

VILLAGE OF TOLONO, ILLINOIS

Tolono, Illinois

**Financial Statements  
and Supplementary Information**

For the Year Ended

April 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

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

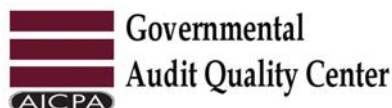
We have audited the accompanying modified cash basis financial statements of the governmental activities and governmental funds and the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) of the business-type activities and proprietary funds of the Village of Tolono, Illinois as of and for the year ended April 30, 2017, 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, 2017, 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 35-37 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 presented on the GAAP basis 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 presented on the GAAP basis 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 5, 2017

VILLAGE OF TOLONO, ILLINOIS  
Statement of Net Position - Modified Cash Basis (Governmental Activities) and  
GAAP Basis (Business-Type Activities)  
April 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 483,288	\$ 761,788	\$ 1,245,076
Accounts Receivable	-	54,646	54,646
Supplies and Parts Inventory	-	12,830	12,830
Property and Equipment, Net:			
Land (Not Being Depreciated)	-	3,392	3,392
Waterworks System	-	242,505	242,505
Waterworks Equipment	-	16,264	16,264
Sewerage System	-	498,029	498,029
Sewerage Equipment	-	117,093	117,093
Total Assets	<u>483,288</u>	<u>1,706,547</u>	<u>2,189,835</u>
<b>Liabilities</b>			
Current Liabilities	-	87,370	87,370
Noncurrent Liabilities:			
Due Within One Year	330,592	-	330,592
Due After One Year	4,400,915	-	4,400,915
Total Liabilities	<u>4,731,507</u>	<u>87,370</u>	<u>4,818,877</u>
<b>Net Position</b>			
Net Investment in Capital Assets	-	877,283	877,283
Restricted for:			
Streets and Alleys	180,331	-	180,331
TIF District	57,648	-	57,648
Unrestricted	(4,486,198)	741,894	(3,744,304)
Total Net Position	<u>\$ (4,248,219)</u>	<u>\$ 1,619,177</u>	<u>\$ (2,629,042)</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, 2017

	Total	Business-Type	Governmental Activities					
		Activities	Total	General	Public	Public	Recreation	Redevelopment
		Water and Sewer		Government	Works	Safety		
<b>Expenses</b>								
Salaries and Related Expenses	\$ 610,699	\$ 200,608	\$ 410,091	\$ 50,211	\$ 93,156	\$ 266,724	\$ -	\$ -
Materials and Supplies	42,101	19,372	22,729	5,806	7,434	9,489	-	-
Contractual Services	1,574,676	254,134	1,320,542	146,095	207,621	115,794	-	851,032
Depreciation	95,443	95,443	-	-	-	-	-	-
Water Purchases	325,295	325,295	-	-	-	-	-	-
Electricity for Pumping	62,266	62,266	-	-	-	-	-	-
Interest	146,743	-	146,743	-	-	-	-	146,743
Capital Outlay	768,650	-	768,650	-	146,477	36,746	-	585,427
Loss on Forgiveness of Note								
Receivable from Tolono Park District	100,000	-	100,000	-	-	-	-	100,000
Other	66,243	11,616	54,627	13,804	1,311	360	39,152	-
Total Expenses	<u>3,792,116</u>	<u>968,734</u>	<u>2,823,382</u>	<u>215,916</u>	<u>455,999</u>	<u>429,113</u>	<u>39,152</u>	<u>1,683,202</u>
<b>Program Revenues</b>								
Charges for Services:								
User Fees, Fines, Licenses and Permits	753,128	729,707	23,421	4,172	8,689	10,560	-	-
Net Program Expense	<u>3,038,988</u>	<u>239,027</u>	<u>2,799,961</u>	<u>\$ 211,744</u>	<u>\$ 447,310</u>	<u>\$ 418,553</u>	<u>\$ 39,152</u>	<u>\$ 1,683,202</u>
<b>General Revenues</b>								
Taxes:								
TIF District Receipts	1,229,847	-	1,229,847					
Income Tax	328,198	-	328,198					
Sales Tax	226,728	-	226,728					
Property Tax	155,541	-	155,541					
Motor Fuel Tax	87,667	-	87,667					
Use Tax	84,218	-	84,218					
Gaming Tax	28,601	-	28,601					
Road and Bridge Allocation	27,193	-	27,193					
Municipal Utility Tax	26,893	-	26,893					
Replacement Tax	8,418	-	8,418					
Interest Income	1,928	-	1,928					
Other	22,294	-	22,294					
Total General Revenues	<u>2,227,526</u>	<u>-</u>	<u>2,227,526</u>					
<b>Change in Net Position</b>	(811,462)	(239,027)	(572,435)					
<b>Net Position, May 1, 2016</b>	<u>(1,817,580)</u>	<u>1,858,204</u>	<u>(3,675,784)</u>					
<b>Net Position, April 30, 2017</b>	<u>\$ (2,629,042)</u>	<u>\$ 1,619,177</u>	<u>\$ (4,248,219)</u>					

See Accompanying Notes



VILLAGE OF TOLONO, ILLINOIS  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 April 30, 2017

	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	\$ 245,309	\$ -	\$ -	\$ 180,331	\$ 57,648	\$ 483,288
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>						
<i>Restricted</i>						
TIF District	-	-	-	-	57,648	57,648
Streets and Alleys	-	-	-	180,331	-	180,331
<i>Unassigned</i>	245,309	-	-	-	-	245,309
Total Fund Balances	245,309	-	-	180,331	57,648	483,288
Total Liabilities and Fund Balances	\$ 245,309	\$ -	\$ -	\$ 180,331	\$ 57,648	\$ 483,288
<b>Reconciliation to Statement of Net Position</b>						
Total Fund Balances						\$ 483,288
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>(4,731,507)</u>
						<u>\$ (4,248,219)</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, 2017

	General Fund	Police Fund	Street and Alley Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Total
<b>Revenues</b>						
Local Taxes:						
Property Tax	\$ 136,223	\$ 19,318	\$ -	\$ -	\$ -	\$ 155,541
Municipal Utility Tax	26,893	-	-	-	-	26,893
Road and Bridge Allocation	-	-	27,193	-	-	27,193
TIF District Receipts	-	-	-	-	1,229,847	1,229,847
State Taxes:						
Income Tax	328,198	-	-	-	-	328,198
Motor Fuel Tax	-	-	-	87,667	-	87,667
Sales Tax	226,728	-	-	-	-	226,728
Use Tax	84,218	-	-	-	-	84,218
Replacement Tax	8,418	-	-	-	-	8,418
Gaming Tax	19,513	-	9,088	-	-	28,601
Other:						
Licenses and Permits	4,172	-	8,689	-	-	12,861
Fines	-	10,560	-	-	-	10,560
Interest Income	1,928	-	-	-	-	1,928
Rental Income	14,378	-	-	-	-	14,378
Miscellaneous	222	3,863	3,831	-	-	7,916
Total Revenues	<u>850,891</u>	<u>33,741</u>	<u>48,801</u>	<u>87,667</u>	<u>1,229,847</u>	<u>2,250,947</u>
<b>Expenditures</b>						
Current:						
General Government	215,916	-	-	-	-	215,916
Public Works	56,222	-	252,747	553	-	309,522
Public Safety	65,174	327,193	-	-	-	392,367
Recreation	39,152	-	-	-	-	39,152
Redevelopment	-	-	-	-	951,032	951,032
Debt Service:						
Principal Repayments	-	-	-	-	220,000	220,000
Interest Expense	-	-	-	-	146,743	146,743
Capital Outlay	16,981	36,746	129,496	-	585,427	768,650
Total Expenditures	<u>393,445</u>	<u>363,939</u>	<u>382,243</u>	<u>553</u>	<u>1,903,202</u>	<u>3,043,382</u>
<b>Excess (Deficit) of Revenue Over Expenditures</b>	<u>457,446</u>	<u>(330,198)</u>	<u>(333,442)</u>	<u>87,114</u>	<u>(673,355)</u>	<u>(792,435)</u>
<b>Other Financing Sources (Uses)</b>						
Debt Certificate Proceeds	-	-	-	-	181,507	181,507
Transfers In	-	330,198	333,442	-	-	663,640
Transfers Out	(663,640)	-	-	-	-	(663,640)
Net Other Financing Sources (Uses)	<u>(663,640)</u>	<u>330,198</u>	<u>333,442</u>	<u>-</u>	<u>181,507</u>	<u>181,507</u>
<b>Net Change in Fund Balances</b>	<u>(206,194)</u>	<u>-</u>	<u>-</u>	<u>87,114</u>	<u>(491,848)</u>	<u>(610,928)</u>
<b>Fund Balances, May 1, 2016</b>	<u>451,503</u>	<u>-</u>	<u>-</u>	<u>93,217</u>	<u>549,496</u>	<u>1,094,216</u>
<b>Fund Balances, April 30, 2017</b>	<u>\$ 245,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,331</u>	<u>\$ 57,648</u>	<u>\$ 483,288</u>
<b>Reconciliation to the Statement of Activities</b>						
Net Changes in Fund Balances						\$ (610,928)
Principal Advances on Debt Certificates						(181,507)
Principal Repayment on Debt						220,000
Change in Net Position of Governmental Activities						<u>\$ (572,435)</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, 2017

	Budget		Actual	Under/(Over) Budget
	Original	Final		
<b>General Fund*</b>				
<i>Current</i>				
General Government:				
Salaries and Related Expenditures	\$ 178,000	\$ 178,000	\$ 50,211	\$ 127,789
Materials and Supplies	7,000	7,000	5,806	1,194
Contractual Services	125,000	125,000	138,396	(13,396)
Other	19,000	19,000	13,804	5,196
Total General Government Expenditures	<u>329,000</u>	<u>329,000</u>	<u>208,217</u>	<u>120,783</u>
Public Works:				
Salaries and Related Expenditures	-	-	35,583	(35,583)
Materials and Supplies	-	-	300	(300)
Contractual Services	23,000	23,000	20,339	2,661
Total Public Works Expenditures	<u>23,000</u>	<u>23,000</u>	<u>56,222</u>	<u>(33,222)</u>
Public Safety:				
Salaries and Related Expenditures	-	-	55,174	(55,174)
Recreation:				
Other	33,000	33,000	39,152	(6,152)
Total Current Expenditures	<u>385,000</u>	<u>385,000</u>	<u>358,765</u>	<u>26,235</u>
<i>Capital Outlay</i>	5,000	5,000	16,981	(11,981)
Total General Fund Expenditures	<u>\$ 390,000</u>	<u>\$ 390,000</u>	<u>\$ 375,746</u>	<u>\$ 14,254</u>
<b>Police Fund</b>				
<i>Current</i>				
Public Safety:				
Salaries and Related Expenditures	\$ 276,200	\$ 276,200	\$ 211,550	\$ 64,650
Materials and Supplies	23,850	23,850	9,489	14,361
Contractual Services	71,950	71,950	105,794	(33,844)
Other	2,000	2,000	360	1,640
Total Public Safety Expenditures	<u>374,000</u>	<u>374,000</u>	<u>327,193</u>	<u>46,807</u>
<i>Capital Outlay</i>	88,000	88,000	36,746	51,254
Total Police Fund Expenditures	<u>\$ 462,000</u>	<u>\$ 462,000</u>	<u>\$ 363,939</u>	<u>\$ 98,061</u>
<b>Street and Alley Fund</b>				
<i>Current</i>				
Public Works:				
Salaries and Related Expenditures	\$ 77,000	\$ 77,000	\$ 57,573	\$ 19,427
Materials and Supplies	7,000	7,000	7,134	(134)
Contractual Services	218,500	218,500	186,729	31,771
Other	2,000	2,000	1,311	689
Total Public Works Expenditures	<u>304,500</u>	<u>304,500</u>	<u>252,747</u>	<u>51,753</u>
<i>Capital Outlay</i>	113,000	113,000	129,496	(16,496)
Total Street and Alley Fund Expenditures	<u>\$ 417,500</u>	<u>\$ 417,500</u>	<u>\$ 382,243</u>	<u>\$ 35,257</u>
<b>Motor Fuel Tax Fund **</b>				
<i>Current</i>				
Public Works:				
Street Maintenance	\$ -	\$ -	\$ 553	\$ (553)
<b>Tax Increment Financing Fund</b>				
<i>Current</i>				
Redevelopment and Debt Service				
Contractual Services	\$ 3,000,000	\$ 3,000,000	\$ 1,217,775	\$ 1,782,225
Loss on Forgiveness of Note Receivable	-	-	100,000	(100,000)
Total Redevelopment and Debt Service	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,317,775</u>	<u>1,682,225</u>
<i>Capital Outlay</i>	-	-	585,427	(585,427)
Total Tax Increment Financing Expenditures	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 1,903,202</u>	<u>\$ 1,096,798</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, 2017

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 389,248	\$ -	\$ 372,540	\$ 761,788
Accounts Receivable	-	31,640	23,006	54,646
Supplies and Parts Inventory	-	12,830	-	12,830
Total Current Assets	<u>389,248</u>	<u>44,470</u>	<u>395,546</u>	<u>829,264</u>
<b>Property and Equipment, Net</b>				
Land (Not Being Depreciated)	-	1,392	2,000	3,392
Waterworks System and Equipment	-	258,769	-	258,769
Sewerage System and Equipment	-	-	615,122	615,122
Total Property and Equipment, Net	<u>-</u>	<u>260,161</u>	<u>617,122</u>	<u>877,283</u>
Total Assets	<u>\$ 389,248</u>	<u>\$ 304,631</u>	<u>\$ 1,012,668</u>	<u>\$ 1,706,547</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Accounts Payable	<u>\$ -</u>	<u>\$ 65,511</u>	<u>\$ 21,859</u>	<u>\$ 87,370</u>
<b>Net Position</b>				
Net Investment in Capital Assets	-	260,161	617,122	877,283
Unrestricted	389,248	(21,041)	373,687	741,894
Total Net Position	<u>389,248</u>	<u>239,120</u>	<u>990,809</u>	<u>1,619,177</u>
Total Liabilities and Net Position	<u>\$ 389,248</u>	<u>\$ 304,631</u>	<u>\$ 1,012,668</u>	<u>\$ 1,706,547</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, 2017

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>Operating Revenue</b>				
User Fees	\$ -	\$ 422,507	\$ 307,200	\$ 729,707
<b>Operating Expenses</b>				
Contractual Services	-	53,781	200,353	254,134
Water Purchased	-	325,295	-	325,295
Electricity for Pumping	-	-	62,266	62,266
Depreciation	-	25,897	69,546	95,443
Salaries and Related Expenses	-	100,261	100,347	200,608
Materials and Supplies	-	13,220	6,152	19,372
Other	-	8,781	2,835	11,616
Total Operating Expenses	-	527,235	441,499	968,734
<b>Operating Income (Loss)</b>	-	(104,728)	(134,299)	(239,027)
<b>Transfers</b>				
Transfers In	-	43,973	-	43,973
Transfers Out	(43,973)	-	-	(43,973)
<b>Change in Net Position</b>	(43,973)	(60,755)	(134,299)	(239,027)
<b>Net Position, May 1, 2016</b>	433,221	299,875	1,125,108	1,858,204
<b>Net Position, April 30, 2017</b>	\$ 389,248	\$ 239,120	\$ 990,809	\$ 1,619,177

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended April 30, 2017

	Enterprise Funds			Total
	Waterworks and Sewerage Fund	Waterworks Operation Fund	Sewerage Operation Fund	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ -	\$ 423,233	\$ 307,728	\$ 730,961
Payments to Vendors	-	(387,643)	(272,791)	(660,434)
Payments to Employees	-	(100,261)	(100,347)	(200,608)
Net Cash Provided by (Used In) Operating Activities	-	(64,671)	(65,410)	(130,081)
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers	(43,973)	43,973	-	-
<b>Increase (Decrease) in Cash</b>	(43,973)	(20,698)	(65,410)	(130,081)
<b>Cash, May 1, 2016</b>	433,221	20,698	437,950	891,869
<b>Cash, April 30, 2017</b>	<u>\$ 389,248</u>	<u>\$ -</u>	<u>\$ 372,540</u>	<u>\$ 761,788</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ -	\$ (104,728)	\$ (134,299)	\$ (239,027)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Depreciation	-	25,897	69,546	95,443
(Increase) Decrease in Accounts Receivable	-	726	528	1,254
Increase (Decrease) in Accounts Payable	-	13,434	(1,185)	12,249
Net Cash Provided by (Used In) Operating Activities	<u>\$ -</u>	<u>\$ (64,671)</u>	<u>\$ (65,410)</u>	<u>\$ (130,081)</u>

See Accompanying Notes

VILLAGE OF TOLONO, ILLINOIS  
Notes to Basic Financial Statements  
April 30, 2017

**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, liquor license receipts, which are committed to this fund, and gaming taxes, which were committed to the fund through July 2016.
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.

*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 financial statements 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, 2017.

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 acquisition 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. The significant estimates at April 30, 2017 include the estimate of the useful lives of property and equipment and the valuation of the disclosed liability for pensions.

**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 2016.

**3. 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 2016 tax levy on December 1, 2016. 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 2015 tax levy.

#### **4. Cash**

##### *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, 2017, \$1,000,194 of the Village's bank deposits of \$1,250,194, which reconciled to a book balance of \$1,245,076, was exposed to custodial credit risk. The \$1,000,194 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 \$2,000,000 at April 30, 2017.

#### **5. Note Receivable Forgiven**

In July 2016, the Village's TIF Fund advanced the Tolono Park District \$100,000 to fund capital projects. This note receivable was non-interest bearing and was originally scheduled to be repaid in one payment in January 2018. During fiscal year 2017, the Village Board approved the forgiveness of the note receivable as the Park District's capital projects were in keeping with the overall redevelopment plan for the TIF District. The Village has reported an expenditure of \$100,000 in the TIF Fund and governmental activities in fiscal year 2017 related to this forgiveness.

**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, 2017:

	April 30, 2016	Additions	Retirements	April 30, 2017
Land (Not Depreciable)	\$ 3,392	\$ -	\$ -	\$ 3,392
Depreciable Property and Equipment:				
<i>Waterworks</i>				
System	808,199	-	-	808,199
Equipment and Vehicles	98,024	-	-	98,024
<i>Sewerage</i>				
System	2,833,500	-	-	2,833,500
Equipment and Vehicles	545,596	-	-	545,596
Less: Accumulated Depreciation	<u>(3,315,985)</u>	<u>(95,443)</u>	<u>-</u>	<u>(3,411,428)</u>
Property and Equipment, Net	<u>\$ 972,726</u>	<u>\$ (95,443)</u>	<u>\$ -</u>	<u>\$ 877,283</u>

Depreciation for fiscal year 2017 was \$25,897 for Waterworks and \$69,546 for Sewerage.

**7. 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 29 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 111 percent of the remaining revenue assuming principal and interest on other fixed debt (see Notes 8 and 9) continue to be paid from the TIF Fund and the remaining TIF Fund developer commitments (see Note 18) are required to be paid in full.

There was principal and interest of \$238,808 paid for fiscal year 2017. Other TIF District commitments totaled \$1,062,283 for fiscal year 2017. The TIF Fund’s incremental property tax revenues totaled \$1,229,847 for fiscal year 2017. At April 30, 2017, pledged future revenues totaled \$3,523,485, 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
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	220,000	68,050	288,050
2023 - 2027	1,885,000	209,631	2,094,631
Total	<u>\$ 2,925,000</u>	<u>\$ 598,485</u>	<u>\$ 3,523,485</u>

Total interest paid in fiscal year 2017 on these bonds was \$88,808.

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 in the project fund was moved to the bond fund reserve and was fully expended in fiscal year 2017 for debt related payments. 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, 2017, the required balance from this requirement was \$0 because the Village has not received property tax payments for 2016 as of April 30, 2017. At April 30, 2017 the balance was \$0 in both the project fund reserve and the bond fund reserve.

**8. General Obligation Debt Certificates**

During fiscal years 2016 and 2015, the Village issued \$1,700,000 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. 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
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	65,000	48,125	113,125
2023 - 2027	1,310,000	162,130	1,472,130
Total	<u>\$ 1,625,000</u>	<u>\$ 418,600</u>	<u>\$ 2,043,600</u>

Total interest paid in fiscal year 2017 on the debt certificates was \$57,935.

The 2016 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, 2017, the reserve was fully expended after paying fiscal year 2017 debt payments.

## 9. General Obligation Note Payable

During fiscal year 2017, the Village secured an \$800,000 closed-end line of credit to defray the costs associated with new police station construction, which is a TIF District project. This note payable has been accounted for in the TIF Fund. During fiscal year 2017, the Village borrowed \$181,507 against this line of credit. The Village expects to utilize the remaining available line of credit funds in fiscal 2018. These debt certificates mature serially on February 14 of each calendar year 2018 through 2027 in amounts ranging from \$70,592 to \$93,949 and bearing interest at 2.75 through February 14, 2022, then at the five-year Federal Home Loan Bank Chicago (FHLBC) rate on February 14, 2022 plus 2.00 percent with a cap of 5.00 percent, payable February 14 and August 14 annually.

Aggregate future principal maturities and interest payments required on this note payable are as follows for fiscal years ending April 30, assuming an interest rate of 4.00 percent as of February 14, 2022 and using the full \$800,000 principal amount:

Fiscal Year Ended April 30	Principal	Interest	Total
2018	\$ 70,592	\$ 22,000	\$ 92,592
2019	72,533	21,029	93,562
2020	74,528	19,061	93,589
2021	76,577	17,039	93,616
2022	78,683	14,962	93,645
2023 - 2027	427,087	61,152	488,239
Total	<u>\$ 800,000</u>	<u>\$ 155,243</u>	<u>\$ 955,243</u>

Total interest paid in fiscal year 2017 on this note payable was \$0.

#### 10. 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, 2017:

	April 30, 2016	Issued	Retired	April 30, 2017	Due Within One Year
Alternate Revenue Source Bond	\$ 3,075,000	\$ -	\$ 150,000	\$ 2,925,000	\$ 200,000
General Obligation Debt Certificate	1,695,000	-	70,000	1,625,000	60,000
General Obligation Note Payable	-	181,507	-	181,507	70,592
Total	<u>\$ 4,770,000</u>	<u>\$ 181,507</u>	<u>\$ 220,000</u>	<u>\$ 4,731,507</u>	<u>\$ 330,592</u>

**11. Legal Debt Margin**

At April 30, 2017, the estimated legal debt margin was determined as follows:

Assessed Valuation (Tax Year 2016)	<u>\$ 52,157,000</u>
Statutory Debt Limitation (8.625 percent of Assessed Valuation)	4,498,541
Total General Obligation Indebtedness at April 30, 2017	<u>1,806,507</u>
Legal Debt Margin	<u>\$ 2,692,034</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.

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

As of April 30, 2017, the Village’s governmental activities and Motor Fuel Tax Fund had \$180,331 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, 2017, the Village’s governmental activities and TIF Fund had \$57,648 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.

**13. Restricted Property Tax Activity**

The Village had the following restricted property tax activity in the General Fund during the year ended April 30, 2017:

	<u>Insurance Liability</u>	<u>IMRF</u>	<u>Audit</u>	<u>ESDA</u>
Restricted Balance at April 30, 2016	\$ -	\$ -	\$ -	\$ -
Property Taxes Received	4,277	39,415	7,699	824
Expenditures Incurred	<u>(4,277)</u>	<u>(39,415)</u>	<u>(7,699)</u>	<u>(824)</u>
Restricted Balance at April 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 14. 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](http://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 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, 2016, 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	9
Active Plan Members	6
Total	<u>20</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 2016 was 18.38 percent. For the fiscal year ended April 30, 2016, the Village contributed \$61,768 to the plan. 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, 2016. 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, 2016:

- The Actuarial Cost Method used was Aggregate Entry Age Normal
- The Asset Valuation Method used was 5 Year Smoothed Market; 20 percent corridors
- 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 7.50 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%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
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 7.50 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 3.78 percent, and the resulting single discount rate is 7.50 percent.

*Changes in the Net Pension Liability*

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (Asset) (A) - (B)
Balances at December 31, 2015	\$ 1,503,008	\$ 889,558	\$ 613,450
Changes for the year:			
Service Cost	40,402	-	40,402
Interest on the Total Pension Liability	109,526	-	109,526
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(84,966)	-	(84,966)
Changes of Assumptions	(17,012)	-	(17,012)
Contributions - Employer	-	308,280	(308,280)
Contributions - Employees	-	13,347	(13,347)
Net Investment Income	-	61,460	(61,460)
Benefit Payments, including Refunds of Employee Contributions	(86,268)	(86,268)	-
Other (Net Transfer)	-	15,742	(15,742)
Net Changes	(38,318)	312,561	(350,879)
Balances at December 31, 2016	\$ 1,464,690	\$ 1,202,119	\$ 262,571



*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 (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$ 1,648,761	\$ 1,464,690	\$ 1,314,082
Plan Fiduciary Net Position	1,202,119	1,202,119	1,202,119
Net Pension Liability (Asset)	<u>\$ 446,642</u>	<u>\$ 262,571</u>	<u>\$ 111,963</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, 2016, the Village's accrual basis pension expense was \$37,013. At December 31, 2016, the Village's accrual basis deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 11,404	\$ 60,813	\$ (49,409)
Changes in assumptions	-	13,748	(13,748)
Net difference between projected and actual earnings on pension plan investments	<u>47,332</u>	<u>-</u>	<u>47,332</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	<u>\$ 58,736</u>	<u>\$ 74,561</u>	<u>\$ (15,825)</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:

Year Ending December 31	Net Deferred Outflows/ (Inflows) of Resources
2017	\$ (7,693)
2018	(10,853)
2019	(212)
2020	2,933
Total	<u>\$ (15,825)</u>

*Payables to the Pension Plan*

At April 30, 2017, the Village had already made the final April 2017 IMRF payment; therefore, there were no reported payables to IMRF for legally required employer contributions or legally required employee contributions

**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	\$ -	\$ 663,640
Police Fund	330,198	-
Street and Alley Fund	333,442	-
Proprietary Funds:		
Waterworks Operation Fund	43,973	-
Waterworks and Sewerage Fund	-	43,973
Total All Funds	<u>\$ 707,613</u>	<u>\$ 707,613</u>

The purpose of the transfers from the General Fund to the other governmental funds and from the Waterworks and Sewerage Fund to the Waterworks Operation Fund was to cover necessary expenditures in these recipient 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, 2017, 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, 2017, property tax receipts of \$1,229,847 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, 2017, the maximum amount committed to developers was \$8,455,616 and the total paid to developers was \$5,666,776. 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 2017 was \$266,090.

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, 2017, the Village has paid \$57,406 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, 2017, the Village's potential liability for employee separation pay was \$6,035. 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 \$5,129 for the Police Fund, \$362 for the General Fund and \$544 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. As of date of the auditor's report, the tenant has continued to make monthly rent payments, but a formal extension has not been made beyond July 2017, and the lease is now considered a month-to-month agreement.

**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	2018-2020
Police Station Construction	TIF	623,174	2018
Police Station Wiring	TIF	7,143	2018
Other Construction and Public Works Projects	General	38,941	2018

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

Required Supplementary Information  
(Unaudited)

	(1) 2016	2015
Total Pension Liability		
Service Cost	\$ 40,402	\$ 37,714
Interest on the Total Pension Liability	109,526	102,493
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(84,966)	26,472
Changes of Assumptions	(17,012)	(3,648)
Benefit Payments, including Refunds of Employee Contributions	(86,268)	(59,917)
Net Change in Total Pension Liability	(38,318)	103,114
Total Pension Liability - Beginning	1,503,008	1,399,894
Total Pension Liability - Ending (A)	<u>\$ 1,464,690</u>	<u>\$ 1,503,008</u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 308,280	\$ 60,984
Contributions - Employees	13,347	14,683
Net Investment Income	61,460	4,064
Benefit Payments, including Refunds of Employee Contributions	(86,268)	(59,917)
Other (Net Transfer)	15,742	64,896
Net Change in Plan Fiduciary Net Position	312,561	84,710
Plan Fiduciary Net Position - Beginning	889,558	804,848
Plan Fiduciary Net Position - Ending (B)	<u>\$ 1,202,119</u>	<u>\$ 889,558</u>
 Net Pension Liability - Ending (A) - (B)	<u>\$ 262,571</u>	<u>\$ 613,450</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.07%	59.19%
 Covered Payroll	\$ 296,590	\$ 326,289
 Net Pension Liability as a Percentage of Covered Payroll	88.53%	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>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency (Excess) <u></u>	Covered <u>Payroll</u>	Actual Contribution as a Percentage of Covered <u>Payroll</u>
2016	\$ 58,520	\$ 308,280	\$ (249,760)	\$ 296,590	103.94%
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, 2017

**Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate\***

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 2016 Contribution Rates:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	27-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:	3.50%
Price Inflation:	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50% 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 2014 valuation pursuant to an experience study of the period 2011 - 2013
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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 2012). The IMRF specific rates were developed from the RP-2014 Employees Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year

\* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation. There is a two year lag between valuation and rate setting.



VILLAGE OF TOLONO, ILLINOIS  
 Combining Balance Sheet - Modified Cash Basis  
 Audit and ESDA Subfunds  
 April 30, 2017

	<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, 2017

	<u>Audit Fund</u>	<u>ESDA Fund</u>	<u>Total</u>
<b>Revenues</b>			
Local Taxes:			
Property Tax	\$ 7,699	\$ 824	\$ 8,523
<b>Expenditures</b>			
Current:			
General Government	7,699	-	7,699
Public Safety	-	10,000	10,000
Total Expenditures	<u>7,699</u>	<u>10,000</u>	<u>17,699</u>
<b>Excess (Deficit) of Revenue Over Expenditures</b>	-	(9,176)	(9,176)
<b>Other Financing Source (Uses)</b>			
Transfers In	-	9,176	9,176
<b>Net Change in Fund Balances</b>	-	-	-
<b>Fund Balances, May 1, 2016</b>	-	-	-
<b>Fund Balances, April 30, 2017</b>	<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, 2017

	Budget		Actual	Under/(Over) Budget
	Original	Final		
<b>Audit Fund</b>				
Current:				
General Government				
Contractual Services	\$ 20,000	\$ 20,000	\$ 7,699	\$ 12,301
<b>ESDA Fund</b>				
Current:				
Public Safety				
Contractual Services	\$ 10,000	\$ 10,000	\$ 10,000	\$ -

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>	2018 <u>2016</u>	2017 <u>2015</u>	2016 <u>2014</u>	2015 <u>2013</u>
<b>Assessed Valuations</b>	\$ 35,373,098	\$ 34,201,407	\$ 34,748,278	\$ 34,958,783
<b>Tax Levies</b>				
General	\$ 85,100	\$ 83,900	\$ 83,100	\$ 81,840
Police Protection	19,600	19,300	19,100	18,820
ESDA	825	805	800	784
Audit	7,800	7,700	7,650	7,521
Insurance Liability	4,350	4,290	4,250	4,170
IMRF	39,900	39,375	39,000	38,425
Total Tax Levies	<u>\$ 157,575</u>	<u>\$ 155,370</u>	<u>\$ 153,900</u>	<u>\$ 151,560</u>
<b>Tax Rates</b>				
General	0.2393	0.2453	0.2391	0.2341
Police Protection	0.0551	0.0564	0.0550	0.0538
ESDA	0.0023	0.0024	0.0023	0.0022
Audit	0.0220	0.0225	0.0220	0.0215
Insurance Liability	0.0122	0.0125	0.0122	0.0119
IMRF	0.1122	0.1151	0.1122	0.1099
Total Tax Rates	<u>0.4431</u>	<u>0.4542</u>	<u>0.4428</u>	<u>0.4334</u>
<b>Tax Extensions</b>				
General	\$ 84,648	\$ 83,896	\$ 83,083	\$ 81,838
Police Protection	19,491	19,290	19,112	18,808
ESDA	814	821	799	769
Audit	7,782	7,695	7,645	7,516
Insurance Liability	4,316	4,275	4,239	4,160
IMRF	39,689	39,366	38,988	38,420
Total Tax Extensions	<u>\$ 156,740</u>	<u>\$ 155,343</u>	<u>\$ 153,866</u>	<u>\$ 151,511</u>
<b>Tax Collections</b>				
General		\$ 84,008	\$ 83,616	\$ 83,134
Police Protection		19,318	19,131	18,805
ESDA		824	786	773
Audit		7,699	7,655	7,516
Insurance Liability		4,277	4,236	3,016
IMRF		39,415	38,888	38,303
Total Tax Collections		<u>\$ 155,541</u>	<u>\$ 154,312</u>	<u>\$ 151,547</u>
<b>Percentage of Extension Collected</b>		<u>100.13%</u>	<u>100.29%</u>	<u>100.02%</u>



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INDEPENDENT AUDITOR'S REPORT  
ON TAX INCREMENT FINANCING

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

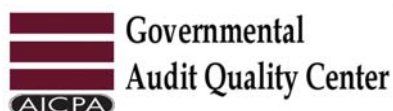
We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements and related notes of the Village of Tolono, Illinois as of and for the year ended April 30, 2017, as listed in the table of contents, and have issued our report thereon dated September 5, 2017.

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 5, 2017



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS