

VILLAGE OF HINCKLEY, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2016



VILLAGE OF HINCKLEY, ILLINOIS
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Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable President
Members of the Board of Trustees
Village of Hinckley, Illinois

We have audited the accompanying modified cash and cash basis of accounting financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Hinckley, Illinois (the Village), as of and for the year ended April 30, 2016, and the related notes to financial statements, which collectively comprise the Village's 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 cash and modified cash basis of accounting described in Note 1d; this includes determining that the cash and modified cash basis of accounting are an acceptable basis for the preparation of the financial statements 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 error or fraud.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village's internal controls. 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 financial position - modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information - cash basis of the Village of Hinckley, Illinois, as of April 30, 2016, and the respective changes in financial position - modified cash basis or cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1d.

Basis of Accounting

We draw attention to Note 1d of the financial statements, which describes the basis of accounting. The fund financial statements are prepared on the cash basis of accounting. The government-wide financial statements are prepared on the modified cash basis of accounting. Both the cash basis and modified cash basis are 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.

Change in Accounting Principle

The Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses and modified certain disclosures in the notes to financial statements. Our opinion is not modified with respect to this matter.

The Village presented its governmental funds on the modified accrual basis and its governmental activities on the accrual basis as of April 30, 2015. The governmental funds are presented on the cash basis of accounting as of May 1, 2015. The governmental activities is presented on the modified cash basis of accounting as of May 1, 2015. This resulted in a change in accounting principle as of May 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements taken as a whole. The combining and individual fund financial statements and schedules and the supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental schedules listed on the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois
July 19, 2016

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

April 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 252,925	\$ 333,102	\$ 586,027
Investments	-	449,443	449,443
Capital assets not being depreciated	106,011	14,170	120,181
Capital assets being depreciated	1,155,940	10,150,960	11,306,900
Total assets	1,514,876	10,947,675	12,462,551
LIABILITIES			
Payroll withholdings	875	-	875
Noncurrent liabilities			
Due within one year	38,496	418,863	457,359
Due in more than one year	77,387	6,735,568	6,812,955
Total liabilities	116,758	7,154,431	7,271,189
NET POSITION			
Net investment in capital assets	1,146,068	3,010,699	4,156,767
Restricted for			
Debt service	-	523,508	523,508
Liability insurance	32,805	-	32,805
Special service areas	973	-	973
Highways and streets	78,208	-	78,208
Capital improvements	-	279,371	279,371
Unrestricted	140,064	(20,334)	119,730
TOTAL NET POSITION	\$ 1,398,118	\$ 3,793,244	\$ 5,191,362

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended April 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 402,637	\$ 20,914	\$ -	\$ -
Public safety	304,165	28,323	-	-
Highways and streets	116,028	-	53,052	-
Culture and recreation	13,671	5,318	-	-
Interest	5,044	-	-	-
Total governmental activities	841,545	54,555	53,052	-
Business-type activities				
Water and sewer	988,328	838,466	-	-
Garbage	157,307	155,017	-	-
Total business-type activities	1,145,635	993,483	-	-
TOTAL PRIMARY GOVERNMENT	\$ 1,987,180	\$ 1,048,038	\$ 53,052	\$ -

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (381,723)	\$ -	\$ (381,723)
	(275,842)	-	(275,842)
	(62,976)	-	(62,976)
	(8,353)	-	(8,353)
	(5,044)	-	(5,044)
	<u>(733,938)</u>	<u>-</u>	<u>(733,938)</u>
	-	(149,862)	(149,862)
	-	(2,290)	(2,290)
	-	(152,152)	(152,152)
	<u>(733,938)</u>	<u>(152,152)</u>	<u>(886,090)</u>
General revenues			
Taxes			
Property	326,449	-	326,449
Sales	108,059	-	108,059
Replacement	6,601	-	6,601
Utility	113,429	-	113,429
State use	47,638	-	47,638
Income	221,031	-	221,031
Investment income	1,286	4,121	5,407
Miscellaneous	7,194	18,600	25,794
Transfers in (out)	(19,994)	19,994	-
Total	<u>811,693</u>	<u>42,715</u>	<u>854,408</u>
CHANGE IN NET POSITION	<u>77,755</u>	<u>(109,437)</u>	<u>(31,682)</u>
NET POSITION, MAY 1	1,320,363	4,140,805	5,461,168
Change in accounting principle	<u>-</u>	<u>(238,124)</u>	<u>(238,124)</u>
NET POSITION, MAY 1, RESTATED	<u>1,320,363</u>	<u>3,902,681</u>	<u>5,223,044</u>
NET POSITION, APRIL 30	<u>\$ 1,398,118</u>	<u>\$ 3,793,244</u>	<u>\$ 5,191,362</u>

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS

April 30, 2016

	General	Road and Bridge	Motor Fuel Tax	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 174,717	\$ 4,084	\$ 74,124	\$ 252,925
TOTAL ASSETS	\$ 174,717	\$ 4,084	\$ 74,124	\$ 252,925
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payroll withholdings	\$ 875	\$ -	\$ -	\$ 875
Total liabilities	875	-	-	875
FUND BALANCES				
Restricted				
Liability insurance	32,805	-	-	32,805
Special service areas	973	-	-	973
Highways and streets	-	4,084	74,124	78,208
Unrestricted				
Unassigned	140,064	-	-	140,064
Total fund balances	173,842	4,084	74,124	252,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 174,717	\$ 4,084	\$ 74,124	\$ 252,925

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

**RECONCILIATION OF FUND BALANCES ARISING FROM CASH BASIS
OF THE GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES
IN THE STATEMENT OF NET POSITION**

April 30, 2016

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 252,050
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,261,951
Long-term liabilities (i.e., capital leases) are not due and payable in the current period and, therefore, are not reported in governmental funds	<u>(115,883)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,398,118</u></u>

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2016

	General	Road and Bridge	Motor Fuel Tax	Total Governmental Funds
REVENUES COLLECTED				
Taxes	\$ 738,087	\$ 85,120	\$ 53,052	\$ 876,259
Licenses and permits	11,934	-	-	11,934
Charges for services	14,448	-	-	14,448
Fines and forfeits	24,468	-	-	24,468
Investment income	1,185	-	101	1,286
Miscellaneous	10,452	447	-	10,899
	<hr/>			
Total revenues collected	800,574	85,567	53,153	939,294
<hr/>				
EXPENDITURES PAID				
Current				
General government	370,070	-	-	370,070
Public safety	300,409	-	-	300,409
Highways and streets	-	78,191	30,184	108,375
Culture and recreation	13,671	-	-	13,671
Debt service				
Principal retirement	11,095	24,270	-	35,365
Interest and fiscal charges	2,022	3,022	-	5,044
	<hr/>			
Total expenditures paid	697,267	105,483	30,184	832,934
<hr/>				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	103,307	(19,916)	22,969	106,360
<hr/>				
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,398	18,021	28,419
Transfers (out)	(48,413)	-	-	(48,413)
	<hr/>			
Total other financing sources (uses)	(48,413)	10,398	18,021	(19,994)
<hr/>				
NET CHANGE IN FUND BALANCES	54,894	(9,518)	40,990	86,366
<hr/>				
FUND BALANCES, MAY 1	118,948	13,602	33,134	165,684
<hr/>				
FUND BALANCES, APRIL 30	\$ 173,842	\$ 4,084	\$ 74,124	\$ 252,050
<hr/>				

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES
COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES**

For the Year Ended April 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 86,366
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	18,489
Some expenses in the statement of activities (e.g., depreciation) do not require the use of cash and, therefore, are not reported as expenditures in governmental funds	(62,465)
The principal payment on the capital lease is reported as an expenditure in governmental funds but as a decrease in liabilities on the statement of net position	<u>35,365</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 77,755</u></u>

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS**

April 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Garbage	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 312,708	\$ 20,394	\$ 333,102
Investments	449,443	-	449,443
Total current assets	762,151	20,394	782,545
CAPITAL ASSETS			
Land	14,170	-	14,170
Elevated water tank	442,323	-	442,323
Equipment	89,769	-	89,769
Plant and building	4,549,123	-	4,549,123
Water distribution system	8,976,690	-	8,976,690
Subtotal	14,072,075	-	14,072,075
Less accumulated depreciation	3,906,945	-	3,906,945
Net capital assets	10,165,130	-	10,165,130
Total assets	10,927,281	20,394	10,947,675

(This statement is continued on the following page.)

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS (Continued)
 PROPRIETARY FUNDS

April 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Garbage	Total
CURRENT LIABILITIES			
IEPA loan payable	\$ 345,647	\$ -	\$ 345,647
Loan payable	48,216	-	48,216
Debt certificate payable	25,000	-	25,000
Total current liabilities	418,863	-	418,863
LONG-TERM DEBT			
Debt certificate payable	90,000	-	90,000
IEPA loan payable	6,645,568	-	6,645,568
Total long-term debt	6,735,568	-	6,735,568
Total liabilities	7,154,431	-	7,154,431
NET POSITION			
Net investment in capital assets	3,010,699	-	3,010,699
Restricted for debt service	523,508	-	523,508
Restricted for capital improvements	279,371	-	279,371
Unrestricted	(40,728)	20,394	(20,334)
TOTAL NET POSITION	\$ 3,772,850	\$ 20,394	\$ 3,793,244

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended April 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Garbage	Total
OPERATING REVENUES			
Charges for services	\$ 838,466	\$ 155,017	\$ 993,483
Total operating revenues	838,466	155,017	993,483
OPERATING EXPENSES			
Garbage removal	-	157,307	157,307
Personnel services	76,314	-	76,314
Contractual services	268,875	-	268,875
Repairs and maintenance	54,604	-	54,604
Insurance	6,068	-	6,068
Supplies and miscellaneous	42,651	-	42,651
Rent and utilities	104,099	-	104,099
Depreciation	321,799	-	321,799
Total operating expenses	874,410	157,307	1,031,717
OPERATING INCOME (LOSS)	(35,944)	(2,290)	(38,234)
NON-OPERATING REVENUES (EXPENSES)			
Investment income	4,121	-	4,121
Cell tower rental	18,600	-	18,600
Interest expense	(113,918)	-	(113,918)
Total non-operating revenues (expenses)	(91,197)	-	(91,197)
NET INCOME (LOSS) BEFORE TRANSFERS	(127,141)	(2,290)	(129,431)
TRANSFERS			
Transfers in	30,392	-	30,392
Transfers (out)	(10,398)	-	(10,398)
Total transfers	19,994	-	19,994
CHANGE IN NET POSITION	(107,147)	(2,290)	(109,437)
NET POSITION, MAY 1	4,091,280	49,525	4,140,805
Change in accounting principle	(211,283)	(26,841)	(238,124)
NET POSITION, MAY 1, RESTATED	3,879,997	22,684	3,902,681
NET POSITION, APRIL 30	\$ 3,772,850	\$ 20,394	\$ 3,793,244

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended April 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 838,466	\$ 155,017	\$ 993,483
Payments to suppliers	(476,297)	(157,307)	(633,604)
Payments to employees	(76,314)	-	(76,314)
Net cash from operating activities	285,855	(2,290)	283,565
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	30,392	-	30,392
Transfers (out)	(10,398)	-	(10,398)
Net cash from noncapital financing activities	19,994	-	19,994
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on debt	(421,127)	-	(421,127)
Interest paid on debt	(113,918)	-	(113,918)
Cell Tower rental fees	18,600	-	18,600
IEPA loan proceeds	1,500	-	1,500
Capital assets purchased	(5,219)	-	(5,219)
Net cash from capital and related financing activities	(520,164)	-	(520,164)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,121	-	4,121
Net cash from investing activities	4,121	-	4,121
NET DECREASE IN CASH AND CASH EQUIVALENTS	(210,194)	(2,290)	(212,484)
CASH AND CASH EQUIVALENTS, MAY 1	522,902	22,684	545,586
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 312,708	\$ 20,394	\$ 333,102

(This statement is continued on the following page.)

VILLAGE OF HINCKLEY, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS

For the Year Ended April 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Garbage	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (35,944)	\$ (2,290)	\$ (38,234)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	321,799	-	321,799
NET CASH FROM OPERATING ACTIVITIES	\$ 285,855	\$ (2,290)	\$ 283,565
NONCASH TRANSACTIONS			
Capitalized interest	\$ 1,287	-	\$ 1,287

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

**STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
FIDUCIARY FUNDS**

April 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 350
TOTAL ASSETS	<u>\$ 350</u>
LIABILITIES	
Due to others	\$ 350
TOTAL LIABILITIES	<u>\$ 350</u>

See accompanying notes to financial statements.

VILLAGE OF HINCKLEY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Hinckley, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)), except as described below. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Village are described below.

a. Reporting Entity

The Village is a body corporate and politic established under Illinois Compiled Statutes (ILCS) governed by an elected President and Board of Trustees. The Village is considered to be a primary government pursuant to GASB Statement No. 14 and No. 61 since it is legally separate and fiscally independent.

b. Fund Accounting

The Village uses funds to report on its financial position, changes in its financial position and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted, committed or assigned monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of general capital assets (capital projects funds) and the funds restricted, committed or assigned for the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund. The Village has no capital projects funds or debt service funds.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Village utilizes agency funds which are generally used to account for assets that the Village holds in an agent capacity.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those accounted for in another fund. The Village has levied property taxes for liability and workmen's compensation insurance, unemployment insurance, audit, social security, school crossing, police protection and a special service area. These special tax levies are accounted for in the general fund, from where expenditures for the purposes covered by the levies are made.

The Road and Bridge Fund, a special revenue fund, is used to account for resources restricted or committed to road and bridge projects.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The Motor Fuel Tax Fund, a special revenue fund, is used to account for resources restricted or committed to road projects approved by the Illinois Department of Transportation.

The Village reports the following major enterprise funds:

The Water and Sewer Fund accounts for the revenues and expenses relative to the operation of the water utility.

The Garbage Fund accounts for the revenues and expenses relative to the operation of the garbage program.

The Village reports the following fiduciary funds:

The Village reports one agency fund. The Developer Escrow Fund accounts for funds held to pay developer costs.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and business-type activities financial statements are reported using the economic resources measurement focus and using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues are recorded at the time of receipt by the Village. Expenses are recorded when the funds are disbursed. Depreciation of capital assets has also been shown on the government-wide financial statements. Accordingly, the financial statements are not intended to present financial position and changes in financial position in conformity with accounting principles generally accepted in the United States of America. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

Governmental fund and proprietary fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recorded at the time of receipt by the Village. Expenditures are recorded when the funds are disbursed. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as demand accounts and investments with a maturity of 90 days or less when acquired.

f. Investments

Investments consist of non-negotiable certificates of deposit that are stated at cost which approximates market. Negotiable certificates of deposit are reported at market value.

g. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are reported prospectively as of May 1, 2005. Capital assets are defined by the Village as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs, including street overlays that do not add to the value of the asset or materially extend asset lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water distribution system (water system and elevated tank)	20-40
Buildings and building improvements	40
Infrastructure	40
Vehicles and equipment	7-10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Interfund Transactions

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services transactions and reimbursements, are reported as transfers.

i. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, if any, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

j. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balances/Net Position

In the fund financial statements, governmental funds can report nonspendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Village's President. Any residual General Fund fund balance and deficit fund balances of other governmental funds are reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. The Village has no restricted assets from its own enabling legislation. Net investment in capital assets represents the Village's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

l. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village did not have any elements to be reported as deferred inflows or deferred outflows of resources at April 30, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Village.

- The property tax lien date is January 1;
- The annual tax levy ordinance for 2015 was passed December 21, 2015;
- Property taxes are due to the County Collector in two installments, June 1 and September 1; and
- Significant amounts of property taxes for 2015 will be distributed to the Village during June, July and August of 2016. The remaining significant distribution will normally be expected in November 2016.

3. DEPOSITS AND INVESTMENTS

The Village's investment policy authorizes the Village to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and the Illinois Metropolitan Investment Fund. The Village's investment policy does limit their deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of legality, safety, liquidity and rate of return.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by an independent third party.

b. Investments

The following table presents the investments and maturities of the Village's securities with interest rate risk as of April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Negotiable certificates of deposits	\$ 449,443	\$ 300,000	\$ 149,443	\$ -	\$ -
TOTAL	\$ 449,443	\$ 300,000	\$ 149,443	\$ -	\$ -

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed with a budgetary or economic cycle. The investment policy does not strictly limit the maximum maturity lengths of investments.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in FDIC insured CD's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. The Village limits its exposure to credit risk by purchasing FDIC insured CD's.

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village's investment policy requires diversification of investments to avoid unreasonable risk.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 53,935	\$ -	\$ -	\$ 53,935
Land improvements	52,076	-	-	52,076
Construction in progress	214,515	11,289	225,804	-
Total capital assets not being depreciated	320,526	11,289	225,804	106,011
Capital assets being depreciated				
Buildings	498,547	-	-	498,547
Infrastructure	531,895	225,804	-	757,699
Vehicles and equipment	466,108	61,335	-	527,443
Total capital assets being depreciated	1,496,550	287,139	-	1,783,689
Less accumulated depreciation for				
Buildings	171,521	12,464	-	183,985
Infrastructure	65,779	18,942	-	84,721
Vehicles and equipment	327,984	31,059	-	359,043
Total accumulated depreciation	565,284	62,465	-	627,749
Total capital assets being depreciated, net	931,266	224,674	-	1,155,940
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 1,251,792	\$ 235,963	\$ 225,804	\$ 1,261,951
	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,170	\$ -	\$ -	\$ 14,170
Construction in progress	5,538,275	1,287	5,539,562	-
Total capital assets not being depreciated	5,552,445	1,287	5,539,562	14,170
Capital assets being depreciated				
Water system	3,437,128	5,539,562	-	8,976,690
Plant and building	4,543,905	5,218	-	4,549,123
Elevated tank	442,323	-	-	442,323
Equipment	89,769	-	-	89,769
Total capital assets being depreciated	8,513,125	5,544,780	-	14,057,905

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Less accumulated depreciation for				
Water system	\$ 1,352,308	\$ 210,797	\$ -	\$ 1,563,105
Plant and building	1,848,899	97,846	-	1,946,745
Elevated tank	298,567	11,058	-	309,625
Equipment	85,372	2,098	-	87,470
Total accumulated depreciation	<u>3,585,146</u>	<u>321,799</u>	<u>-</u>	<u>3,906,945</u>
 Total capital assets being depreciated, net	<u>4,927,979</u>	<u>5,222,981</u>	<u>-</u>	<u>10,150,960</u>
 BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$10,480,424</u>	<u>\$ 5,224,268</u>	<u>\$ 5,539,562</u>	<u>\$ 10,165,130</u>

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES

General government	\$ 32,567
Highways and streets	18,942
Public safety	<u>10,956</u>
 TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	 <u>\$ 62,465</u>

5. LONG-TERM DEBT

a. Long-Term Debt - Business-Type Activities

The following is a summary of changes in debt of the Village's business-type activities for the year ended April 30, 2016:

Loan Payable

During the fiscal year ended April 30, 2007, the Village issued a loan payable with interest at 5.125% for a water main project. Required payments on the \$453,598 loan are due in semiannual installments of \$32,536 through January 10, 2017. The Water and Sewer Fund (Water Operations Account) is repaying the loan.

Debt Certificates

During the fiscal year ended April 30, 2009, the Village issued General Obligation Debt Certificates (Limited Tax), Series 2009 with interest of 1.60% to 3.90% payable for a water system improvement project. Required payments on the \$260,000 loan are due in annual installments ranging from \$20,000 to \$30,000. The Water and Sewer Fund (Water Operations Account) is repaying the loan.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN DEBT (Continued)

a. Long-Term Debt - Business-Type Activities (Continued)

IEPA Loan Payable

During the fiscal year ended April 30, 2010, the Village entered into a \$2,863,585 IEPA Loan dated January 19, 2010 at 0% interest for a water system improvement project. The Water and Sewer Fund (Debt Service Account) is repaying the loan.

During the fiscal year ended April 30, 2014, the Village entered into a \$5,550,000 IEPA Loan dated August 1, 2013 at 1.93% interest for a wastewater improvement project. The Water and Sewer Fund (Debt Service Account) is repaying the loan.

During the fiscal year, the following changes occurred in liabilities reported in the business-type activities:

	Balances May 1	Additions	Reductions	Balances April 30	Current
BUSINESS-TYPE ACTIVITIES					
Loan payable	\$ 107,783	\$ -	\$ 59,567	\$ 48,216	\$ 48,216
Debt certificate payable	140,000	-	25,000	115,000	25,000
IEPA loan payable #1	1,781,807	-	111,362	1,670,445	111,362
IEPA loan payable #2	5,543,183	2,785	225,198	5,320,770	234,285
TOTAL BUSINESS-TYPE ACTIVITIES					
	<u>\$ 7,572,773</u>	<u>\$ 2,785</u>	<u>\$ 421,127</u>	<u>\$ 7,154,431</u>	<u>\$ 418,863</u>

Long-Term Debt - Business-Type Activities

Debt service to maturity for the loan payable is as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 48,216	\$ 3,159	\$ 51,375
TOTAL	<u>\$ 48,216</u>	<u>\$ 3,159</u>	<u>\$ 51,375</u>

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN DEBT (Continued)

a. Long-Term Debt - Business-Type Activities (Continued)

Debt service to maturity for the debt certificate payable is as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 25,000	\$ 4,142	\$ 29,142
2018	30,000	3,330	33,330
2019	30,000	2,280	32,280
2020	30,000	1,170	31,170
TOTAL	\$ 115,000	\$ 10,922	\$ 125,922

Debt service to maturity for the IEPA Loan #1 is as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 111,362	\$ -	\$ 111,362
2018	111,362	-	111,362
2019	111,362	-	111,362
2020	111,362	-	111,362
2021	111,362	-	111,362
2022-2026	556,810	-	556,810
2027-2031	556,825	-	556,825
TOTAL	\$ 1,670,445	\$ -	\$ 1,670,445

The finalized debt service to maturity is not yet available for the IEPA Loan #2. The current portion above has been estimated based on payments made to date.

b. Long-Term Debt - Governmental Activities

The following is a summary of changes in debt of the Village's governmental activities for the year ended April 30, 2016:

Capital Leases Payable

During the fiscal year ended April 30, 2014, the Village issued a capital lease for the purchase of a Caterpillar End Loader with interest at 2.98%. Required payments are due monthly of \$1,891 including interest through January 2019. The Road and Bridge Fund is repaying the loan.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN DEBT (Continued)

b. Long-Term Debt - Governmental Activities (Continued)

Capital Leases Payable (Continued)

During the fiscal year ended April 30, 2014, the Village issued a capital lease for the purchase of a Dodge Ram Pickup with interest at 4.77%. Required payments are due monthly of \$552 including interest through July 2018. The General Fund is repaying the loan.

During the fiscal year ended April 30, 2016, the Village issued a capital lease for the purchase of a Silverado Pickup with interest at 4.77%. Required payments are due monthly of \$1,082 including interest through December 2020. The General and Road and Bridge Funds are repaying the loan.

During the fiscal year, the following changes occurred in liabilities reported in the governmental activities:

	Balances May 1	Additions	Reductions	Balances April 30	Current
GOVERNMENTAL ACTIVITIES					
Capital leases payable	\$ 97,113	\$ 54,135	\$ 35,365	\$ 115,883	\$ 38,496
TOTAL GOVERNMENT ACTIVITIES	\$ 97,113	\$ 54,135	\$ 35,365	\$ 115,883	\$ 38,496

Debt service to maturity for the capital leases are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 38,496	\$ 3,808	\$ 42,304
2018	39,994	2,310	42,304
2019	28,890	882	29,772
2020	8,503	156	8,659
TOTAL	\$ 115,883	\$ 7,156	\$ 123,039

6. SPECIAL TAX LEVIES

The following is a summary of special tax levies received and deposited in the General Fund by the Village during the year ended April 30, 2016 and expenditures made by the Village's General Fund from these proceeds. Positive accumulated balances represent restricted fund balances as of April 30, 2016.

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. SPECIAL TAX LEVIES (Continued)

	Accumulated Balances (Deficits) April 30, 2015	Tax Levy Proceeds	Expenditures	Accumulated Balances (Deficits) April 30, 2016
Audit Tax Levy	\$ (38,638)	\$ 9,019	\$ 15,500	\$ (45,119)
Social Security Tax Levy	(29,616)	34,625	29,966	(24,957)
Workmens' Compensation/ Unemployment Tax Levy	(36,337)	9,116	13,690	(40,911)
Liability Insurance Tax Levy	27,733	15,324	10,252	32,805
School Crossing Guard Tax Levy	(17,206)	6,018	7,640	(18,828)
Police Protection Tax Levy	(3,385,081)	43,060	299,847	(3,641,868)
IMRF	(38,989)	25,219	26,521	(40,291)
Special Service Area Number 1	1,073	440	540	973
Special Service Area Number 2	(133)	440	540	(233)

7. COMMITMENTS

The Village has a maintenance contract for the Hinckley water and wastewater treatment systems that was entered into during early calendar year 2014. This contract replaced the Village's previous contract that was scheduled to end in 2016. The contract calls for monthly payments of \$15,533 for 2017, \$15,766 for 2018, and \$16,002 for 2019. The contract expires April 30, 2019. The Village has the option to renew the contract every four years. Expenses of \$187,471 were incurred under this contract in the year ended April 30, 2016. Future payments are as follows:

Year Ending April 30,	Amount
2017	\$ 186,396
2018	189,192
2019	192,024
TOTAL	\$ 567,612

8. RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. The Village purchases insurance coverage to properly protect their assets through Arthur J. Gallagher Risk Management Services, Inc. The Village also purchases third party indemnity insurance for employee health.

9. ILLINOIS MUNICIPAL RETIREMENT FUND

The Village’s defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Plan Membership

At December 31, 2015, IMRF membership consisted of:

Inactive employees or their beneficiaries	
currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>5</u>
 TOTAL	 <u><u>17</u></u>

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. Employees

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RETIREMENT FUND COMMITMENTS (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.5% of their annual covered salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended December 31, 2015 was 10.26% of covered payroll.

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age Normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RETIREMENT FUND COMMITMENTS (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Discount Rate

The discount rate used to measure the total pension liability was 7.49%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.49% used to determine the total pension liability.

Changes in the Net Pension Liability

	(a)	(b)	(a) - (b)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 1,090,904	\$ 1,032,501	\$ 58,403
Changes for the period			
Service cost	38,863	-	38,863
Interest	81,770	-	81,770
Difference between expected and actual experience	(62,112)	-	(62,112)
Changes in assumptions	915	-	915

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RETIREMENT FUND COMMITMENTS (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in the Net Pension Liability (Continued)

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
<i>Changes for the period (Continued)</i>			
Employer contributions	\$ -	\$ 29,894	\$ (29,894)
Employee contributions	-	13,112	(13,112)
Net investment income	-	5,170	(5,170)
Benefit payments and refunds	(40,137)	(40,137)	-
Administrative expense	-	-	-
Other (net transfer)	-	(24,758)	24,758
	<hr/>	<hr/>	<hr/>
Net changes	19,299	(16,719)	36,018
	<hr/>	<hr/>	<hr/>
BALANCES AT DECEMBER 31, 2015	\$ 1,110,203	\$ 1,015,782	\$ 94,421

Deferred Outflows of Resources and Deferred Inflows of Resources

At April 30, 2016, the deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 46,123
Changes in assumption	679	-
Net difference between projected and actual earnings on pension plan investments	57,158	-
	<hr/>	<hr/>
TOTAL	\$ 57,837	\$ 46,123

VILLAGE OF HINCKLEY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RETIREMENT FUND COMMITMENTS (Continued)

Illinois Municipal Retirement Fund (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF apply to the following periods:

<u>Year Ending April 30,</u>		
2016	\$	(1,464)
2017		(1,464)
2018		351
2019		<u>14,291</u>
TOTAL	\$	<u>11,714</u>

The net pension liability, deferred outflows of resources and deferred inflows of resources are not reported on Village's financial statements on the modified cash basis of accounting as discussed in Note 1d.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.49% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.49%) or 1 percentage point higher (8.49%) than the current rate:

	1% Decrease (6.49%)	Current Discount Rate (7.49%)	1% Increase (8.49%)
Net pension liability	\$ 194,096	\$ 94,421	\$ 13,638

10. OTHER POSTEMPLOYMENT BENEFITS

The Village has evaluated its potential other postemployment benefits liability. Former employees who choose to retain their rights to health insurance through the Village are required to pay 100% of the current premium. However, no former employees have chosen to stay in the Village's health insurance plan. Therefore, there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Village had no former employees for which the Village was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Village has not recorded any postemployment benefit liability as of April 30, 2016.

11. TRANSFERS

During the fiscal year, the Village transferred \$48,413 from the General Fund; \$30,392 to the Water and Sewer Fund for a debt payment and \$18,021 to the Motor Fuel Tax Fund for previous expenditures identified in an IDOT audit. The Water and Sewer Fund transferred \$10,398 to the Road and Bridge Fund to refund the Fund for capital improvements.

12. BUDGETS

Budgets are adopted for all funds. Budgets are adopted on the modified cash basis of accounting and represent the estimated receipts, transfers and disbursements for each fund contained in the annual budget and appropriation ordinance passed by the Board of Trustees. The budget may be amended by the Board of Trustees. The appropriation is presented in the appropriation column and the working budget is presented in the budget column. There were no supplemental appropriations adopted during the year. The legal level of control is at the fund level. All appropriations lapse at fiscal year end.

13. CHANGE IN ACCOUNTING PRINCIPLE

As of May 1, 2016, the Village changed its basis of accounting for proprietary funds from the accrual basis of accounting to the modified cash basis of accounting. The resulted in a change in accounting principle decreasing net position by \$211,283 for the Water and Sewer Fund and \$26,841 for the Garbage Fund. See Note 1d for further information.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUNDS

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCE (CASH BASIS) - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2016

	Original and Final Budget	Actual	
REVENUES COLLECTED			
Taxes			
Sales	\$ 125,000	\$ 108,059	
Property	270,860	270,976	
Personal property replacement	6,700	6,601	
Utility	65,000	62,386	
State use	39,000	47,638	
Income	105,000	221,031	
Video gaming	10,000	21,396	
Total taxes	621,560	738,087	
Licenses and permits	13,000	11,934	
Charges for services	19,100	14,448	
Fines and forfeits	8,100	24,468	
Investment income	26,100	1,185	
Miscellaneous	8,000	10,452	
Total revenues collected	695,860	800,574	
EXPENDITURES PAID			
	Appropriation		
Current			
General government			
Salaries	\$ 126,000	105,600	89,450
Benefits	109,100	87,200	76,949
Contractual services	233,200	157,200	123,778
Supplies	17,000	12,600	8,622
Dues, fees, subscriptions and permits	23,000	13,000	10,360
Maintenance and repairs	126,000	73,000	59,756
Equipment	20,000	10,000	1,155
Capital improvement	20,000	-	-
Lease of vehicles	-	-	-
Total general government	674,300	458,600	370,070
Public safety			
Salaries	228,700	205,200	199,045
Benefits	50,000	40,000	31,366
Contractual services	42,000	39,550	37,045
Supplies	21,000	19,700	19,463
Dues, fees, subscriptions and permits	2,000	1,000	2,909
Maintenance and repairs	8,500	5,000	3,365
Equipment	20,000	12,000	7,216
Total public safety	372,200	322,450	300,409

(This schedule is continued on the following page.)

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCE (CASH BASIS) - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2016

	<u>Appropriation</u>	<u>Original and Final Budget</u>	<u>Actual</u>
EXPENDITURES PAID (Continued)			
Current (Continued)			
Culture and recreation			
Salaries	\$ 9,750	\$ 9,750	\$ 8,004
Contractual services	14,200	13,900	4,773
Supplies	2,300	2,300	625
Dues, fees, subscriptions and permits	1,300	500	269
	<hr/>	<hr/>	<hr/>
Total culture and recreation	27,550	26,450	13,671
	<hr/>	<hr/>	<hr/>
Debt service			
Principal retirement	11,500	11,220	11,095
Interest and fiscal charges	2,500	1,980	2,022
	<hr/>	<hr/>	<hr/>
Total debt service	14,000	13,200	13,117
	<hr/>	<hr/>	<hr/>
Total expenditures paid	<u>\$ 1,088,050</u>	820,700	697,267
		<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(124,840)</u>	103,307
		<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(51,500)</u>	(48,413)
		<hr/>	<hr/>
Total other financing sources (uses)		<u>(51,500)</u>	(48,413)
		<hr/>	<hr/>
NET CHANGE IN FUND BALANCE		<u>\$ (176,340)</u>	54,894
		<hr/>	<hr/>
FUND BALANCE, MAY 1			<u>118,948</u>
			<hr/>
FUND BALANCE, APRIL 30			<u><u>\$ 173,842</u></u>

(See independent auditor's report.)

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCE (CASH BASIS) - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND

For the Year Ended April 30, 2016

	Original and		
	Final Budget		Actual
	<hr/>		<hr/>
REVENUES COLLECTED			
Taxes			
Property	\$ 32,000		\$ 34,077
Utility		52,000	51,043
		<hr/>	<hr/>
Total taxes		84,000	85,120
		<hr/>	<hr/>
Miscellaneous		500	447
		<hr/>	<hr/>
Total revenues collected		84,500	85,567
		<hr/>	<hr/>
EXPENDITURES PAID			
	Appropriation		
Current			
Highways and streets			
Group insurance	\$ 15,000	15,000	10,327
Engineering fees	15,000	15,000	-
Road paint and signs	10,000	8,000	588
General supplies	10,000	1,000	32
Fuel for vehicles	10,000	10,000	601
Employee wages	41,000	41,000	37,896
Snow and ice removal	4,000	4,000	402
General maintenance	1,000	500	-
Equipment maintenance	5,000	5,000	1,696
Vehicle maintenance and repair	10,000	7,000	604
Bridge maintenance	15,000	500	-
Ditch maintenance	5,000	5,000	3,000
Road maintenance	45,000	20,000	10,530
Capital outlay	50,000	40,000	12,515
Debt service			
Principal retirement	25,000	26,020	24,270
Interest and fiscal charges	3,500	2,480	3,022
		<hr/>	<hr/>
Total expenditures paid	\$ 264,500	200,500	105,483
		<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<hr/>	<hr/>
		(116,000)	(19,916)
		<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in		-	10,398
		<hr/>	<hr/>
Total other financing sources (uses)		-	10,398
		<hr/>	<hr/>
NET CHANGE IN FUND BALANCE		<hr/>	<hr/>
		\$ (116,000)	(9,518)
		<hr/>	<hr/>
FUND BALANCE, MAY 1			13,602
			<hr/>
FUND BALANCE, APRIL 30			\$ 4,084
			<hr/>

(See independent auditor's report.)

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCE (CASH BASIS) - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND

For the Year Ended April 30, 2016

	Original and		
	Final Budget		Actual
	<hr/>		<hr/>
REVENUES COLLECTED			
Taxes			
Motor fuel	\$ 50,000		\$ 53,052
Intergovernmental	8,000		-
Investment income	200		101
		<hr/>	<hr/>
Total revenues collected	58,200		53,153
		<hr/>	<hr/>
EXPENDITURES PAID			
	<u>Appropriation</u>		
Current			
Highway and streets			
Employee wages	\$ 26,000	16,000	3,617
Professional services	5,000	5,000	3,386
Snow and ice removal	15,000	15,000	6,261
Capital outlay	25,000	-	16,920
		<hr/>	<hr/>
Total expenditures paid	\$ 71,000	36,000	30,184
		<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		22,200	22,969
		<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in		-	18,021
		<hr/>	<hr/>
Total other financing sources (uses)		-	18,021
		<hr/>	<hr/>
NET CHANGE IN FUND BALANCE		\$ 22,200	40,990
		<hr/>	<hr/>
FUND BALANCE, MAY 1			33,134
			<hr/>
FUND BALANCE, APRIL 30			\$ 74,124
			<hr/>

(See independent auditor's report.)

ENTERPRISE FUND

VILLAGE OF HINCKLEY, ILLINOIS

COMBINING SCHEDULE OF NET POSITION
WATER AND SEWER DEPARTMENT ACCOUNTS - MODIFIED CASH BASIS

April 30, 2016

	Water and Sewer	Project	Capital Improvement	Debt Service	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ (60,294)	\$ 19,566	\$ 129,928	\$ 223,508	\$ 312,708
Investments	-	-	149,443	300,000	449,443
Total current assets	(60,294)	19,566	279,371	523,508	762,151
CAPITAL ASSETS					
Land	14,170	-	-	-	14,170
Elevated water tank	442,323	-	-	-	442,323
Equipment	89,769	-	-	-	89,769
Plant and building	4,549,123	-	-	-	4,549,123
Water distribution system	8,976,690	-	-	-	8,976,690
Subtotal	14,072,075	-	-	-	14,072,075
Less accumulated depreciation	3,906,945	-	-	-	3,906,945
Net capital assets	10,165,130	-	-	-	10,165,130
Total assets	10,104,836	19,566	279,371	523,508	10,927,281
CURRENT LIABILITIES					
Loan payable	48,216	-	-	-	48,216
Debt certificate payable	25,000	-	-	-	25,000
IEPA loan payable	345,647	-	-	-	345,647
Total current liabilities	418,863	-	-	-	418,863
LONG-TERM DEBT					
Debt certificate payable	90,000	-	-	-	90,000
IEPA loan payable	6,645,568	-	-	-	6,645,568
Total long-term debt	6,735,568	-	-	-	6,735,568
Total liabilities	7,154,431	-	-	-	7,154,431
NET POSITION					
Net investment in capital assets	3,010,699	-	-	-	3,010,699
Restricted for debt service	-	-	-	523,508	523,508
Restricted for capital improvements	-	-	279,371	-	279,371
Unrestricted	(60,294)	19,566	-	-	(40,728)
TOTAL NET POSITION	\$ 2,950,405	\$ 19,566	\$ 279,371	\$ 523,508	\$ 3,772,850

(See independent auditor's report.)

VILLAGE OF HINCKLEY, ILLINOIS

COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
WATER AND SEWER DEPARTMENT ACCOUNTS - MODIFIED CASH BASIS

For the Year Ended April 30, 2016

	Water and Sewer	Project	Capital Improvement	Debt Service	Total
OPERATING REVENUES					
Charges for services	\$ 467,778	\$ -	\$ 77,892	\$ 292,796	\$ 838,466
Total operating revenues	467,778	-	77,892	292,796	838,466
OPERATING EXPENSES					
Personnel services	76,314	-	-	-	76,314
Contractual services	233,373	4,867	30,635	-	268,875
Repairs and maintenance	54,604	-	-	-	54,604
Insurance	6,068	-	-	-	6,068
Supplies and miscellaneous	42,651	-	-	-	42,651
Rent and utilities	104,099	-	-	-	104,099
Depreciation	321,799	-	-	-	321,799
Total operating expenses	838,908	4,867	30,635	-	874,410
OPERATING INCOME (LOSS)	(371,130)	(4,867)	47,257	292,796	(35,944)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	31	-	2,500	1,590	4,121
Cell tower rental	18,600	-	-	-	18,600
Interest expense	(10,897)	-	-	(103,021)	(113,918)
Total non-operating revenues (expenses)	7,734	-	2,500	(101,431)	(91,197)
NET INCOME (LOSS) BEFORE TRANSFERS	(363,396)	(4,867)	49,757	191,365	(127,141)
TRANSFERS					
Intrafund transfers	335,371	1,190	-	(336,561)	-
Transfers in	30,392	-	-	-	30,392
Transfers (out)	(10,398)	-	-	-	(10,398)
Total transfers	355,365	1,190	-	(336,561)	19,994
CHANGE IN NET POSITION	(8,031)	(3,677)	49,757	(145,196)	(107,147)
NET POSITION, MAY 1	3,169,300	23,243	229,752	668,985	4,091,280
Change in accounting principle	(210,864)	-	(138)	(281)	(211,283)
NET POSITION, MAY 1, RESTATED	2,958,436	23,243	229,614	668,704	3,879,997
NET POSITION, APRIL 30	\$ 2,950,405	\$ 19,566	\$ 279,371	\$ 523,508	\$ 3,772,850

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
TAX EXTENSIONS AND TAX COLLECTIONS

Last Ten Levy Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ASSESSED VALUATIONS										
DeKalb County	\$ 36,377,753	\$ 35,893,706	\$ 36,027,913	\$ 40,680,975	\$ 46,729,757	\$ 49,447,171	\$ 54,762,331	\$ 54,836,733	\$ 52,941,621	\$ 46,880,187
TAX RATES										
Corporate	0.3585	0.3561	0.3491	0.2938	0.2431	0.2302	0.2047	0.1975	0.2004	0.2216
School crossing	0.0164	0.0168	0.0167	0.0146	0.0111	0.0107	0.0095	0.0092	0.0094	0.0104
Audit	0.0259	0.0252	0.0247	0.0214	0.0176	0.0166	0.0148	0.0142	0.0146	0.0161
Police protection	0.1214	0.1200	0.1178	0.0996	0.0692	0.0655	0.0582	0.0562	0.0576	0.0636
Social security	0.0850	0.0966	0.0947	0.0748	0.0712	0.0674	0.0599	0.0578	0.0573	0.0633
Workers' compensation	0.0264	0.0254	0.0249	0.0216	0.0183	0.0173	0.0154	0.0149	0.0152	0.0168
Liability insurance	0.0438	0.0427	0.0420	0.0364	0.0304	0.0288	0.0256	0.0247	0.0256	0.0283
IMRF	0.0720	0.0703	0.0690	0.0802	0.0813	0.0788	0.0683	0.0659	0.0656	0.0725
TOTAL TAX RATES	0.7494	0.7531	0.7389	0.6424	0.5422	0.5153	0.4564	0.4404	0.4457	0.4926
TAX EXTENSIONS										
Corporate	\$ 130,403	\$ 127,818	\$ 125,781	\$ 119,525	\$ 113,609	\$ 111,879	\$ 108,911	\$ 108,292	\$ 103,999	\$ 101,041
School crossing	5,955	6,023	6,049	5,931	5,206	5,197	5,055	5,023	4,871	4,730
Audit	9,407	9,028	8,877	8,698	8,201	8,075	7,858	7,809	7,576	7,360
Police protection	44,148	43,098	42,419	40,510	32,342	31,839	30,985	30,796	29,864	29,019
Social security	30,903	34,655	34,133	30,433	33,276	32,764	31,883	31,696	29,732	28,888
Workers' compensation	9,600	9,124	8,975	8,795	8,556	8,421	8,192	8,143	7,899	7,674
Liability insurance	15,934	15,337	15,117	14,824	14,220	13,998	13,619	13,539	13,272	12,897
IMRF	26,203	25,240	24,866	32,606	37,987	37,367	36,368	36,154	34,052	33,083
TOTAL TAX EXTENSIONS	\$ 272,553	\$ 270,323	\$ 266,217	\$ 261,322	\$ 253,397	\$ 249,540	\$ 242,871	\$ 241,452	\$ 231,265	\$ 224,692

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
TAX COLLECTIONS										
General Fund										
Corporate	\$ -	\$ 127,706	\$ 124,894	\$ 119,490	\$ 113,499	\$ 109,790	\$ 108,911	\$ 108,271	\$ 103,918	\$ 100,974
School crossing	-	6,018	6,006	5,930	5,201	5,275	4,972	5,022	4,867	4,727
Audit	-	9,019	8,815	8,695	8,193	8,196	7,858	7,807	7,570	7,355
Police protection	-	43,060	42,120	40,498	32,310	32,319	30,985	30,791	29,841	28,999
Social security	-	34,625	33,892	30,424	33,244	33,258	31,883	31,690	29,709	28,869
Workers' compensation	-	9,116	8,911	8,793	8,548	8,548	8,077	8,142	7,893	7,669
Liability insurance	-	15,324	15,011	14,820	14,206	14,209	13,619	13,537	13,262	12,888
IMRF	-	25,219	24,691	32,596	37,950	37,930	36,368	36,147	34,026	33,062
TOTAL TAX COLLECTIONS AS OF APRIL 30	\$ -	\$ 270,087	\$ 264,340	\$ 261,246	\$ 253,151	\$ 249,525	\$ 242,673	\$ 241,407	\$ 231,086	\$ 224,543
PERCENTAGE OF EXTENSIONS COLLECTED AS OF APRIL 30										
	0.00%	99.91%	99.29%	99.97%	99.90%	99.99%	99.92%	99.98%	99.92%	99.93%

Note: The amounts above do not include special service areas #1 or #2.

(See independent auditor's report.)

VILLAGE OF HINCKLEY, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2016

ASSESSED VALUATION (2015 Latest Year Available)	<u><u>\$ 36,377,753</u></u>
STATUTORY DEBT LIMITATION (8.625% of assessed valuation)	\$ 3,137,581
TOTAL DEBT None	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 3,137,581</u></u>

(See independent auditor's report.)