

VILLAGE OF TOLONO, ILLINOIS

Tolono, Illinois

**Financial Statements
and Supplementary Information**

For the Year Ended

April 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

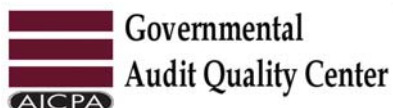
We have audited the accompanying modified cash basis financial statements of the governmental activities and governmental funds and the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) of the business-type activities and proprietary funds of the Village of Tolono, Illinois as of and for the year ended April 30, 2016, 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.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2016, and 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 require that the IMRF Schedule of Changes in Net Pension Liability and Related Ratios and IMRF Schedule of Employer Contributions on pages 34-35 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 requires 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
September 7, 2016

VILLAGE OF TOLONO, ILLINOIS
Statement of Net Position - Modified Cash Basis (Governmental Activities) and
GAAP Basis (Business-Type Activities)
April 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 899,349	\$ 891,869	\$ 1,791,218
Note Receivable	100,000	-	100,000
Accounts Receivable	-	55,900	55,900
Supplies and Parts Inventory	-	12,830	12,830
Cash - Restricted	94,867	-	94,867
Property and Equipment, Net:			
Land (Not Being Depreciated)	-	3,392	3,392
Waterworks System	-	263,377	263,377
Waterworks Equipment	-	21,289	21,289
Sewerage System	-	534,537	534,537
Sewerage Equipment	-	150,131	150,131
Total Assets	<u>1,094,216</u>	<u>1,933,325</u>	<u>3,027,541</u>
Liabilities			
Accounts Payable	-	75,121	75,121
Noncurrent Liabilities:			
Due Within One Year	220,000	-	220,000
Due After One Year	4,550,000	-	4,550,000
Total Liabilities	<u>4,770,000</u>	<u>75,121</u>	<u>4,845,121</u>
Net Position			
Net Investment in Capital Assets	-	972,726	972,726
Restricted for:			
Streets and Alleys	93,217	-	93,217
TIF District	454,629	-	454,629
Unrestricted	(4,223,630)	885,478	(3,338,152)
Total Net Position	<u>\$ (3,675,784)</u>	<u>\$ 1,858,204</u>	<u>\$ (1,817,580)</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, 2016

	Total	Business-Type	Governmental Activities					
		Activities	Total	General	Public	Public	Recreation	Redevelopment
		Water		Government	Works	Safety		
		and Sewer						
Expenses								
Salaries and Related Expenses	\$ 646,611	\$ 134,343	\$ 512,268	\$ 46,652	\$ 164,029	\$ 301,587	\$ -	\$ -
Materials and Supplies	51,763	46,602	5,161	3,543	1,427	191	-	-
Contractual Services	1,920,800	200,746	1,720,054	110,737	424,213	111,401	-	1,073,703
Depreciation	96,204	96,204	-	-	-	-	-	-
Water Purchases	313,171	313,171	-	-	-	-	-	-
Electricity for Pumping	61,474	61,474	-	-	-	-	-	-
Interest	125,117	-	125,117	-	-	-	-	125,117
Capital Outlay	1,567,320	-	1,567,320	-	148,324	48,837	-	1,370,159
Other	61,964	2,938	59,026	21,166	975	1,584	35,301	-
Total Expenses	4,844,424	855,478	3,988,946	182,098	738,968	463,600	35,301	2,568,979
Program Revenues								
Charges for Services:								
User Fees, Fines, Licenses and Permits	739,362	716,903	22,459	-	10,332	12,127	-	-
Net Program Expense	4,105,062	138,575	3,966,487	\$ 182,098	\$ 728,636	\$ 451,473	\$ 35,301	\$ 2,568,979
General Revenues								
<i>General Revenues</i>								
Taxes:								
TIF District Receipts	1,244,374	-	1,244,374					
Income Tax	368,064	-	368,064					
Sales Tax	227,878	-	227,878					
Property Tax	154,312	-	154,312					
Motor Fuel Tax	88,343	-	88,343					
Use Tax	79,327	-	79,327					
Road and Bridge Allocation	27,480	-	27,480					
Municipal Utility Tax	23,929	-	23,929					
Replacement Tax	8,013	-	8,013					
Gaming Tax	23,942	-	23,942					
Interest Income	167	-	167					
Other	24,401	-	24,401					
Total General Revenues	2,270,230	-	2,270,230					
Change in Net Position	(1,834,832)	(138,575)	(1,696,257)					
Net Position, May 1, 2015	17,252	1,996,779	(1,979,527)					
Net Position, April 30, 2016	\$ (1,817,580)	\$ 1,858,204	\$ (3,675,784)					

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 April 30, 2016

	General Fund	Police Fund	Street and Alley Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Total
ASSETS						
Current Assets						
Cash	\$ 451,503	\$ -	\$ -	\$ 93,217	\$ 354,629	\$ 899,349
Note Receivable	-	-	-	-	100,000	100,000
Total Current Assets	<u>451,503</u>	<u>-</u>	<u>-</u>	<u>93,217</u>	<u>454,629</u>	<u>999,349</u>
Other Assets						
Cash - Restricted	-	-	-	-	94,867	94,867
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,867</u>	<u>94,867</u>
Total Assets	<u>\$ 451,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,217</u>	<u>\$ 549,496</u>	<u>\$ 1,094,216</u>
LIABILITIES AND FUND BALANCES						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances						
<i>Restricted</i>						
TIF District Bond Reserves	-	-	-	-	64,077	64,077
TIF District Debt Certificate Reserves	-	-	-	-	30,790	30,790
TIF District	-	-	-	-	454,629	454,629
Streets and Alleys	-	-	-	93,217	-	93,217
<i>Unassigned</i>	451,503	-	-	-	-	451,503
Total Fund Balances	<u>451,503</u>	<u>-</u>	<u>-</u>	<u>93,217</u>	<u>549,496</u>	<u>1,094,216</u>
Total Liabilities and Fund Balances	<u>\$ 451,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,217</u>	<u>\$ 549,496</u>	<u>\$ 1,094,216</u>

Reconciliation to Statement of Net Position

Total Fund Balances	\$ 1,094,216
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 Long Term Debt. However, the modified cash basis, as it applies to the governmental activities on Exhibit A, as discussed in Note 1, does include Long Term Debt. This amount is the outstanding principal amount on the Long Term Debt.	
Net Position of Governmental Activities	<u>(4,770,000)</u>
	<u>\$ (3,675,784)</u>

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, 2016

	General Fund	Police Fund	Street and Alley Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Total
Revenues						
Local Taxes:						
Property Tax	\$ 135,181	\$ 19,131	\$ -	\$ -	\$ -	\$ 154,312
Municipal Utility Tax	23,929	-	-	-	-	23,929
Road and Bridge Allocation	-	-	27,480	-	-	27,480
TIF District Receipts	-	-	-	-	1,244,374	1,244,374
State Taxes:						
Income Tax	368,064	-	-	-	-	368,064
Motor Fuel Tax	-	-	-	88,343	-	88,343
Sales Tax	227,878	-	-	-	-	227,878
Use Tax	79,327	-	-	-	-	79,327
Replacement Tax	8,013	-	-	-	-	8,013
Gaming Tax	-	-	23,942	-	-	23,942
Other:						
Licenses and Permits	-	-	10,332	-	-	10,332
Fines	-	12,127	-	-	-	12,127
Interest Income	139	-	-	28	-	167
Rental Income	16,177	-	-	-	-	16,177
Miscellaneous	152	4,298	3,774	-	-	8,224
Total Revenues	<u>858,860</u>	<u>35,556</u>	<u>65,528</u>	<u>88,371</u>	<u>1,244,374</u>	<u>2,292,689</u>
Expenditures						
Current:						
General Government	182,098	-	-	-	-	182,098
Public Works	116,087	-	268,977	205,580	-	590,644
Public Safety	107,165	307,598	-	-	-	414,763
Recreation	35,301	-	-	-	-	35,301
Redevelopment	-	-	-	-	1,073,703	1,073,703
Debt Service:						
Principal Repayments	-	-	-	-	105,000	105,000
Interest Expense	-	-	-	-	125,117	125,117
Capital Outlay	5,000	48,837	143,324	-	1,370,159	1,567,320
Total Expenditures	<u>445,651</u>	<u>356,435</u>	<u>412,301</u>	<u>205,580</u>	<u>2,673,979</u>	<u>4,093,946</u>
Excess (Deficit) of Revenue Over Expenditures	<u>413,209</u>	<u>(320,879)</u>	<u>(346,773)</u>	<u>(117,209)</u>	<u>(1,429,605)</u>	<u>(1,801,257)</u>
Other Financing Sources (Uses)						
Debt Certificate Proceeds	-	-	-	-	1,529,186	1,529,186
Transfers In	-	660,214	498,473	-	-	1,158,687
Transfers Out	(1,158,687)	-	-	-	-	(1,158,687)
Net Other Financing Sources (Uses)	<u>(1,158,687)</u>	<u>660,214</u>	<u>498,473</u>	<u>-</u>	<u>1,529,186</u>	<u>1,529,186</u>
Net Change in Fund Balances	<u>(745,478)</u>	<u>339,335</u>	<u>151,700</u>	<u>(117,209)</u>	<u>99,581</u>	<u>(272,071)</u>
Fund Balances, May 1, 2015	<u>1,196,981</u>	<u>(339,335)</u>	<u>(151,700)</u>	<u>210,426</u>	<u>449,915</u>	<u>1,366,287</u>
Fund Balances, April 30, 2016	<u>\$ 451,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,217</u>	<u>\$ 549,496</u>	<u>\$ 1,094,216</u>
Reconciliation to the Statement of Activities						
Net Changes in Fund Balances						\$ (272,071)
Principal Advances on Debt Certificates						(1,529,186)
Principal Repayment on Debt						105,000
Change in Net Position of Governmental Activities						<u>\$ (1,696,257)</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, 2016

	Budget		Actual	Under/(Over) Budget
	Original	Final		
General Fund*				
<i>Current</i>				
General Government:				
Salaries and Related Expenditures	\$ 75,400	\$ 75,400	\$ 46,652	\$ 28,748
Materials and Supplies	12,100	12,100	3,543	8,557
Contractual Services	157,500	157,500	95,007	62,493
Other	29,000	29,000	21,166	7,834
Total General Government Expenditures	<u>274,000</u>	<u>274,000</u>	<u>166,368</u>	<u>107,632</u>
Public Works:				
Salaries and Related Expenditures	-	-	108,148	(108,148)
Contractual Services	32,000	32,000	7,939	24,061
Total Public Works Expenditures	<u>32,000</u>	<u>32,000</u>	<u>116,087</u>	<u>(84,087)</u>
Public Safety:				
Salaries and Related Expenditures	-	-	98,665	(98,665)
Recreation:				
Other	36,000	36,000	35,301	699
Total Current Expenditures	<u>342,000</u>	<u>342,000</u>	<u>416,421</u>	<u>(74,421)</u>
<i>Capital Outlay</i>	5,000	5,000	5,000	-
Total General Fund Expenditures	<u>\$ 347,000</u>	<u>\$ 347,000</u>	<u>\$ 421,421</u>	<u>\$ (74,421)</u>
Police Fund				
<i>Current</i>				
Public Safety:				
Salaries and Related Expenditures	\$ 261,200	\$ 261,200	\$ 202,922	\$ 58,278
Materials and Supplies	29,900	29,900	191	29,709
Contractual Services	80,900	80,900	102,901	(22,001)
Other	2,000	2,000	1,584	416
Total Public Safety Expenditures	<u>374,000</u>	<u>374,000</u>	<u>307,598</u>	<u>66,402</u>
<i>Capital Outlay</i>	34,000	34,000	48,837	(14,837)
Total Police Fund Expenditures	<u>\$ 408,000</u>	<u>\$ 408,000</u>	<u>\$ 356,435</u>	<u>\$ 51,565</u>
Street and Alley Fund				
<i>Current</i>				
Public Works:				
Salaries and Related Expenditures	\$ 66,000	\$ 66,000	\$ 55,881	\$ 10,119
Materials and Supplies	16,000	16,000	1,427	14,573
Contractual Services	172,000	172,000	210,694	(38,694)
Other	2,000	2,000	975	1,025
Total Public Works Expenditures	<u>256,000</u>	<u>256,000</u>	<u>268,977</u>	<u>(12,977)</u>
<i>Capital Outlay</i>	174,500	174,500	143,324	31,176
Total Street and Alley Fund Expenditures	<u>\$ 430,500</u>	<u>\$ 430,500</u>	<u>\$ 412,301</u>	<u>\$ 18,199</u>
Motor Fuel Tax Fund **				
<i>Current</i>				
Public Works:				
Street Maintenance	\$ 268,994	\$ 268,994	\$ 205,580	\$ 63,414
Tax Increment Financing Fund				
<i>Current</i>				
Redevelopment and Debt Service				
Contractual Services	\$ 3,000,000	\$ 3,000,000	\$ 1,303,820	\$ 1,696,180
<i>Capital Outlay</i>	-	-	1,370,159	(1,370,159)
Total Tax Increment Financing Expenditures	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 2,673,979</u>	<u>\$ 326,021</u>

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

** Equals the Village Board approved project budget

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS
 Balance Sheet
Proprietary Funds
 April 30, 2016

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
ASSETS				
Current Assets				
Cash	\$ 433,221	\$ 20,698	\$ 437,950	\$ 891,869
Accounts Receivable	-	32,366	23,534	55,900
Supplies and Parts Inventory	-	12,830	-	12,830
Total Current Assets	<u>433,221</u>	<u>65,894</u>	<u>461,484</u>	<u>960,599</u>
Property and Equipment, Net				
Land (Not Being Depreciated)	-	1,392	2,000	3,392
Waterworks System and Equipment	-	284,666	-	284,666
Sewerage System and Equipment	-	-	684,668	684,668
Total Property and Equipment, Net	<u>-</u>	<u>286,058</u>	<u>686,668</u>	<u>972,726</u>
Total Assets	<u>\$ 433,221</u>	<u>\$ 351,952</u>	<u>\$ 1,148,152</u>	<u>\$ 1,933,325</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts Payable	<u>\$ -</u>	<u>\$ 52,077</u>	<u>\$ 23,044</u>	<u>\$ 75,121</u>
Net Position				
Net Investment in Capital Assets	-	286,058	686,668	972,726
Unrestricted	433,221	13,817	438,440	885,478
Total Net Position	<u>433,221</u>	<u>299,875</u>	<u>1,125,108</u>	<u>1,858,204</u>
Total Liabilities and Net Position	<u>\$ 433,221</u>	<u>\$ 351,952</u>	<u>\$ 1,148,152</u>	<u>\$ 1,933,325</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, 2016

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
Operating Revenue				
User Fees	\$ -	\$ 415,912	\$ 300,991	\$ 716,903
Operating Expenses				
Contractual Services	-	28,675	172,071	200,746
Water Purchased	-	313,171	-	313,171
Electricity for Pumping	-	-	61,474	61,474
Depreciation	-	26,453	69,751	96,204
Salaries and Related Expenses	-	69,069	65,274	134,343
Materials and Supplies	-	44,321	2,281	46,602
Other	-	2,899	39	2,938
Total Operating Expenses	-	484,588	370,890	855,478
Change in Net Position	-	(68,676)	(69,899)	(138,575)
Net Position, May 1, 2015	433,221	368,551	1,195,007	1,996,779
Net Position, April 30, 2016	\$ 433,221	\$ 299,875	\$ 1,125,108	\$ 1,858,204

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2016

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
Cash Flows from Operating Activities				
Receipts from Customers	\$ -	\$ 414,498	\$ 299,963	\$ 714,461
Payments to Vendors	-	(392,689)	(241,780)	(634,469)
Payments to Employees	-	(69,069)	(65,274)	(134,343)
Net Cash Provided by (Used In) Operating Activities	-	(47,260)	(7,091)	(54,351)
Cash Flows from Capital and Related Financing Activities				
Purchase of Property and Equipment	-	(10,180)	(10,180)	(20,360)
Increase (Decrease) in Cash	-	(57,440)	(17,271)	(74,711)
Cash, May 1, 2015	433,221	78,138	455,221	966,580
Cash, April 30, 2016	<u>\$ 433,221</u>	<u>\$ 20,698</u>	<u>\$ 437,950</u>	<u>\$ 891,869</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ -	\$ (68,676)	\$ (69,899)	\$ (138,575)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Depreciation	-	26,453	69,751	96,204
(Increase) Decrease in Accounts Receivable	-	(1,414)	(1,028)	(2,442)
Increase (Decrease) in Accounts Payable	-	(3,623)	(5,915)	(9,538)
Net Cash Provided by (Used In) Operating Activities	<u>\$ -</u>	<u>\$ (47,260)</u>	<u>\$ (7,091)</u>	<u>\$ (54,351)</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS
Notes to Basic Financial Statements
April 30, 2016

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 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

a. Financial Reporting Entity

The Village of Tolono, Illinois' (the Village) 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 that are restricted and committed, respectively, 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 debt, and administration of the TIF District.

The Motor Fuel Tax Fund does not quantitatively qualify as a major fund. The Village's management has chosen to present this fund as major due to its qualitative importance to the Village's operation.

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:

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 Fund and Sewerage Operation Fund, respectively.
Waterworks Operation Fund	Accounts for revenue from water services and expenses incurred to operate and maintain the 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.

- 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 notes receivables and long-term debt in the governmental activities and short-term notes receivable and interfund balances for the governmental funds. This basis measures and reports cash and changes in cash 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, 2016.

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

Restricted – Amounts that can be spent only for specific purposes because of the Village charter, state or federal laws, or externally imposed conditions by grantors or creditors

Committed – Amounts that can be used only for specific purposes determined by a resolution of the Board of Village Trustees

Assigned – Amounts that are constrained by the Board of Village Trustees’ intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Board of Village Trustees itself or (b) a body or official to which the Board of Village Trustees has delegated the authority to assign amounts to be used for specific purposes. The Village’s highest level of decision-making authority is the Board of Village Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned – All amounts not included in other spendable classifications

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Village Trustees has provided otherwise in its commitment or assignment actions.

i. Program Revenues

Program Revenues on the Statement of Activities include the following:

Governmental Activities:

Fines	Amounts remitted to the Village by violators of Village ordinances
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Licenses and Permits	Amounts remitted to the Village by entities and persons making use of legal privileges issued by the Village
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Business-Type Activities:

User Fees	Fees paid by the public for water and sewerage service
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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 2015.

3. Budget Over/Under Expenditure

The Village overspent the General Fund appropriation budget for fiscal year 2016 by \$74,421. The General Fund over expenditure was due to greater than planned expenditures as the result of a onetime payment of \$150,000 made to the Village's pension fund. The General Fund incurred the entire onetime expenditure of \$150,000.

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 2015 tax levy on December 1, 2015. 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 2014 tax levy.

5. Cash

Cash – Restricted

At April 30, 2016, the Village's governmental activities and Tax Increment Financing Fund held \$94,867 of cash restricted by bond and debt certificate reserve requirements for future 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 an 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, 2016, \$1,642,019 of the Village's bank deposits of \$1,892,019, which reconciled to a book balance of \$1,886,085, was exposed to custodial credit risk. The \$1,642,019 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 \$3,119,511 at April 30, 2016.

6. Note Receivable

In July 2015, the Village's TIF Fund advanced the Tolono Park District \$100,000 to fund capital projects. This note receivable is non-interest bearing and will be repaid in one payment in January 2017. No allowance has been recorded against this note receivable as of April 30, 2016 as the Village's management believes the receivable will be fully paid as scheduled. The note receivable is uncollateralized.

7. 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, 2016:

	April 30, 2015	Additions	Retirements	April 30, 2016
Land (Not Depreciable)	\$ 3,392	\$ -	\$ -	\$ 3,392
Depreciable Property and Equipment:				
<i>Waterworks</i>				
System	809,803		(1,604)	808,199
Equipment and Vehicles	96,844	10,180	(9,000)	98,024
<i>Sewerage</i>				
System	2,833,500	-	-	2,833,500
Equipment and Vehicles	544,316	10,180	(8,900)	545,596
Less: Accumulated Depreciation	<u>(3,239,285)</u>	<u>(96,204)</u>	<u>19,504</u>	<u>(3,315,985)</u>
Property and Equipment, Net	<u>\$ 1,048,570</u>	<u>\$ (75,844)</u>	<u>\$ -</u>	<u>\$ 972,726</u>

Depreciation for fiscal year 2016 was \$26,453 for Waterworks and \$69,751 for Sewerage.

8. 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 Village's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members, including the Village, participate in the Regular Plan

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for their life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of: 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

There have been no changes in benefits between measurement dates.

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	5
Inactive Plan Members entitled to but not yet receiving benefits	8
Active Plan Members	7
Total	<u><u>20</u></u>

Contributions

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 Village's annual contribution rate for calendar year 2015 was 19.65 percent. For the fiscal year ended April 30, 2016, the Village contributed \$61,540 to the plan in normal required contributions and a onetime \$150,000 voluntary contribution. 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.

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The Actuarial Cost Method used was Entry Age Normal
- The Asset Valuation Method used was Market Value of Assets
- The Inflation Rate was assumed to be 2.75 percent
- Salary Increases were expected to be 3.75 percent to 14.50 percent, including inflation
- The Investment Rate of Return was assumed to be 7.40 percent
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percent and adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

There have been no changes in assumptions between the measurement dates other than changes in actuarial mortality tables.

Single Discount Rate

A single discount rate of 7.40 percent was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. A long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.57 percent, and the resulting single discount rate is 7.40 percent.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (Asset) (A) - (B)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2014	\$ 1,399,894	\$ 804,848	\$ 595,046
Changes for the year:			
Service Cost	37,714	-	37,714
Interest on the Total Pension Liability	102,493	-	102,493
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	26,472	-	26,472
Changes of Assumptions	(3,648)	-	(3,648)
Contributions - Employer	-	60,984	(60,984)
Contributions - Employees	-	14,683	(14,683)
Net Investment Income	-	4,064	(4,064)
Benefit Payments, including Refunds of Employee Contributions	(59,917)	(59,917)	-
Other (Net Transfer)	-	64,896	(64,896)
Net Changes	<u>103,114</u>	<u>84,710</u>	<u>18,404</u>
Balances at December 31, 2015	<u>\$ 1,503,008</u>	<u>\$ 889,558</u>	<u>\$ 613,450</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability calculated using a Single Discount rate of 7.40 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1 percent lower or 1 percent higher:

	1% Decrease (6.40%)	Current Discount (7.40%)	1% Increase (8.40%)
	<u> </u>	<u> </u>	<u> </u>
Total Pension Liability	\$ 1,704,898	\$ 1,503,008	\$ 1,338,460
Plan Fiduciary Net Position	889,558	889,558	889,558
Net Pension Liability (Asset)	<u>\$ 815,340</u>	<u>\$ 613,450</u>	<u>\$ 448,902</u>

Pension Expense, Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

This section is presented for informational purposes only. As the Village funds the pension plan through the General Fund, and the General Fund is presented on the modified cash basis, the following accrual based financial statement elements are not recorded by the Village.

For the year ended December 31, 2015, the Village's accrual basis pension expense was \$15,601. At December 31, 2015, the Village's accrual basis deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Years			
Differences between expected and actual experience	\$ 18,938	\$ -	\$ 18,938
Changes in assumptions	-	2,610	(2,610)
Net difference between projected and actual Earnings on pension plan investments	<u>47,459</u>	<u>-</u>	<u>47,459</u>
Total Deferred Amounts to be recognized in Pension expense in future periods	<u>\$ 66,397</u>	<u>\$ 2,610</u>	<u>\$ 63,787</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the accrual basis pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 18,361
2017	18,361
2018	15,201
2019	11,864
Total	<u>\$ 63,787</u>

Payables to the Pension Plan

At April 30, 2016, the Village had already made the final April 2016 IMRF payment; therefore, there were no reported payables to IMRF for legally required employer contributions or legally required employee contributions

9. 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 83 percent of the remaining revenue assuming principal and interest on debt certificates (see Note 10) continue to be paid from the TIF Fund.

There was principal and interest of \$190,258 paid for fiscal year 2016. Other TIF District commitments totaled \$2,583,721 for fiscal year 2016. The TIF Fund's incremental property tax revenues totaled \$1,244,374 for fiscal year 2016. At April 30, 2016, pledged future revenues totaled \$3,762,293, which was the amount of the remaining principal and interest on the bonds.

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

Fiscal Year Ended April 30	Principal	Interest	Total
2017	\$ 150,000	\$ 88,808	\$ 238,808
2018	200,000	86,333	286,333
2019	205,000	82,633	287,633
2020	205,000	78,328	283,328
2021	210,000	73,510	283,510
2022-2026	1,630,000	261,293	1,891,293
2027	475,000	16,388	491,388
Total	<u>\$ 3,075,000</u>	<u>\$ 687,293</u>	<u>\$ 3,762,293</u>

Total interest paid in fiscal year 2016 on these bonds was \$90,258.

The 2012 bond ordinance calls for two funded reserves. 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. Upon completion of the project, any remaining funds are required to be moved to the bond fund reserve. The Village has completed the project and the remaining balance of \$64,077 in the project fund was moved to the bond fund reserve. 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, 2016, the required balance from this requirement was \$0 because the Village has not received property tax payments for 2015 as of April 30, 2016. At April 30, 2016 the balances in the project fund reserve and the bond fund reserve were \$0 and \$64,077, respectively.

10. General Obligation Debt Certificates

In fiscal years 2016 and 2015, the Village issued \$170,814 and \$1,529,186, respectively, of general obligation (limited debt) debt certificates to defray the costs associated with the redevelopment of the TIF District in the Village of Tolono, and, consequently, these debt certificates have been accounted for in the TIF Fund. Hickory Point Bank & Trust of Champaign, Illinois is the purchaser for the issue known as the General Obligation Debt Certificates, Series 2015, which totals \$1,700,000. These debt certificates mature serially on March 17 of each calendar year through 2027 in amounts ranging from \$5,000 to \$335,000 and bearing interest at 3.30 through March 17, 2019, then 3.50 percent through March 17, 2023, and then bearing interest at the four-year Federal Home Loan Bank Chicago (FHLBC) rate on March 17, 2023 plus 1.75 percent with a cap of 5.00 percent, payable September 17 and March 17 annually.

Aggregate future principal maturities and interest payments required on these debt certificates are as follows for fiscal years ending April 30, assuming an interest rate of 3.60 percent as of March 17, 2023:

Fiscal Year Ended April 30	Principal	Interest	Total
2017	\$ 70,000	\$ 55,935	\$ 125,935
2018	60,000	53,625	113,625
2019	60,000	51,645	111,645
2020	65,000	52,675	117,675
2021	65,000	50,400	115,400
2022-2026	1,040,000	198,195	1,238,195
2027	335,000	12,060	347,060
Total	<u>\$ 1,695,000</u>	<u>\$ 474,535</u>	<u>\$ 2,169,535</u>

Total interest paid in fiscal year 2016 on the debt certificates was \$34,859.

The 2015 debt certificate ordinance calls for one funded reserve. The project fund reserve requires the Village to hold the net proceeds from the debt certificate issuance in reserve for payment of costs related to the capital projects and costs of issuance. At April 30, 2016, the required balance from this reserve was \$30,790 because there were net proceeds remaining from the debt certificate issuance as of April 30, 2016.

11. 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, 2016:

	April 30, 2015	Issued	Retired	April 30, 2016	Due Within One Year
General Obligation Debt Certificates	\$ 170,814	\$ 1,529,186	\$ 5,000	\$ 1,695,000	\$ 70,000
General Obligation Bond	3,175,000	-	100,000	3,075,000	150,000
Total	<u>\$ 3,345,814</u>	<u>\$ 1,529,186</u>	<u>\$ 105,000</u>	<u>\$ 4,770,000</u>	<u>\$ 220,000</u>

12. Legal Debt Margin

At April 30, 2016, the estimated legal debt margin was determined as follows:

Assessed Valuation (Tax Year 2015)	<u>\$ 50,804,000</u>
Statutory Debt Limitation (8.625 percent of Assessed Valuation)	4,381,845
Total General Obligation Indebtedness at April 30, 2016	<u>1,695,000</u>
Legal Debt Margin	<u>\$ 2,686,845</u>

Note: By Illinois statute, the legal debt margin excludes alternative revenue source debt. The Village's General Obligation Bond is an alternative revenue source debt and thus it is not included in the legal debt margin calculation.

13. Restricted Net Position and Fund Balances and Committed Fund Balance

As of April 30, 2016, the Village's governmental activities and Motor Fuel Tax Fund had \$93,217 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, 2016, the Village's governmental activities and TIF Fund had \$454,629 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, 2016, the Village's TIF Fund had \$64,077 restricted for TIF District Bond Reserves. This reserve resulted from the proceeds of the bond issue known as the General Obligation Bond (Alternate Revenue Source), Series 2012, less project and interest expenditures to April 30, 2016. As the project funded by this bond issue is complete, the remaining restricted fund balance is to be used to pay interest on the bonds.

As of April 30, 2016, the Village's TIF Fund had \$30,790 restricted for TIF District Debt Certificate Reserves. This reserve resulted from the proceeds of the debt certificates issue known as the General Obligation Debt Certificates, Series 2015, less project and interest expenditures to April 30, 2016. As the project funded by this debt certificate issue is complete, the remaining restricted fund balance is to be used to pay interest on the debt certificates.

14. Restricted Property Tax Activity

The Village had the following restricted property tax activity in the General Fund during the year ended April 30, 2016:

	<u>Insurance Liability</u>	<u>IMRF</u>	<u>Audit</u>	<u>ESDA</u>
Restricted Balance at April 30, 2015	\$ -	\$ -	\$ -	\$ -
Property Taxes Received	4,236	38,888	7,655	786
Expenditures Incurred	<u>(4,236)</u>	<u>(38,888)</u>	<u>(7,655)</u>	<u>(786)</u>
Restricted Balance at April 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

15. Interfund Transfers

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	\$ -	\$ 1,158,687
Police Fund	660,214	-
Street and Alley Fund	498,473	-
Total All Funds	<u>\$ 1,158,687</u>	<u>\$ 1,158,687</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.

16. Risk of Loss

Significant losses are covered by commercial insurance for property, liability, and workers' compensation. During the year ended April 30, 2016, 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.

17. 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, 2016, property tax receipts of \$1,244,374 were received from the TIF District.

18. 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, 2016, the maximum amount committed to developers was \$8,362,850 and the total paid to developers was \$5,064,323. 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 2016 was \$267,948.

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 made 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.

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

19. 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, 2016, the Village has paid \$54,079 in rebate payments. These financial statements do not include any expense/expenditure or liability related to the unpaid portion of these commitments.

20. Employee Separation Pay Commitment

At separation from employment, employees are eligible to receive compensation for all unused vacation time. At April 30, 2016, the Village’s potential liability for employee separation pay was \$9,438. 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 \$7,002 for the Police Fund, \$1,500 for the General Fund and \$936 for the enterprise funds.

21. 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>	
2017	\$ 14,378
2018	3,621
	<u>\$ 17,999</u>

22. 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>
Old Fire Station Purchase	General	\$ 20,000	2017 - 2020
Old Fire Station Demolition	General	18,000	2017
Police Station Design	General	71,500	2017
Combination Sewer Cleaner	Sewer	78,400	2017

VILLAGE OF TOLONO, ILLINOIS
IMRF Schedule of Changes in Net Pension Liability and Related Ratios
Calendar Years

Required Supplementary Information
(Unaudited)

	<u>(1)</u> <u>2015</u>
Total Pension Liability	
Service Cost	\$ 37,714
Interest on the Total Pension Liability	102,493
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	26,472
Changes of Assumptions	(3,648)
Benefit Payments, including Refunds of Employee Contributions	(59,917)
Net Change in Total Pension Liability	<u>103,114</u>
Total Pension Liability - Beginning	<u>1,399,894</u>
Total Pension Liability - Ending (A)	<u><u>\$ 1,503,008</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 60,984
Contributions - Employees	14,683
Net Investment Income	4,064
Benefit Payments, including Refunds of Employee Contributions	(59,917)
Other (Net Transfer)	64,896
Net Change in Plan Fiduciary Net Position	<u>84,710</u>
Plan Fiduciary Net Position - Beginning	<u>804,848</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 889,558</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ 613,450</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 59.19%
 Covered Valuation Payroll	 \$ 326,289
 Net Pension Liability as a Percentage of Covered Valuation Payroll	 188.01%

Note:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF TOLONO, ILLINOIS
IMRF Schedule of Employer Contributions
Calendar Years

Required Supplementary Information
(Unaudited)

(1) Year Ended <u>December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2015	\$ 60,983	\$ 60,984	\$ (1)	\$ 326,289	18.69%
2014	55,481	55,481	-	297,805	18.63%
2013	57,946	57,946	-	311,703	18.59%

Note:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF TOLONO, ILLINOIS
Notes to Required Supplementary Information - IMRF Schedule of Employer Contributions
(Unaudited)
April 30, 2016

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate^s

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	28-year closed period until remaining period reaches 15 years (then 15-year rolling period).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4.00%
Price Inflation:	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16.00% including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010
Mortality:	RP-200 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year

* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation.

VILLAGE OF TOLONO, ILLINOIS
 Combining Balance Sheet - Modified Cash Basis
Audit and ESDA Subfunds
 April 30, 2016

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

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, 2016

	<u>Audit Fund</u>	<u>ESDA Fund</u>	<u>Total</u>
Revenues			
Local Taxes:			
Property Tax	\$ 7,655	\$ 786	\$ 8,441
Expenditures			
Current:			
General Government	15,730	-	15,730
Public Safety	-	8,500	8,500
Total Expenditures	<u>15,730</u>	<u>8,500</u>	<u>24,230</u>
Excess (Deficit) of Revenue Over Expenditures	(8,075)	(7,714)	(15,789)
Other Financing Sources (Uses)			
Transfers In	<u>14,460</u>	<u>15,532</u>	<u>29,992</u>
Net Change in Fund Balances	6,385	7,818	14,203
Fund Balances, May 1, 2015	<u>(6,385)</u>	<u>(7,818)</u>	<u>(14,203)</u>
Fund Balances, April 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF TOLONO, ILLINOIS
Statement of Expenditures - Budget and Actual - Modified Cash Basis
Audit and ESDA Subfunds
For the Year Ended April 30, 2016

	Budget		Actual	Under/(Over) Budget
	Original	Final		
Audit Fund				
Current:				
General Government				
Contractual Services	\$ 20,000	\$ 20,000	\$ 15,730	\$ 4,270
ESDA Fund				
Current:				
Public Safety				
Contractual Services	\$ 10,000	\$ 10,000	\$ 8,500	\$ 1,500

Table 1

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>	2017 <u>2015</u>	2016 <u>2014</u>	2015 <u>2013</u>	2014 <u>2012</u>
Assessed Valuations	\$ 34,201,407	\$ 34,748,278	\$ 34,958,783	\$ 35,048,732
Tax Levies				
General	\$ 83,900	\$ 83,100	\$ 81,840	\$ 80,458
Police Protection	19,300	19,100	18,820	18,500
ESDA	805	800	784	775
Audit	7,700	7,650	7,521	7,400
Insurance Liability	4,290	4,250	4,170	4,100
IMRF	39,375	39,000	38,425	37,800
Total Tax Levies	<u>\$ 155,370</u>	<u>\$ 153,900</u>	<u>\$ 151,560</u>	<u>\$ 149,033</u>
Tax Rates				
General	0.2453	0.2391	0.2341	0.2296
Police Protection	0.0564	0.0550	0.0538	0.0528
ESDA	0.0024	0.0023	0.0022	0.0022
Audit	0.0225	0.0220	0.0215	0.0211
Insurance Liability	0.0125	0.0122	0.0119	0.0117
IMRF	0.1151	0.1122	0.1099	0.1078
Total Tax Rates	<u>0.4542</u>	<u>0.4428</u>	<u>0.4334</u>	<u>0.4252</u>
Tax Extensions				
General	\$ 83,896	\$ 83,083	\$ 81,838	\$ 80,472
Police Protection	19,290	19,112	18,808	18,506
ESDA	821	799	769	771
Audit	7,695	7,645	7,516	7,395
Insurance Liability	4,275	4,239	4,160	4,101
IMRF	39,366	38,988	38,420	37,783
Total Tax Extensions	<u>\$ 155,343</u>	<u>\$ 153,866</u>	<u>\$ 151,511</u>	<u>\$ 149,028</u>
Tax Collections				
General		\$ 83,616	\$ 83,134	\$ 80,796
Police Protection		19,131	18,805	18,545
ESDA		786	773	776
Audit		7,655	7,516	7,406
Insurance Liability		4,236	3,016	4,090
IMRF		38,888	38,303	37,701
Total Tax Collections		<u>\$ 154,312</u>	<u>\$ 151,547</u>	<u>\$ 149,314</u>
Percentage of Extension Collected		<u>100.29%</u>	<u>100.02%</u>	<u>100.19%</u>

INDEPENDENT AUDITOR'S REPORT
ON TAX INCREMENT FINANCING

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

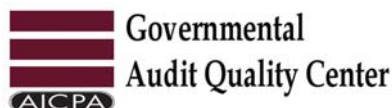
We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements and related notes of the Village of Tolono, Illinois as of and for the year ended April 30, 2016, as listed in the table of contents, and have issued our report thereon dated September 7, 2016.

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
September 7, 2016



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS