\$ 754,952
Payments to Vendors	-	(372,496)	(192,832)	(565,328)
Payments to Employees	-	(73,323)	(69,805)	(143,128)
Net Cash Provided by (Used In) Operating Activities	-	(6,817)	53,313	46,496
<b>Cash, May 1, 2013</b>	433,221	85,280	366,909	885,410
<b>Cash, April 30, 2014</b>	<u>\$ 433,221</u>	<u>\$ 78,463</u>	<u>\$ 420,222</u>	<u>\$ 931,906</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ -	\$ (35,833)	\$ (38,080)	\$ (73,913)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Depreciation	-	25,284	103,229	128,513
(Increase) Decrease in Accounts Receivable	-	2,998	2,180	5,178
Increase (Decrease) in Accounts Payable	-	734	(14,016)	(13,282)
Net Cash Provided by (Used In) Operating Activities	<u>\$ -</u>	<u>\$ (6,817)</u>	<u>\$ 53,313</u>	<u>\$ 46,496</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Notes to Basic Financial Statements  
April 30, 2014

**1. Summary of Significant Accounting Policies**

As discussed further in Note 1(c), the financial statements for the governmental activities and the governmental funds are presented on the modified cash basis of accounting and the financial statements for the business-type activities and the proprietary funds are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The modified cash basis of accounting differs from GAAP. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*.

For the year ended April 30, 2014, the Village implemented Governmental Accounting Standards Board 65, *Items Previously Reported as Assets and Liabilities*. This standard had no impact on the financial reporting for the Village for the year ended April 30, 2014.

a. Financial Reporting Entity

The Village's financial reporting entity is composed of the following:

Primary Government	Village of Tolono, Illinois
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In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. Based on the operational and financial criteria of those statements, the Village does not have a component unit that should be reported as part of the reporting entity.

b. Basis of Presentation

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made within the governmental activities to prevent double counting of internal balances.

### *Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Village presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

#### *Governmental Funds*

General Fund – The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The Village's General Fund as presented in the financial statements Exhibit C and Exhibit D includes the Audit and ESDA subfunds. The General Fund information presented in the budgetary comparison financial statement, Exhibit E, includes only the Village's General Fund and excludes the Audit and ESDA subfunds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects. The reporting entity includes the following special revenue funds, which are reported as major funds:

Fund	Brief Description
Police Fund	Accounts for operations of the Village's Police Department, which is supported by funds transferred from the General Fund and significantly funded by levied property taxes and fines committed to public safety.
Street and Alley Fund	Accounts for operations of the Village's Public Works Department, which is responsible for repair and maintenance of the Village's infrastructure including the storm sewers. This fund is supported by funds transferred from the General Fund and significantly funded by road and bridge property tax allocations from Champaign County and liquor license receipts, which are committed to this fund.
Motor Fuel Tax Fund	Accounts for the restricted motor fuel tax provided by the State of Illinois and expenditures paid for road repair and replacement.
Tax Increment Financing Fund	Accounts for property taxes received from the incremental increase in the assessed value of real property in the Village's TIF District and expenditures paid for redevelopment projects in the TIF District, debt service on TIF District bonds, and administration of the TIF District.

The Motor Fuel Tax Fund does not meet the requirements of a major fund; however, for the purpose of comparability, management of the Village has elected to include this fund as a major fund of the reporting entity.

*Proprietary Funds*

Enterprise Fund – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds that are reported as major funds:

Fund	Brief Description
Waterworks and Sewerage Fund	Previously accounted for the revenue from water and sewer services provided by the Village and provided funding to the Village's other proprietary funds, which operate the water and sewer systems. During Fiscal Year 2011, the Village began to account for water and sewer revenues in the Waterworks Operation and Sewerage Operation Funds, respectively.
Waterworks Operation Fund	Accounts for revenue from water services and expenses incurred to operate and maintain Village's water system
Sewerage Operation Fund	Accounts for revenues from sewer services and expenses incurred to operate and maintain the Village's sanitary sewer system

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. The governmental activities are presented within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus, within the limitations of the modified cash basis, is used for governmental funds and the “economic resources” measurement focus is used for proprietary funds:

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

### *Basis of Accounting*

In the government-wide Statement of Net Position and Statement of Activities and the governmental funds financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long-term debt in the governmental activities and interfund balances for the governmental funds. This basis measures and reports cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in the financial statements for the governmental activities and governmental funds.

In the government-wide Statement of Net Position and Statement of Activities and the proprietary fund financial statements, business-type activities are presented using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

If the Village utilized the basis of accounting recognized as generally accepted in the United States of America for the governmental funds, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the government-wide financials would be presented on the accrual basis of accounting for the governmental activities.

#### d. Accounts Receivable

User accounts receivable is reported at the amount management expects to collect on balances outstanding at year-end. Based on high historical collection rates, no allowance for doubtful accounts receivable is provided at April 30, 2014.

e. Inventory

Inventory is valued at cost using the first-in, first-out method.

f. Property and Equipment

Proprietary fund property and equipment is valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment is valued at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives. The estimated useful lives used are as follows:

Waterworks:

Water Mains	30	-	40	Years
Water Associated Equipment	10	-	30	Years
Water Meters	10	-	20	Years
Other Equipment	5	-	10	Years

Sewerage:

Sewerage Equipment	5	-	10	Years
Sewerage Plant			40	Years
Sewerage Distribution System			40	Years

The governmental activities do not capitalize or depreciate property and equipment.

g. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Village's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

h. Fund Balance

Fund balances are classified as follows:

**Non-Spendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact



j. Operating and Non-Operating Revenues and Expenses of Proprietary Funds

Operating revenues and expenses for proprietary funds are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

k. Estimates

These financial statements include estimates and assumptions made by the Village's management that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Legal Budgets**

Legal budgets are prepared in the form of an appropriations ordinance for Village funds using the same accounting basis and practices as are used to account for and prepare financial reports. Unexpended appropriations lapse at the end of the fiscal year. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board of Village Trustees after a public notice and hearing. Appropriations transfers between budget line items may be presented to the Board at their regular meetings. Each transfer must have Board approval. Such transfers are made before the fact and are reflected in the official minutes of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. There were no transfers made after fiscal year-end, as dictated by law. The Village does not prepare a budget for revenues.

A comparison of budget to actual expenditures is provided for the major governmental funds. As supplementary information, a budget to actual comparison is also provided for the Audit and ESDA subfunds since legal budgets were passed for those funds. The budget for the Motor Fuel Tax Fund is not from the appropriations ordinance, but instead represents the motor fuel tax project amount approved by the Board of Village Trustees for the summer of 2013.

**3. Budget Over/Under Expenditure**

The Village overspent the ESDA subfund appropriation budget for fiscal year 2014 by \$7,000. The ESDA subfund over expenditure was due to fiscal year 2014 payments covering contracted services for a two-year period rather than a one-year period as originally budgeted.

#### **4. Property Taxes**

The Village's property tax is levied each year on or before the last Tuesday in December on all taxable real property located in the Village. The Board of Village Trustees passed the 2013 tax levy on November 19, 2013. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on June 1 and September 1. The Village receives significant distributions of tax receipts approximately one month after these due dates. Property tax receipts in these financial statements are from the 2012 tax levy.

#### **5. Cash**

##### *Cash – Restricted*

At April 30, 2014, the Village's governmental activities and Tax Increment Financing Fund held \$350,656 of cash restricted by bond reserve requirements for future capital projects and debt service costs.

##### *Authorized Investments*

The Village is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235 of the Illinois Compiled Statutes. Such instruments include obligations of the U.S. Treasury, savings accounts, certificates of deposit, and money market mutual funds. The Village does not have a separate investment policy.

##### *Custodial Credit Risk – Bank Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits, including amounts in checking, savings, and money market accounts may not be returned to it. At April 30, 2014, \$2,027,037 of the Village's bank deposits of \$2,277,037, which reconciled to a book balance of \$2,276,267, was exposed to custodial credit risk. The \$2,027,037 balance exposed to custodial credit risk was collateralized by securities pledged by Busey Bank, but not held in the Village's name. The pledged securities had a market value of \$3,795,889 at April 30, 2014.

## 6. Property and Equipment, Net

The following is a summary of the changes in the property and equipment of the proprietary funds and business-type activities for the year ended April 30, 2014:

	<u>April 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2014</u>
Land (Not Depreciable)	\$ 3,392	\$ -	\$ -	\$ 3,392
Depreciable Property and Equipment:				
<i>Waterworks</i>				
System	805,502	-	-	805,502
Equipment and Vehicles	96,844	-	-	96,844
<i>Sewerage</i>				
System	2,833,500	-	-	2,833,500
Equipment and Vehicles	544,316	-	-	544,316
Less: Accumulated Depreciation	<u>(3,000,666)</u>	<u>(128,513)</u>	<u>-</u>	<u>(3,129,179)</u>
Property and Equipment, Net	<u>\$ 1,282,888</u>	<u>\$ (128,513)</u>	<u>\$ -</u>	<u>\$ 1,154,375</u>

Depreciation for fiscal year 2014 was \$25,284 for Waterworks and \$103,229 for Sewerage.

## 7. Pension Plan – Defined Benefit Pension Plan

*Plan Description* – The Village’s defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy* – As set by statute, the Village’s Regular Plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013 used by the employer was 18.59 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Costs* – The required contribution for calendar year 2013 was \$57,946.

Three Year Trend Information for the Regular Plan

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
12/31/13	\$ 57,946	100%	\$ 982
12/31/12	59,049	100%	982
12/31/11	60,411	98%	982

Because the Village accounts for IMRF in governmental funds, the net pension obligation is not included in these financial statements under the modified cash basis.

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of your employer Regular Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The employer Regular Plan’s unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress* – As of December 31, 2013, the most recent actuarial valuation date, the Regular Plan was 9.7 percent funded. The actuarial accrued liability for benefits was \$642,148 and the actuarial value of assets was \$62,225, resulting in an underfunded actuarial accrued (UAAL) of \$579,923. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the Plan) was \$311,703 and the ratio of the UAAL to the covered payroll was 186 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**8. Tax Increment Financing General Obligation Bonds (Alternative Revenue Source)**

On March 29, 2012, the Village issued \$3,500,000 of General Obligation Bonds (Alternate Revenue Source) to defray the costs associated with the redevelopment of the Tolono Tax Increment Financing (TIF) District in the Village of Tolono, and, consequently, these bonds have been accounted for in the TIF Fund. MidAmerica National Bank of Canton, Illinois is the paying agent and registrar for the issue known as

the General Obligation Bond (Alternate Revenue Source), Series 2012. These bonds mature serially on December 15 of each calendar year through 2026 in amounts ranging from \$100,000 to \$475,000 and bearing interest ranging from 0.75 to 3.45 percent, payable June 15 and December 15 annually. These bonds are subject to early redemption at any time as of and after December 15, 2020 at the Village's discretion.

The Village has pledged future TIF Fund incremental property taxes to repay these bonds. Principal and interest on the bonds are payable through 2026 from the TIF Fund's incremental property taxes. Annual principal and interest on the bonds are expected to require approximately a maximum of 27 percent of such revenues. However, after other TIF District annual commitments are honored from the TIF Fund's incremental property taxes, annual principal and interest on the bonds are expected to require approximately a maximum of 112 percent of the remaining revenue.

There was principal and interest of \$192,508 paid for fiscal year 2014. Other TIF District commitments totaled \$874,606 for fiscal year 2014. The TIF Fund's incremental property tax revenues totaled \$1,159,930 for fiscal year 2014. At April 30, 2014, pledged future revenues totaled \$4,144,059, which was the amount of the remaining principal and interest on the bonds.

Aggregate future principal maturities and interest payments required on these bonds are as follows:

Fiscal Year Ended April 30	Principal	Interest	Total
2015	\$ 100,000	\$ 91,508	\$ 191,508
2016	100,000	90,258	190,258
2017	150,000	88,808	238,808
2018	200,000	86,333	286,333
2019	205,000	82,633	287,633
2020-2024	1,190,000	336,698	1,526,698
2025-2027	1,330,000	92,821	1,422,821
Total	<u>\$ 3,275,000</u>	<u>\$ 869,059</u>	<u>\$ 4,144,059</u>

The 2012 bond ordinance calls for two funded reserves. The bond fund reserve requires one half of the next principal and interest payment amounts to be set aside from each of the two property tax installments paid by the TIF District taxpayers. At April 30, 2014, the required balance in this reserve was \$0 because the Village has not received property tax payments for 2014 as of April 30, 2014. The project fund reserve requires the Village to hold the net proceeds from the bond issuance in reserve for payment of costs related to

the capital projects and costs of issuance. At April 30, 2014 the balance in this reserve was \$350,656. When the capital projects are completed any remaining funds in this reserve are required to be transferred to the bond fund reserve.

**9. Changes in Long-Term Debt**

The following is a summary of changes in long-term debt of the governmental activities for the year ended April 30, 2014:

	April 30, 2013	Issued	Retired	April 30, 2014	Due Within One Year
General Obligation Bond	\$ 3,375,000	\$ -	\$ 100,000	\$ 3,275,000	\$ 100,000

**10. Legal Debt Margin**

At April 30, 2014, the estimated legal debt margin was determined as follows:

Assessed Valuation (Tax Year 2013)	\$ 51,092,000
Statutory Debt Limitation (8.625 percent of Assessed Valuation)	\$ 4,406,685
Total General Obligation Bond Indebtedness at April 30, 2014	-
Legal Debt Margin	\$ 4,406,685

Note: by Illinois statute, the legal debt margin excludes alternative revenue source debt.

**11. Restricted Net Position and Fund Balances and Committed Fund Balance**

As of April 30, 2014, the Village’s governmental activities and Motor Fuel Tax Fund had \$112,209 restricted for future street and alley maintenance expenditures. The restricted net position and fund balance for street and alley expenditures are from the motor fuel taxes provided by the State of Illinois and are restricted for that purpose by state statutes.

As of April 30, 2014, the Village’s governmental activities and TIF Fund had \$225,281 restricted for future TIF District expenditures. The restricted net position and fund balance for TIF District expenditures are from the incremental increase in the assessed value of real property in the Village’s TIF District and are restricted by state statutes to redevelopment expenditures for the TIF District.

As of April 30, 2014, the Village's TIF Fund had \$350,656 restricted for TIF District Bond Reserves. The restricted fund balance for TIF District projects and principal and interest expenditures are from the proceeds of the bond issue known as the General Obligation Bond (Alternate Revenue Source), Series 2012 less expenditures to date.

As of April 30, 2014, the General Fund had \$26 committed for future ESDA expenditures and \$349 committed for future audit expenditures.

**12. Deficit Fund Balance**

As of April 30, 2014, the Village had fund balance deficits of \$57,677 and \$7,432 in the Police Fund and Street and Alley Fund, respectively.

**13. Restricted Property Tax Activity**

The Village had the following restricted property tax activity in the General Fund during the year ended April 30, 2014:

	<u>Insurance Liability</u>	<u>IMRF</u>	<u>Audit</u>	<u>ESDA</u>
Restricted Balance at April 30, 2013	\$ -	\$ -	\$ -	\$ -
Property Taxes Received	4,090	37,701	7,406	776
Expenditures Incurred	<u>(4,090)</u>	<u>(37,701)</u>	<u>(7,406)</u>	<u>(776)</u>
Restricted Balance at April 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**14. Interfund Balances and Transfers**

Interfund receivables and payables at April 30, 2014 are summarized below:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 65,109	\$ -
Police Fund	-	57,677
Street and Alley Fund	-	7,432
Total All Funds	<u><u>\$ 65,109</u></u>	<u><u>\$ 65,109</u></u>

The amounts due among the funds relate to working capital loans. The amounts due have no specific repayment date scheduled, however, repayment is expected within the next fiscal year.

The following is a schedule of interfund transfers made during the fiscal year:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ -	\$ 272,100
Police Fund	191,000	-
Street and Alley Fund	81,100	-
Total All Funds	<u>\$ 272,100</u>	<u>\$ 272,100</u>

The purpose of the transfers from the General Fund to the other governmental funds was to cover necessary expenditures in these funds as deemed appropriate by the Village Board.

**15. Risk of Loss**

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended April 30, 2014, there were no significant reductions in coverage. There have been no settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

**16. Tax Increment Financing District**

In 2003, the Village established a Tax Increment Financing (TIF) District. This District is an area within the Village designated as a redevelopment project area. The Village redevelops, improves, and maintains the designated area in order to increase the assessed value, which generates more property tax receipts from that District. The activities of the TIF District are accounted for in the TIF Fund, a special revenue fund.

For the year ended April 30, 2014, property tax receipts of \$1,159,930 were received from the TIF District.

**17. Redevelopment Commitments**

The Village has entered into a number of redevelopment agreements with outside parties to encourage residential and commercial development within the Village's TIF District. As an incentive to developers, the Village has committed to reimburse certain eligible project expenses to developers from the TIF District's receipts over periods ranging from ten years to the life of the TIF District. As of April 30, 2014, the maximum amount committed to developers was \$9,808,178 and the total paid to developers was \$3,892,770. The timing of future payments for these commitments and the amounts of those payments cannot be estimated as they are dependent on the actual costs incurred by the developers and the attainment of agreed upon development milestones. In relation to one of its

redevelopment agreements, the Village has committed to issue TIF revenue bonds to pay the developer for eligible project expenses in the event the incremental property tax generated by the redeveloped property is insufficient to pay the developer. Such bonds would not be general obligations of the Village, but would only be payable from the incremental property tax revenue generated by the property in the developer's project.

The Village has also entered into an agreement with the local school district to compensate that governmental unit for the impact of additional students resulting from residential development within the TIF District, which has been assisted by financial incentives or infrastructure improvements provided by the Village. This agreement will terminate with the end of the TIF District in 2026 or earlier if all redevelopment projects as listed in the TIF District's Redevelopment Plan have been completed. The timing of future payments for this commitment and the amounts of those payments cannot be estimated as they are dependent upon events that have not yet occurred. The amount paid in fiscal year 2014 was \$248,530.

The Village has also entered into an agreement with the local fire protection district to pay \$850,000 to that governmental unit for the reimbursement of capital costs incurred. Under the terms of the agreement, the Village will make a one-time lump sum payment in the amount of \$250,000 in fiscal year 2015 and will make annual installments of \$50,000 to be paid on December 15 annually through 2026. The amount paid in fiscal year 2014 was \$0.

These financial statements do not include any expense/expenditure or liability related to the future payments on these redevelopment commitments.

## **18. Other Commitments**

The Village has entered into an annexation agreement with a local business. The agreement requires the Village to rebate property taxes back to the business for a period of twenty years ending in fiscal year 2021. The total estimated amount to be rebated back to the business over the twenty years is \$82,000. These rebates will be paid by the Village's General Fund. As of April 30, 2014, the Village has paid \$33,716 in rebate payments. These financial statements do not include any expense/expenditure or liability related to the unpaid portion of these commitments.

## **19. Employee Separation Pay Commitment**

At separation from employment, employees are eligible to receive compensation for all unused vacation time. At April 30, 2014, the Village's potential liability for employee separation pay was \$10,628. These financial statements do not include a liability or expenditure/expense for this amount. The distribution of this commitment among the Village's funds approximates \$6,424 for the Police Fund, \$2,966 for the General Fund and \$1,238 for the Enterprise funds.

**20. Lease Agreement**

The Village has a lease agreement with a communications company for a parcel of Village land on which a communications tower was constructed. The initial five-year term of the lease ended in July 2012 with tenant options to renew for a total of fifteen additional years. The tenant exercised its first five-year renewal of the lease through July 2017. The lease agreement calls for monthly rental payments of \$925, adjusted annually by 3 percent from the date of execution.

The expected future minimum receipts consist of the following:

<u>Year Ending April 30</u>	
2015	\$ 13,552
2016	13,959
2017	14,378
2018	3,621
	<u>\$ 45,510</u>

**21. Other Capital Commitments**

Through the date of the independent auditor's report, the Village has entered into contracts for the following:

<u>Purpose</u>	<u>Responsible Fund</u>	<u>Total Commitment</u>	<u>Fiscal Year of Expenditure</u>
2015 Chevy Silverado	Street and Alley Waterworks Operation Sewerage Operation	\$ 41,979	2015

**Required Supplementary Information**

**Schedule of Funding Progress**

**(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 62,225	\$ 642,148	\$ 579,923	9.69%	\$ 311,703	186.05%
12/31/2012	(15,222)	596,582	611,804	0.00%	319,527	191.47%
12/31/2011	(78,609)	516,830	595,439	0.00%	306,967	193.97%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$134,538. On a market basis, the funded ratio would be 20.95 percent.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Tolono. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100 percent funded.

VILLAGE OF TOLONO, ILLINOIS  
Combining Balance Sheet - Modified Cash Basis  
*Audit and ESDA Subfunds*  
April 30, 2014

	<u>Audit Fund</u>	<u>ESDA Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 349</u>	<u>\$ 26</u>	<u>\$ 375</u>
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Committed	<u>349</u>	<u>26</u>	<u>375</u>
Total Liabilities and Fund Balances	<u>\$ 349</u>	<u>\$ 26</u>	<u>\$ 375</u>

VILLAGE OF TOLONO, ILLINOIS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Modified Cash Basis  
*Audit and ESDA Subfunds*  
For the Year Ended April 30, 2014

	<u>Audit Fund</u>	<u>ESDA Fund</u>	<u>Total</u>
<b>Revenue</b>			
Local Taxes:			
Property Tax	\$ 7,406	\$ 776	\$ 8,182
<b>Expenditures</b>			
Current:			
General Government	13,628	-	13,628
Public Safety	-	17,000	17,000
Total Expenditures	<u>13,628</u>	<u>17,000</u>	<u>30,628</u>
<b>Excess (Deficit) of Revenue Over Expenditures</b>	(6,222)	(16,224)	(22,446)
<b>Other Financing Sources</b>			
Transfers In	<u>8,700</u>	<u>11,500</u>	<u>20,200</u>
<b>Net Change in Fund Balances</b>	2,478	(4,724)	(2,246)
<b>Fund Balances, May 1, 2013</b>	<u>(2,129)</u>	<u>4,750</u>	<u>2,621</u>
<b>Fund Balances, April 30, 2014</b>	<u>\$ 349</u>	<u>\$ 26</u>	<u>\$ 375</u>

VILLAGE OF TOLONO, ILLINOIS  
Statement of Expenditures - Budget and Actual - Modified Cash Basis  
*Audit and ESDA Subfunds*  
For the Year Ended April 30, 2014

	Budget		Actual	Under/(Over) Budget
	Original	Final		
<b>Audit Fund</b>				
Current:				
General Government				
Contractual Services	\$ 22,000	\$ 22,000	\$ 13,628	\$ 8,372
<b>ESDA Fund</b>				
Current:				
Public Safety				
Contractual Services	\$ 10,000	\$ 10,000	\$ 17,000	\$ (7,000)

**VILLAGE OF TOLONO, ILLINOIS**  
**Property Tax Levies, Rates, Extensions, and Collections**  
**For the Four Years Ended April 30**

Fiscal Year of Receipt <i>Levy Year</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assessed Valuations</b>	\$ 34,958,783	\$ 35,048,732	\$ 35,948,036	\$ 35,941,513
<b>Tax Levies</b>				
General	\$ 81,840	\$ 80,458	\$ 78,100	\$ 77,233
Police Protection	18,820	18,500	18,000	17,817
ESDA	784	775	750	721
Audit	7,521	7,400	7,200	7,096
Insurance Liability	4,170	4,100	4,000	3,943
IMRF	38,425	37,800	36,600	36,183
Total Tax Levies	<u>\$ 151,560</u>	<u>\$ 149,033</u>	<u>\$ 144,650</u>	<u>\$ 142,993</u>
<b>Tax Rates</b>				
General	0.2341	0.2296	0.2173	0.2149
Police Protection	0.0538	0.0528	0.0501	0.0496
ESDA	0.0022	0.0022	0.0021	0.0020
Audit	0.0215	0.0211	0.0200	0.0197
Insurance Liability	0.0119	0.0117	0.0111	0.0110
IMRF	0.1099	0.1078	0.1018	0.1007
Total Tax Rates	<u>0.4334</u>	<u>0.4252</u>	<u>0.4024</u>	<u>0.3979</u>
<b>Tax Extensions</b>				
General	\$ 81,838	\$ 80,472	\$ 78,115	\$ 77,238
Police Protection	18,808	18,506	18,010	17,827
ESDA	769	771	755	719
Audit	7,516	7,395	7,190	7,080
Insurance Liability	4,160	4,101	3,990	3,954
IMRF	38,420	37,783	36,595	36,193
Total Tax Extensions	<u>\$ 151,511</u>	<u>\$ 149,028</u>	<u>\$ 144,655</u>	<u>\$ 143,011</u>
<b>Tax Collections</b>				
General		\$ 80,796	\$ 78,424	\$ 77,865
Police Protection		18,545	18,042	17,943
ESDA		776	754	719
Audit		7,406	7,203	7,122
Insurance Liability		4,090	3,985	3,971
IMRF		37,701	36,517	36,266
Total Tax Collections		<u>\$ 149,314</u>	<u>\$ 144,925</u>	<u>\$ 143,886</u>
<b>Percentage of Extension Collected</b>		<u>100.19%</u>	<u>100.19%</u>	<u>100.61%</u>

INDEPENDENT AUDITOR'S REPORT  
ON TAX INCREMENT FINANCING

Board of Village Trustees  
Village of Tolono, Illinois  
Tolono, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements and related notes of the Village of Tolono, Illinois as of and for the year ended April 30, 2014 as listed in the table of contents, and have issued our report thereon dated July 23, 2014.

In connection with our audit, we tested expenditures of the Village of Tolono, Illinois' Tax Increment Financing district. The results of our tests indicate that for the items tested, the Village of Tolono, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, "An Act in Relation to Tax Increment Financing". Additionally, nothing came to our attention that caused us to believe that the Village of Tolono, Illinois was not in compliance with the statutory requirements of Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Village of Tolono, Illinois' noncompliance with the above-referenced statutory requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Village Trustees, management, and others within the Village of Tolono, Illinois, and the Comptroller of the State of Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

*Martin, Hood, Friese & Associates, LLC*

Champaign, Illinois  
July 23, 2014