

**VILLAGE OF WINNEBAGO
WINNEBAGO, ILLINOIS**

Annual Financial Report

As of and for the Year Ended
December 31, 2016

VILLAGE OF WINNEBAGO, ILLINOIS

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Independent Auditor's Report

The Honorable President and
Members of the Board of Trustees
Village of Winnebago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Winnebago, Illinois (Village) as of and for the year ended December 31, 2016, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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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 of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Winnebago, Illinois, as of December 31, 2016, and the respective changes in financial position and cash flows of its proprietary fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Winnebago, Illinois' basic financial statements. The combining, and individual nonmajor fund financial statements, and the schedules listed in the table of contents as supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual nonmajor fund financial statements and the schedules listed in the table of contents as supplemental schedules 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Benning Group, LLC". The signature is written in a cursive, flowing style.

Rockford, Illinois
July 10, 2017

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2016 (Unaudited)

This section of the Village of Winnebago's Annual Financial Report presents our discussion and analysis of the Village's financial activities for the year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- Net position and performance in total – The Village's total net position at December 31, 2016 was \$7,208,539.
- Government activity summary – Net position for governmental activities increased by \$29,477 during the period.
- Business-type activity summary – Net position for business-type activities increased by \$140,245 during the period.
- General Fund summary – The Village's General Fund reported an increase of \$156,347 in fund balance for the period.
- Budget vs. actual – The Village's actual revenues for the General Fund were \$12,263 more than the budgeted revenues. The actual expenditures were \$498,277 less than total budgeted expenditures for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements, which present different views of the Village: government-wide financial statements and fund financial statements. The basic financial statements also include notes to the financial statements.

Government-wide financial statements provide both short and long-term information about the Village's overall financial status.

Fund financial statements focus on individual parts of the Village government, reporting Village operation in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by the required supplementary information section that further explains and supports the information in the financial statements.

In addition to all of the required financial statement elements, the Village has provided sections for the combining statements to provide detail on non-major funds and additional supplementary information.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

The following table summarizes the major features of the Village's financial statements:

FUND STATEMENTS			
GOVERNMENT-WIDE STATEMENTS		Governmental Funds	Proprietary Funds
Scope	Entire Village government	Activities of the Village that are not proprietary such as public safety	Activities of the Village that operates similar to private business such as the water department
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -Statement of cash flows
Accounting basis	Accrual	Modified accrual	Accrual
Measurement focus	Economic resources	Current financial resources	Economic resources
Type of assets & liability information	All assets and liabilities; both financial and capital, short and long-term	Assets expected to be used and liabilities that come due during the year or shortly thereafter; no capital assets	All assets and liabilities; both financial and capital, short and long-term
Type of inflow & outflow information	All revenues and expenses during the year regardless of when cash is received or paid	Revenues for which cash is received during the year or shortly thereafter; expenditures for goods or services that have been received and payment is due during the year or shortly thereafter	All revenues and expenses during the year regardless of when cash is received or paid

Government-Wide Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the Primary Government. The focus of the Statement of Net Position is designed to disclose bottom line results for the Village and its governmental and business-type activities.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities is focused on both the gross and net cost of various activities (governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the Village's basic services, including administration, financial services, police, and public works. Property taxes, telecommunications taxes, and shared state tax distributions finance the majority of these services. The business-type activities reflect private sector type operations, where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

Governmental funds are presented on a sources and uses of liquid resources basis. This is the manner in which the budget is typically developed. Governmental funds provide a current resources (short-term) view that helps determine whether there are more or fewer current financial resources available to spend for Village operations.

Proprietary funds account for services that are generally fully supported by user fees charged to customers. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short and long term financial information.

While the total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-wide Financial Statement, the Governmental Funds column requires reconciliation because of the different measurement focus (current financial resources/modified accrual versus total economic resources/full accrual), which is reflected on the page following each statement. The flow of current financial resources will reflect debt proceeds, proceeds from sales of capital asset disposals, and interfund transfers as other financial sources as well as capital outlay expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Government Activities column in the Government-wide Statements.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – streets, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 required that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

either (1) depreciate these assets over their estimated useful lives or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity.

If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its costs of maintenance in lieu of depreciation. The Village has elected to depreciate assets over their useful life. If a project is considered maintenance – a recurring cost that does not extend the asset's original useful life or expand its capacity – the cost of the project will be expensed. An "overlay" of a street will be considered maintenance whereas a "rebuild" of a street will be capitalized.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

In accordance with GASB Statement No. 34, a comparative analysis of government-wide information is presented.

Statement of Net Position

The following table reflects the condensed Statement of Net Position on a comparative basis:

Table 1
Statement of Net Position
As of December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current and other assets	\$ 1,687,859	1,566,218	920,101	1,594,147	2,607,960	3,160,365
Capital assets	3,930,561	3,978,815	3,551,919	3,213,071	7,482,480	7,191,886
Total assets	5,618,420	5,545,033	4,472,020	4,807,218	10,090,440	10,352,251
Deferred outflows of resources	105,217	133,012	25,562	32,082	130,779	165,094
Total assets and deferred outflows of resources	5,723,637	5,678,045	4,497,582	4,839,300	10,221,219	10,517,345
Liabilities	128,073	120,065	364,696	779,044	492,769	899,109
Liabilities – non-current	509,367	524,090	1,560,766	1,632,329	2,070,133	2,156,419
Deferred inflows of resources	445,830	423,000	3,948	–	449,778	423,000
Total liabilities and deferred inflows of resources	1,083,270	1,067,155	1,929,410	2,411,373	3,012,680	3,478,528
Net position:						
Net investment in capital assets	3,930,561	3,978,815	2,043,002	1,640,012	5,973,563	5,618,827
Restricted	354,257	370,534	–	–	354,257	370,534
Unrestricted	355,549	261,541	525,170	787,915	880,719	1,049,456
Total net position	\$ 4,640,367	4,610,890	2,568,172	2,427,927	7,208,539	7,038,817

For more detailed information see the Statement of Net Position.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Normal Impacts – Net Position

There are six common (basic) types of transactions that will generally affect the comparability of the Statements of Net Position summary presentation.

Net Results of Activities – Impacts (increases/decreases) current assets and unrestricted net position.

Borrowing for Capital – Increases current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – Reduces current assets and increases capital assets. There is a second impact, an increase in capital assets and an increase in related net debt will not change the net investment in capital assets

Spending of Non-borrowed Current Assets on New Capital – (a) Reduces current assets and increases capital assets; and (b) reduces unrestricted net position and increases net investment in capital assets.

Principal Payment on Debt – (a) Reduces current assets and reduces long-term debt; and (b) reduces unrestricted net position and increases net investment in capital assets.

Reduction of Capital Assets Through Depreciation – Reduces capital assets and net investment in capital assets.

Current Year Impacts – Net Position

The Village's combined net position at December 31, 2016 was \$7,208,539 for all funds. This was an increase of \$169,722 during the year. Total assets decreased from \$10,352,251 to \$10,090,440, a decrease of \$261,811. Current assets decreased by \$552,405. The capital assets (net) increased by \$290,594.

The total liabilities decreased by \$492,626, which is mainly attributed to the payment of the Due to other government of \$676,371 in the business-type activities. Accounts payable increased by \$256,102 and deferred outflows of resources decreased \$34,315, which is made up of the change in deferred pension expense. Deferred inflows of resources increased \$26,778, which is made up of the change in property taxes and pension.

The net position of business-type activities increased by \$140,245 during the period and ended at \$2,568,172. Unrestricted net position, available to finance the continuing operation of its business-type activities, was \$525,170. The operating cost of the Village's business-type activities for the year ended December 31, 2016 was \$770,043.

The total net position at December 31, 2016 was \$7,208,539, of which 82.9% is in investment in capital assets, another 4.9% is restricted for capital improvements and highways and streets. The remaining 12.2% or \$880,719 is available for any purpose, which is an decrease of \$168,737 or 16.1% from the unrestricted net position of December 31, 2015.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Statement of Changes in Net Position

The following chart reflects the condensed Statement of Changes in Net Position. For more detailed information see the Statement of Activities.

Table 2
Changes in Net Position
As of December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
REVENUES						
Program revenues:						
Charges for services	\$ 53,509	\$ 58,145	\$ 975,325	\$ 1,011,723	\$ 1,028,834	\$ 1,069,868
Grants and contributions:						
Operating	49,888	44,448	—	—	49,888	44,448
Capital contributions	—	—	—	—	—	—
General revenues:						
Property taxes	422,767	417,822	—	—	422,767	417,822
Other taxes	975,743	903,610	198,731	201,527	1,174,474	1,105,137
Intergovernmental	—	—	46,466	50,008	46,466	—
Investment income	2,073	705	4,256	1,105	6,329	1,810
Forgiveness of IEPA debt	—	—	—	650,000	—	—
Gain(loss) on sale of capital assets	—	—	—	—	—	—
Miscellaneous	40,489	34,405	8,383	16,409	48,872	50,814
Total revenues received	1,544,469	1,459,135	1,233,161	1,930,772	2,777,630	2,689,899
EXPENSES						
General government	479,325	491,254	—	—	479,325	491,254
Public safety	647,779	647,158	—	—	647,779	647,158
Highways and streets	294,513	282,484	—	—	294,513	282,484
Culture and recreation	93,375	89,724	—	—	93,375	89,724
Interest	—	—	—	—	—	—
Water and sewer	—	—	770,043	676,858	770,043	676,858
Total expenses disbursed	1,514,992	1,510,620	770,043	676,858	2,285,035	2,187,478
Excess of revenues						
over (under) expenses	29,477	(51,485)	463,118	1,253,914	492,595	1,202,429
Transfers	—	—	—	—	—	—
Special item	—	—	(322,873)	(468,405)	(322,873)	(468,405)
Changes in net position	29,477	(51,485)	140,245	785,509	169,722	734,024
Beginning net position, as previously stated	4,610,890	5,016,324	2,427,927	1,724,792	7,038,817	6,741,116
Restatement due to new accounting principle	—	(353,949)	—	(82,374)	—	(436,323)
Beginning, as restated	4,610,890	4,662,375	2,427,927	1,642,418	7,038,817	6,304,793
Ending net position	\$ 4,640,367	\$ 4,610,890	\$ 2,568,172	\$ 2,427,927	\$ 7,208,539	\$ 7,038,817

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Normal Impact – Changes in Net Position

Reflected below are eight common (basic) impacts on revenues and expense.

Revenues:

Economic Condition – Reflects a declining, stable or growing economic environment and has a substantial impact on state income, sales, telecommunications and utility tax revenues as well as public spending habits for items such as building permits and user fees including volumes of usage.

Increase / Decrease in Village Approval Rates – While statutes set certain tax rates, the Village Board has authority to impose and periodically increase/decrease rates (building permit fees, etc.). The Village's property taxes are subject to tax caps, which generally limit Village increases to the lesser of the change in the Consumer Price Index or 5%.

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.

Market Impacts on Investment Income – The Village principally has cash and cash equivalents. There were no investments at December 31, 2016.

Expenses:

Changes in Programs – Within the functional expense categories (General Government, Public Safety, Public Works, etc.) individual programs may be added, deleted, or expanded to meet changing community needs.

Changes in Authorized Personnel – Changes in service demand may cause the Village Board to increase or decrease authorized staffing.

Salary Increases (annual adjustments and step increases) – The Village strives to maintain a competitive salary range position in the marketplace.

Inflation – While overall inflation appears to be modest (the CPI was 3% at December 31, 2016), the Village is a major consumer of certain commodities and services, which typically experience inflation at a rate that can be significantly different from CPI. Examples of such items include health insurance, fuel, electricity and operating supplies.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Current Year Impacts – Changes in Net Position

Governmental Activities

Revenues:

Revenues from governmental activities total \$1,554,469. The largest source of revenue was \$422,767 from property taxes. Sales and use taxes were the next highest with revenue for the period of \$398,697. Income tax ranked third with \$299,933. The next highest source of income was telecommunications tax with \$64,188. The revenues from these four sources represent 76% of the governmental activity revenues. Total revenue from all taxes was \$1,398,510 or 90%. The Village received \$112,868 in Utility tax revenue, which was new for 2016. The Village also recognized \$53,509 in charges for services or 3% and grants of \$49,888 or 3% of total revenue.

Expenses:

The Village's total governmental activity expenses were \$1,514,992. The three major functional areas were general government \$479,325 or 32% of the total; public works \$294,513 or 19% of the total; and public safety of \$647,779 or 43% of the total expenses of the Village.

Personnel costs including wages, taxes, health and life insurance, and retirement benefits were \$867,606 or 57% of the total expenses.

Business-type Activities

Revenues:

Operating revenues from business-type activities total \$975,325. The largest source of revenue was \$455,609 or 47% from capital charges revenue. Charges for water were the next highest with revenue for the year of \$333,524 or 34%. Refuse and recycling income ranged third with \$183,644 or 19%. The remaining \$2,548 represents, pre-paid water and hook-up fees.

Expenses:

The Village's total business-type activity expenses were \$770,043. The four major areas of operating expenses were wages and benefit expenses of \$201,598 or 26% of the total; refuse and recycling expenses of \$178,043 or 23% of the total; operating supplies of \$33,732 or 4.4% of the total; Interest expense on loans was \$29,831 or 3.9% of the total; and depreciation of \$215,723 or 28% of the total. These four areas account for \$658,927 or 86% of the total business-type expenses of the Village.

The Village also paid the Rock River Water Reclamation District \$322,873 for costs related to an intergovernmental agreement.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At December 31, 2016, the governmental funds reported a combined fund balance of \$1,121,914, a increase of \$111,716 from the prior period, which is mainly attributed to a \$86,104 increase in total revenues. The General Fund balance increased by \$156,347. All other funds netted a decrease of \$44,631.

The Village's cash and equivalents increased by \$140,309 for all governmental funds during the year ended December 31, 2016.

General Fund Budgetary Highlights

General Fund	FY 16 Original Budget	FY 16 Final Budget	FY 16 Actual
Revenues:			
Taxes	\$ 1,315,193	1,315,193	1,309,920
Fines and other fees	34,000	34,000	46,579
Other	37,785	37,785	42,742
Total revenues	1,386,978	1,386,978	1,399,241
Expenditures:			
General government	381,111	381,111	273,510
Highways and streets	532,630	532,630	294,513
Public safety	830,612	830,612	645,932
Capital outlay	—	—	32,121
Total expenditures	1,744,353	1,744,353	1,246,076
Excess of revenues over (under) expenditures	(357,375)	(357,375)	153,165
Other financing sources (uses):			
Transfers in (out)	8,500	8,500	3,182
Total other financing sources	8,500	8,500	3,182
Net change in fund balance	\$ (348,875)	(348,875)	156,347

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

CAPITAL ASSETS

As allowed by GASB Statement No. 34, the Village has elected to capitalize its infrastructure assets prospectively. During the current period the Village's capital assets, net of accumulated depreciation increased by \$290,594. The increase is a result of water and road improvements and the building of the new water tower system. See Note 5 to the financial statements for more details.

	Entity Wide Change in Net Capital Assets					
	Governmental Activities		Business-type Activities		Total Government	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Land	\$ 73,884	73,884	45,375	45,375	119,259	119,259
Buildings and improvements	359,604	359,604	15,000	15,000	374,604	374,604
Equipment and vehicles	576,328	548,353	534,675	534,675	1,111,003	1,083,028
Software	21,564	21,564	10,782	10,782	32,346	32,346
Infrastructure	4,523,202	4,423,518	3,693,318	3,138,747	8,216,520	7,562,265
Construction in progress	-	-	-	-	-	-
Subtotals	5,554,582	5,426,923	4,299,150	3,744,579	9,853,732	9,171,502
Accumulated depreciation	(1,624,021)	(1,448,108)	(747,231)	(531,508)	(2,371,252)	(1,979,616)
Totals	\$ 3,930,561	3,978,815	3,551,919	3,213,071	7,482,480	7,191,886

ECONOMIC FACTORS

Property Tax revenue in 2017 for 2016 property taxes will not increase from FY 2016 revenue. The Village Board chose to freeze property taxes at the 2016 total aggregate level of \$413,705 for the 2016 extension. The EAV for the Village finally bottomed out at \$44.05 million in 2015 and rose in 2016 to \$44.38 million for the first time since 2009 when it peaked at \$52.18 million. Net decrease in EAV from 2009 to 2015 was \$8.1 million or 15.6%. As the economy continues to improve and supply of and demand for housing aligns, it is expected that EAV will continue to slowly increase. However, no significant new construction is pending at this time.

The State of Illinois continued to operate without a budget through June 30, 2017. During 2016, there was some loss of revenue to the Village from the Local Government Distribution Fund (LGDF). Year over year it was down 10%. This revenue represents approximately 20% of the Village's General budget income. Reasons for this decrease in revenue has not been able to be explained by the Illinois Department of Revenue.

The utility tax on electricity, which the Village enacted at the end of 2015, produced \$103,000 in revenue for 10 months, March-December 2016. Full year revenue for 2017 is expected to exceed \$125,000. Village Ordinance dedicates this revenue to be used to fund street lights and street projects in the General Fund Budget.

Other tax revenues that are collected by the state of Illinois and distributed to the Village: Local Use, Motor Fuel, Sales and Telecommunication Taxes are expected to be +/- 3% during FY2017 with no net increase from 2016.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

There were no annexations in 2016. One property annexed in 2014 will receive a \$300 refund from the village each year for 10 years starting with the 2014 taxes due in 2015. This was part of the annexation agreement to compensate the property owner for the lack of sewer access to the property.

The Village still has 2 properties that receive refunds of actual property taxes paid until such time as zoning of the property changes or ownership changes.

The Village passed a Municipal Sales Tax of 1% by referendum in 2012. This 1% tax is dedicated by referendum to infrastructure improvements and is currently being used for water and sewer projects. This tax generates approximately \$200,000 in gross revenue annually.

The Village has a Sales Tax refund agreement with Sullivan's Grocery/Ace Hardware Store. This agreement requires the Village to refund 35% of all sales tax collected from the combined stores until \$600,000 is paid to Sullivan's. 2016 was the fifth year of refunds. Total refunded sales tax as of 31 Dec 2016 was \$216,726 or 36%. Current estimate is that this refund agreement will be fulfilled in 2025.

In December of 2011, the Village signed an inter-governmental agreement (IGA) with the Rock River Water Reclamation District (RRWRD) transferring the Village's sewage collection and processing system and its operation to the District. This agreement became effective on December 21 2011. According to the agreement, the Village is responsible to pay for costs related to the extension of the Fuller Creek Trunk Sewer to Winnebago, the rehabilitation, conversion, and upgrading of the Village's current collection system, and a Plant-Buy-In (PBI) fee. Seven specific costs or cost estimates with a maximum of 10% above estimates are delineated in the agreement. As of the end of 2016, two of the seven items, the PBI of \$676,370, and the rehabilitation work for the current collection system, \$2,053,008, had been fully paid for in cash. The remaining 5 items are either currently under construction or are not currently in the District's 10-year construction plan. However, the IGA states that any item in the agreement that is "staged" but not constructed will be invoiced to the Village at the 10-year point of the agreement.

A meeting was held with the District in April 2017 to negotiate exactly how this will be paid.

At this time the Village believes it will be able to "escrow" approximately \$1.35 million in cash by December 21, 2021 toward the remaining debt of \$8.65 million owed the District. The District has agreed to fold the remaining balance of \$7.3 million into the loan repayment schedule for the items currently under construction when the loan payments start which is anticipated to be in the fall of 2018. The terms of the loan match the terms of the District's loan from the IEPA, 20yrs @ 1.75%. The escrowed amount available in 2021 is based on planned water usage and rates passed by ordinance in January 2017.

In summary, the estimated total cost of the IGA is \$10.6 million, with a fixed maximum cost of \$11.4 million. Due to delays acquiring easements, the actual costs have been assumed to be the original cost estimates plus 10%. As of December 2021, \$4.1 million of the costs will have been paid in cash and \$7.3 million will have been borrowed from the District.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Payment in Lieu of Taxes (PILOT) is also required by the IGA until such time as the properties included in the IGA are annexed to the District. These PILOT charges are included in the Districts quarterly billing to users and are based upon the property tax that the property owner would have to pay to the District if the property was within the District boundary. Upon official annexation of the Village users to the District, the PILOT charges will be dropped and the District's annual Levy/Extension will be added to the users Property Tax bills. This will happen after the Trunk Sewer line extension is connected to the Village's current collection system in late 2018. The current tax rate for the 2016 property tax bill is 0.2082. The District tax rate is subject to the Property Tax Extension Limitation Law (PTELL).

In 2014, the Village obtained funding from IEPA for the upgrading of its potable water system. The project included the building of a new 400,000 gallon water tower, rehabilitating well #3, rebuilding well house #3, and digitizing the controls and data collection of the Village's entire potable water system. The cost of the project was approximately \$2.4 million. The loan for this project was approved for \$2.265 million. Costs above the loan amount were paid from reserves. Terms are 1.995%APR for 20 years with bi-annual payments. All aspects of the project were completed in 2015 under budget. The Village received loan forgiveness from the IEPA for \$650,000 of the loan. This reduced the annual payments by \$42,000 from \$140,000 to \$98,000. Loan payments will be from monies collected on monthly water bills. Loan payments started in July 2015 and will continue each January and July through January 2035.

In September 2016, the Village entered into a contract with Verizon wireless to rent space on the Village's water tower on east Main Street. Construction began in February 2017. Revenue in 2017 is expected to be \$16,500 with full revenue of \$18,000 in 2018. The contract is for 5 years and is extendable for 4, 5-year extensions.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Sally Bennett, Treasurer, Village of Winnebago, 108 West Main Street, Winnebago, Illinois, 61088.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,019,727	777,394	1,797,121
Receivables:			
Property taxes	423,000	–	423,000
Intergovernmental – State of Illinois	182,245	53,607	235,852
Other	19,425	–	19,425
Customers – utility users	–	74,248	74,248
Prepaid items	43,463	14,852	58,315
Total current assets	1,687,860	920,101	2,607,961
Capital assets not being depreciated	73,884	45,375	119,259
Capital assets (net of accumulated depreciation)	3,856,677	3,506,544	7,363,221
Total assets	5,618,421	4,472,020	10,090,441
Deferred outflows of resources –			
Pension	105,217	25,562	130,779
Total deferred outflows of resources	105,217	25,562	130,779
Total assets and deferred outflows of resources	5,723,638	4,497,582	10,221,220
Liabilities and deferred inflows:			
Accounts payable	79,537	288,432	367,969
Accrued payroll	25,535	6,054	31,589
Current portion of long-term debt	–	68,176	68,176
Compensated absences	23,000	2,034	25,034
Due to other governments	–	–	–
Total current liabilities	128,072	364,696	492,768
Long-term liabilities:			
Net pension liability	509,367	120,025	629,392
Long-term debt, net of current maturities	–	1,440,741	1,440,741
Total long-term liabilities	509,367	1,560,766	2,070,133
Deferred inflows of resources –			
Property taxes	429,000	–	429,000
Pension	16,830	3,948	20,778
Total deferred inflows of resources	445,830	3,948	449,778
Total liabilities and deferred inflows of resources	1,083,269	1,929,410	3,012,679
Net position:			
Net investment in capital assets, net of related debt	3,930,561	2,043,002	5,973,563
Restricted for:			
Highways and streets	64,212	–	64,212
Capital improvements	290,045	–	290,045
Unrestricted	355,551	525,170	880,721
Total net position	\$ 4,640,369	2,568,172	7,208,541

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Activities

For the Year Ended December 31, 2016

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets		
					Govern-mental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 451,350	53,509	–	–	(397,841)	–	(397,841)
Public safety	675,754	–	–	–	(675,754)	–	(675,754)
Highway and streets	294,513	–	–	–	(294,513)	–	(294,513)
Culture and recreation	93,375	–	49,888	–	(43,487)	–	(43,487)
Total governmental activities	1,514,992	53,509	49,888	–	(1,411,595)	–	(1,411,595)
Business-type activities:							
Water and sewer	770,043	975,325	–	–	–	205,282	205,282
Total business-type activities	770,043	975,325	–	–	–	205,282	205,282
Total	\$ 2,285,035	1,028,834	49,888	–	(1,411,595)	205,282	(1,206,313)
General revenues:							
Property taxes				\$ 422,767	–		422,767
Sales and use tax				398,697	198,731		597,428
Income tax				299,933	–		299,933
Telecommunications tax				64,188	–		64,188
Personal property replacement tax				21,104	–		21,104
Utility tax				112,868	–		112,868
Motor fuel tax				78,953	–		78,953
Intergovernmental revenue				–	46,466		46,466
Unrestricted investment earnings				2,074	4,256		6,330
Miscellaneous				40,490	8,383		48,873
Total general revenues				1,441,074	257,836		1,698,910
Special item –							
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system				–	(322,873)		(322,873)
Change in net position				29,479	140,245		169,724
Net position:							
Beginning				4,610,890	2,427,927		7,038,817
Ending				\$ 4,640,369	2,568,172		7,208,541

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Balance Sheet

Governmental Funds

December 31, 2016

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 618,689	290,045	110,993	1,019,727
Receivables:				
Property taxes	423,000	–	–	423,000
Intergovernmental – State of Illinois	182,245	–	–	182,245
Other	9,183	–	10,242	19,425
Prepaid items	43,463	–	–	43,463
Total assets	\$ 1,276,580	290,045	121,235	1,687,860
Liabilities – current:				
Accounts payable	77,513	–	2,024	79,537
Accrued payroll	25,535	–	–	25,535
Deferred revenue	36,874	–	1,000	37,874
Total current liabilities	139,922	–	3,024	142,946
Deferred inflows of resources –				
Property taxes	423,000	–	–	423,000
Total liabilities and deferred inflows of resources	562,922	–	3,024	565,946
Fund balances:				
Nonspendable – prepaid items	43,463	–	–	43,463
Restricted for highways and streets	–	–	64,212	64,212
Restricted for capital improvements	–	290,045	–	290,045
Committed to community development	–	–	46,391	46,391
Committed to Fourth of July	–	–	7,608	7,608
Unassigned	670,195	–	–	670,195
Total fund balances	713,658	290,045	118,211	1,121,914
Total liabilities, deferred inflows of resources and fund balances	\$ 1,276,580	290,045	121,235	1,687,860

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position

December 31, 2016

Fund balances of governmental funds	\$	1,121,914
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore, are not reported in the
governmental funds:

Capital assets	5,554,582
Accumulated depreciation	(1,624,021)

Long-term liabilities are not due and payable in the current
period and therefore are not reported in
the governmental funds:

Compensated absences	(23,000)
Pension liability	(526,197)

Other long-term assets are not available to pay current period
expenditures and, therefore, are deferred in the funds:

Pension asset	105,217
Telecommunication taxes	<u>31,874</u>

Net position of governmental activities	\$	<u>4,640,369</u>
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See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,309,920	–	11,873	1,321,793
Intergovernmental	–	–	–	–
Licenses, fees and permits	46,579	–	6,930	53,509
Motor Fuel Tax allotment	–	–	78,953	78,953
Grants	652	–	–	652
Interest	1,672	122	280	2,074
Donated assets	27,975	–	–	27,975
Other	12,443	–	49,308	61,751
Total revenue	<u>1,399,241</u>	<u>122</u>	<u>147,344</u>	<u>1,546,707</u>
Expenditures:				
Current:				
General government	273,510	–	–	273,510
Public safety	645,932	–	–	645,932
Highway and streets	294,513	–	–	294,513
Culture and recreation	–	–	93,377	93,377
Capital outlay	32,121	–	95,538	127,659
Total expenditures	<u>1,246,076</u>	<u>–</u>	<u>188,915</u>	<u>1,434,991</u>
Excess (deficiency) of revenues over (under) expenditures	153,165	122	(41,571)	111,716
Other financing sources (uses) –				
Transfers in (out)	3,182	–	(3,182)	–
Net change in fund balances	156,347	122	(44,753)	111,716
Fund balances:				
Beginning	557,311	289,923	162,964	1,010,198
Ending	\$ <u>713,658</u>	<u>290,045</u>	<u>118,211</u>	<u>1,121,914</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities

December 31, 2016

Net change in fund balances – total governmental funds	\$	111,716
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Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
they are capitalized and depreciated in the statement of activities:

Capital asset purchases capitalized	99,684
Depreciation expense	(175,913)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds:

Sales and use taxes	(2,236)
Donated capital assets	27,975

Certain expenses reported in the statement of activities, such as
compensated absences do not require the use of current
financial resources and therefore, are not reported as expenditures
in governmental funds:

Increase in pension liability and deferred inflows and outflows	(29,900)
Increase in compensated absences	<u>(1,847)</u>

Change in net position of governmental activities	\$	<u>29,479</u>
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See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Net Position

Proprietary Fund

December 31, 2016

	<u>Enterprise Fund – Water Fund</u>
Current assets:	
Cash and cash equivalents	\$ 777,394
Receivables – utility users, net of allowance of \$10,000	74,248
Receivables – grants and sales taxes	53,607
Prepaid items	<u>14,852</u>
Total current assets	920,101
Noncurrent assets –	
Fixed assets, net of accumulated depreciation	<u>3,551,919</u>
Total assets	4,472,020
Deferred outflows of resources – pension	<u>25,562</u>
Total assets and deferred outflows of resources	\$ <u>4,497,582</u>
Liabilities – current:	
Accounts payable	288,432
Accrued payroll	6,054
Current portion of long-term debt	68,176
Compensated absences	2,034
Due to other governments	<u>–</u>
Total current liabilities	<u>364,696</u>
Long-term liabilities:	
Net pension liability	120,025
Long-term debt, net of current maturities	<u>1,440,741</u>
Total long - term liabilities	1,560,766
Deferred inflows of resources – pension	<u>3,948</u>
Total liabilities and deferred inflows of resources	<u>1,929,410</u>
Net position:	
Invested in capital assets	2,043,002
Unrestricted	<u>525,170</u>
Total net position	<u>2,568,172</u>
Total liabilities and net position	\$ <u>4,497,582</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

**Statement of Revenues, Expenses
and Changes in Net Position**

Proprietary Fund

For the Year Ended December 31, 2016

	<u>Enterprise Fund – Water Fund</u>
Operating revenues:	
Refuse and recycling revenue	\$ 183,644
Capital charge – sewer hook-up	457,574
Water revenue	333,524
Water deposit revenue	583
Intergovernmental revenue	46,466
Miscellaneous revenue	<u>8,383</u>
Total operating revenues	<u>1,030,174</u>
Operating expenses:	
Water department	376,277
Refuse and recycling expenses	178,043
Depreciation	<u>215,723</u>
Total operating expenses	<u>770,043</u>
Operating income	<u>260,131</u>
Non-operating revenues (expenses):	
Interest income	4,256
1% sales tax income	<u>198,731</u>
Total non-operating revenues (expenses)	<u>202,987</u>
Income before other financing sources (uses)	463,118
Special item – Rock River Water Reclamation District –	
Costs related to intergovernmental agreement for sanitary system	<u>(322,873)</u>
Net increase in net position	140,245
Net position:	
Net position – beginning	<u>2,427,927</u>
Net position – ending	\$ <u>2,568,172</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2016

	Enterprise Fund – Water Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,032,865
Payments to suppliers	(67,417)
Payments to employees	(192,259)
Payments for interest to IEPA loan	(29,831)
Net cash flows from operating activities	<u>743,358</u>
Cash flows from capital and related financing activities:	
Payments to IEPA loan	(64,142)
Payments to Rock River Reclamation District for sanitary system	(999,244)
Purchase of and construction of fixed assets	(554,571)
Net cash flows from capital financing activities	<u>(1,617,957)</u>
Cash flows from non-capital financing activities –	
Receipts from 1% sales tax	<u>200,123</u>
Net cash flows from non-capital financing activities	<u>200,123</u>
Cash flows from investing activities –	
Interest on investments	<u>4,256</u>
Net increase in cash and cash equivalents	(670,220)
Cash and cash equivalents, beginning of year	<u>1,447,614</u>
Cash and cash equivalents, end of year	\$ <u>777,394</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Net operating income	260,131
Adjustment to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	215,723
Increase (decrease) in cash flows due to changes in:	
Utility accounts receivable	4,083
Prepaid expenses	(1,649)
Deferred pension expense	10,468
Accounts payable	255,731
Accrued payroll	1,559
Compensated absences	699
Pension liability	(3,387)
Net cash flows from operating activities	\$ <u>743,358</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies

The Village of Winnebago, Illinois (Village) operates under a Board of Trustees form of government and provides services to the public such as public safety, water system, streets and general administrative services.

The accounting policies of the Village conform to U.S. generally accepted accounting principles as applicable to government units (herein referred to as GAAP). The Village of Winnebago's basic financial statements include the accounts of all Village operations that are controlled by or dependent on the Village. Control or dependence is determined by financial interdependency, selection of governing board, designation of management, accountability for fiscal matters and ability to significantly influence operations.

(a) Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the Village has considered all potential component units. The basic but not the only criterion for including a component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. The Village does not have any component units. This report includes all of the funds units of the Village (the primary government). It includes all activities considered to be part of (controlled by or dependent on) the Village as set forth under GAAP criteria.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct

VILLAGE OF WINNEBAGO

Notes to Financial Statements

expenses are those that are clearly identifiable with a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Earnings on investments not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and enterprise funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (intended to finance). Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

Governmental fund financial statements are reported using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, the 60 days has been extended for revenues received from the State of Illinois which are delayed due to cash flow constraints of the state. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Those revenues susceptible to accrual are property taxes, franchise taxes, state shared sales, income, motor fuel and utility taxes, interest revenue and charges for services.

Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Village reports unearned and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenues arise when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the Village before it has a legal claim to them, such as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability and deferred inflows of resource for unearned and unavailable revenue are removed from the financial statements and revenue is recognized.

The following is a description of the governmental funds of the Village:

General Fund – The General Fund is the general operating fund of the Village. It is used for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of funds for the payment of general long-term debt principal, interest and related costs.

Proprietary Funds – The focus of the proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. The U.S. generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Village has elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Standards Board Statement No. 20 for its proprietary fund.

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of

VILLAGE OF WINNEBAGO

Notes to Financial Statements

the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges (c) establishes fees and charges based on pricing policy designed to recover similar costs.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Village reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the Village. It is used to account for all the financial resources except those required to be accounted for in another fund.

Motor Fuel Fund – This fund accounts for the Village's motor fuel tax revenues and expenses related to street and highway projects.

The major proprietary fund is:

Water Fund – This fund accounts for the provision of water treatment and distribution to the residential and commercial users of the Village, and accounts for trash collection services provided to the residential and some commercial users of the Village.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market accounts. As of December 31, 2016, the Village had no other investments.

For purposes of the statement of cash flows, the Village's proprietary funds consider cash on hand, demand deposits and short-term investments with original maturities of three months or less when purchased to be cash equivalents.

(d) Property Taxes

The Village annually establishes a legal right to revenue from property tax assessments upon enactment of a tax levy ordinance by the Village Board. Property taxes are recognized as a receivable at the time they are levied. Revenue from property tax is recognized as the taxes are collected in the year intended to finance or when they become available to be used to pay liabilities of the current period, generally considered to be within sixty days after year-end. Revenue from those taxes, which are not considered available is deferred.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

The property tax calendar for the 2016 tax levy was as follows:

Lien Date	January 1, 2016
Levy Date	December 12, 2016
First Installment Due	June 3, 2016
Second Installment Due	September 2, 2016

Tax bills were mailed at least 30 days prior to the first installment due date. Property taxes are billed and collected by the County Treasurer of Winnebago, Illinois.

The 2016 tax levy, which attached as an enforceable lien on property as of January 1, 2016, has been recorded as a receivable as of December 31, 2016 as the tax had been levied by the Village and extended by the County but would not collect until fiscal year 2017. The Village's 2016 tax rates per \$100 of assessed valuation together with the related maximum tax rates are as follows:

Type of Levy	Rates Per \$100 of Assessed Valuation	
	Rate	Legal Maximum
Village:		
Corporate	0.4241	0.4375
Police Protection	0.5065	0.6000
Chlorination	—	0.0200
IMRF	0.0005	None
Audit	0.0005	None
Liability Insurance	0.0005	None
Total Village	0.9321	

(e) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an estimated useful life in excess of one year and an initial and individual cost in excess of the following:

Equipment – \$2,500
Buildings and improvement – \$10,000
Infrastructure expenses – \$50,000

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Infrastructure includes roads, bridges, curbs, sidewalks, lighting systems, gutters, draining systems, and the water and sewer system. The cost of infrastructure has been capitalized and depreciated beginning in fiscal year 2005. Such assets are recorded at 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 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Building and improvements	10 – 40
Equipment and vehicles	4 – 7
Road improvements	10

(f) Budgets and Budgetary Accounting

Budgeted amounts are as originally adopted, or as amended by the Village Board of Trustees.

Unexpended budgeted amounts lapse at the end of each year. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line items.

Budgeted amounts are shown on the GAAP basis.

(g) Compensated Absences

Village employees are granted personal time for compensated absences in varying amounts. Accumulation of personal time is allowed. Upon termination, the employee is compensated for the unused personal time to a maximum of 40 hours for part-time employees and 80 hours for full-time employees.

(h) Receivables – Utility Users

Cycle billing procedures are followed in charging consumers for water and trash collection. Billings are issued on a monthly basis. Receivables at year-end consist of amounts actually billed less payments received plus an estimate of the unbilled amount due from the date of the last cycle billing to year-end.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(i) Prepaid Items

Payments made to vendors for services, which will benefit periods beyond December 31, 2016 are recorded as prepaid items. Prepaid items recorded in governmental funds do not represent current resources that are available for appropriation and, thus, an equivalent portion of fund balance is reserved.

(j) Interfund Activity

Interfund activity is reported either as loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are reported when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide-financial statements.

(k) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(l) Fund Balances / Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable 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 balances result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Any residual fund balance in the General Fund and deficit balances in other 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 funds.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

The Village has not established fund balance reserve policies for their governmental funds.

In the government-wide and proprietary financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets, represents the book value of capital assets net of related debt. None of the Village's net positions or fund balances are restricted as a result of enabling legislation adopted by the Village. Unrestricted net positions represent all other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

(m) Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net 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/expenditure) until then. In addition to liabilities, the statement of net 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's deferred inflows relates to property taxes levied in 2016 which will be collected during 2017 and deferred amounts to be recognized as reductions in pension expense over the next five years.

(n) Subsequent Events

The Village has assessed events that have occurred subsequent to December 31, 2016 through July 10, 2017 the date the financial statements were available to be issued for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

(2) Cash and Cash Equivalents

Statutes authorize the Village to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association;

VILLAGE OF WINNEBAGO

Notes to Financial Statements

6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be in institutions, which are insured by the Federal Deposit Insurance Corporation.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but operates in a manner consistent with Rule 2a7 of the Investment Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

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 does not have an investment policy regarding custodial credit risk. As of December 31, 2016, none of the Village's deposits were exposed to custodial credit risk or uninsured and uncollateralized.

(3) Property Tax Receivables

Property taxes for 2015 attached as an enforceable lien on January 1, 2016, on property values assessed as of the same date. Taxes are levied by December of the same fiscal year (by passage of a Tax Levy Ordinance). Tax bills were prepared by Winnebago County and issued on or about May 1, 2016, and were payable in two installments on or about June 3, 2016 and September 2, 2016. Winnebago County collects such taxes and remits them to the Village periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues with the fiscal year that the tax levy is intended to finance. Therefore the entire 2016 tax levy has been recorded as a receivable and deferred revenue on the financial statements.

(4) Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

At the end of the current fiscal year, the various components of deferred inflows, revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable –			
General Fund	\$ 423,000	–	\$ 423,000
Other governmental units:			
General Fund	36,874	–	36,874
Other governmental funds	1,000	–	1,000
Total deferred revenue	<u>\$ 460,874</u>	<u>–</u>	<u>\$ 460,874</u>

(5) Depreciation and Capital Assets

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

Governmental activities:

General government	\$ 15,409
Public safety	24,093
Highway and streets	136,411
Total governmental activities, depreciation expense	<u>\$ 175,913</u>

Business-type activities – Water operations	<u>\$ 215,723</u>
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The governmental activities capital asset activity for year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 73,884	–	–	73,884
Capital assets being depreciated –				
Buildings and improvements	359,604	–	–	359,604
Equipment and vehicles	548,353	27,975	–	576,328
Software	21,564	–	–	21,564
Infrastructure	4,423,518	99,684	–	4,523,202
Total capital assets being depreciated	<u>5,353,039</u>	<u>127,659</u>	<u>–</u>	<u>5,480,698</u>
Accumulated depreciation	<u>(1,448,108)</u>	<u>(175,913)</u>	<u>–</u>	<u>(1,624,021)</u>
Total capital assets being depreciated, net	<u>3,904,931</u>	<u>(48,254)</u>	<u>–</u>	<u>3,856,677</u>
Governmental activities capital assets, net	<u>\$ 3,978,815</u>	<u>(48,254)</u>	<u>–</u>	<u>3,930,561</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

The business-type activities capital asset activity for the year ended December 31, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated –				
Land	\$ 45,375	–	–	45,375
Capital assets being depreciated:				
Buildings and improvements	15,000	–	–	15,000
Equipment and vehicles	534,675	–	–	534,675
Software	10,782	–	–	10,782
Infrastructure	3,138,747	554,571	–	3,693,318
Construction in progress	–	–	–	–
Total capital assets being depreciated	3,699,204	554,571	–	4,253,775
Accumulated depreciation	(531,508)	(215,723)	–	(747,231)
Total capital assets being depreciated, net	3,167,696	338,848	–	3,506,544
Business-type activities capital assets, net	\$ 3,213,071	338,848	–	3,551,919

(6) Individual Fund Disclosures

The Village utilizes the due to/from accounts to facilitate the allocation of receipts and expenditures that were reclassified to different funds after they had been received or paid by the incorrect fund. There were no due to/from accounts at December 31, 2016.

Transfers were made to reallocate Fourth of July revenue from the Community Development to the Fourth of July Fund and to repay the Water Fund from the General Fund.

(7) Risk Management

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Village is a member of the Illinois Municipal League Risk Management Association, (IMLRMA) joint risk management pool of Illinois municipalities through which property, general liability, automobile liability, crime, boiler and machinery, public officials' and workers' compensation coverage is provided in excess of specified limits for the members, acting as a single insurable unit. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(8) Illinois Municipal Retirement Fund

Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The employer plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. 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 financial report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

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% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% 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% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

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	7
Active plan members	<u>13</u>
Total	<u><u>25</u></u>

Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% 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 12.94%. The Village 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 IMRF's 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 Entry Age Normal.
- The asset valuation method used was Market Value of Assets.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

- The inflation rate was assumed to be 2.75%.
- Salary increases were expected to be 3.75% to 14.50%, including inflation.
- The investment rate of return was assumed to be 7.50%.
- 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 2012). 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 percentage 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	38.00%	6.85%
International equity	17.00%	6.75%
Fixed income	27.00%	3.00%
Real estate	8.00%	5.75%
Alternative investments	9.00%	2.65-7.35%
Cash equivalents	1.00%	2.25%
Total	100.00%	

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Single Discount Rate

A Single Discount Rate of 7.46% was used to measure the total pension liability. The projection of cash flow used to determine the 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. The 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%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.46%.

Changes in the Net Pension Liability

		Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$	2,363,366	1,715,864	647,502
Changes for the year:				
Service cost		80,998	—	80,998
Interest on the total pension liability		176,387	—	176,387
Differences between expected and actual experience of the total pension liability		(10,793)	—	(10,793)
Changes of assumptions		(14,353)	—	(14,353)
Contributions – employer		—	91,570	(91,570)
Contributions – employees		—	31,845	(31,845)
Net investment income		—	119,387	(119,387)
Benefit payments, including refunds of employee contributions		(78,867)	(78,867)	—
Other (net transfer)		—	7,547	(7,547)
Net changes		153,372	171,482	(18,110)
Balances at December 31, 2016	\$	2,516,738	1,887,346	629,392

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower of 1% higher:

		Single Discount Rate Assumption		
		1% Decrease	Current	1% Increase
		6.50%	7.50%	8.50%
Total pension liability	\$	2,904,898	2,516,738	2,198,618
Plan fiduciary net position		1,887,346	1,887,346	1,887,346
Net pension liability	\$	<u>1,017,552</u>	<u>629,392</u>	<u>311,272</u>

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

For the year ended December 31, 2016, the Village recognized pension expense of \$124,930. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts to be recognized in pension expense in future periods:			
Differences between expected and actual experience	\$	10,984	8,918
Changes of assumptions		32,104	11,860
Net difference between projected and actual earnings on pension plan investments		<u>87,691</u>	<u>—</u>
Total deferred amounts to be recognized in pension expense in future periods		<u>130,779</u>	<u>20,778</u>
Pension contributions made subsequent to the measurement date		<u>—</u>	<u>—</u>
	\$	<u>130,779</u>	<u>20,778</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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

Year Ending December 31	Net Deferred Outflows (Inflows) of Resources
2017	\$ 41,203
2018	41,205
2019	32,880
2020	(1,981)
2021	(3,306)
	<u>\$ 110,001</u>

(9) Other Postemployment Benefits (OPEB)

The Village has determined the effects of OPEB are immaterial to the financial statements and therefore has not presented the OPEB liability.

(10) Compensated Absences

The governmental and business-type activities compensated absences activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	\$ 21,153	37,460	35,613	23,000
Business-type activities	\$ 1,335	4,185	3,486	2,034

(11) Notes Payable

Illinois Environmental Protection Agency Notes Payable

On January 22, 2014, the Village obtained financing from the Illinois Environmental Protection Agency (IEPA) for \$2,265,000 to upgrade its potable water system. A portion of the upgrade included construction of a new water tower. Construction began during the first quarter of 2014 and was completed in July 2015. The loan accrues interest at 1.995% and will mature on January 21, 2035.

Loan disbursements totalled \$2,122,296 and the Illinois Environmental Protection Agency forgave \$650,000 of the loan. The Village began repayment in July, 2015 with bi-annual payments of approximately \$50,000 each.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Future debt obligations at December 31, 2016 under notes payable are due as follows:

<u>Year ending December 31:</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2017	\$	68,176	29,765	97,941
2018		69,542	28,398	97,940
2019		70,936	27,004	97,940
2020		72,359	25,581	97,940
2021		73,809	24,130	97,939
2022-2026		391,848	97,852	489,700
2027-2031		432,736	56,964	489,700
2032-2035		<u>329,511</u>	<u>13,278</u>	<u>342,789</u>
Total	\$	<u>1,508,917</u>	<u>302,972</u>	<u>1,811,889</u>

(12) Sales Tax Rebate

The Village has entered into an agreement with a developer within the Village. The agreement requires the Village to rebate a portion of the retail sales tax equal to 35% of annual retail sales tax revenue collected during the year by the Village as a result of sales generated by all businesses in the development commencing on sales made during November 2012 until \$600,000 has been rebated. Payment is to be made by December 18th each year. Rebates paid in 2016 were \$47,590.

(13) Intergovernmental Agreement with Rock River Water Reclamation District

In December of 2011, the Village entered into an intergovernmental agreement (IGA) with the Rock River Water Reclamation District (District), to transfer the Village's sewerage collection system processing plant and its operation to the District. The District assumed operational control and financial responsibility on February 6, 2012, with final legal approval of conveyance and transfer, given by the circuit court in Rockford on June 13, 2012.

Under terms of the IGA, the District will extend its Fuller Creek trunk to Winnebago, connect to the Village's collection system, and eliminate Village's sewage processing plant. In addition, the District will rehabilitate and upgrade the Village's collection system within the first seven years of the agreement. All operational costs associated with the current system are the responsibility of the District. All costs related to rehabilitation and upgrade of the Village's collection system, extension and upsizing of the Fuller Creek trunkline, and elimination/demolition of the Village's sewerage treatment facility

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(capital costs) are the responsibility of the Village. The Village relinquished all sewer related assets to the District on January 1, 2012.

In addition the Village must pay the District a one-time plant buy in fee of \$676,371 covering 1415 properties currently “served” by the Village’s system. This fee was paid during fiscal year 2016 when the construction contract for extension of the Fuller Creek trunkline west of Meridian Road was awarded. Total costs to complete this project, including plant buy in fee, as indicated in the IGA is approximately \$10.6 million with a maximum cost not to exceed \$11.4 million. Other costs will be accrued as work is completed through 2022.

All costs associated with the IGA, including debt service, are expected to be paid from current reserves, one percent municipal sales tax revenue, and sewer capital fees billed by the Village to sewer customers on their monthly water bills. All costs associated with operation of the current sewer system are billed by the District quarterly based on water usage information from the Village water department.

The Village is responsible for obtaining financing for the project; however, the District has applied for low interest loans through the Illinois EPA covering associated costs. Principal and interest costs for loans secured by the District for the project will be passed on to the Village. Additional financing, as needed, will be obtained by the Village. The IGA also delineates future connection fees are to be collected from property owners who wish to connect to the Fuller Creek Trunk extension, a percentage of which will be reimbursed to the Village.

(14) Fund Deficit

There were no funds with a deficit balance as of December 31, 2016.

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information

Schedule of Revenues, Expenditures
and Changes in Fund Balances – Budget and Actual

General Fund

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Taxes	\$ 1,315,193	1,315,193	1,309,920	(5,273)
Fines and other fees	34,000	34,000	46,579	12,579
Other	<u>37,785</u>	<u>37,785</u>	<u>42,742</u>	<u>4,957</u>
Total revenues	<u>1,386,978</u>	<u>1,386,978</u>	<u>1,399,241</u>	<u>12,263</u>
Expenditures:				
Current:				
General government	381,111	381,111	273,510	(107,601)
Highways and streets	532,630	532,630	294,513	(238,117)
Public safety	830,612	830,612	645,932	(184,680)
Capital outlay	<u>–</u>	<u>–</u>	<u>32,121</u>	<u>32,121</u>
Total expenditures	<u>1,744,353</u>	<u>1,744,353</u>	<u>1,246,076</u>	<u>(498,277)</u>
Excess (deficiency) of revenues over (under) expenditures	(357,375)	(357,375)	153,165	510,540
Other financing sources (uses) – Transfer in (out)	<u>8,500</u>	<u>8,500</u>	<u>3,182</u>	<u>(5,318)</u>
Net change in fund balance	\$ <u>(348,875)</u>	<u>(348,875)</u>	156,347	<u>505,222</u>
Fund balance:				
Beginning			<u>557,311</u>	
Ending		\$	<u><u>713,658</u></u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information
Schedule of Revenues, Expenditures
and Changes in Fund Balances – Budget and Actual

Debt Service Fund

For the Year Ended December 31, 2016

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:					
Property taxes	\$	–	–	–	–
Interest		<u>120</u>	<u>120</u>	<u>122</u>	<u>2</u>
Total revenues		<u>120</u>	<u>120</u>	<u>122</u>	<u>2</u>
Expenditures –					
Debt service:					
GO bond – principal		–	–	–	–
GO bond – interest		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Excess (deficiency) of revenues over (under) expenditures		120	120	122	2
Other financing sources (uses) –					
Transfer in (out)		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net change in fund balance	\$	<u>120</u>	<u>120</u>	122	<u>2</u>
Fund balance:					
Beginning				<u>289,923</u>	
Ending			\$	<u>290,045</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Required Supplementary Information

December 31, 2016

Legal Compliance and Accountability

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted (at the fund level) for the General and major Special Revenue fund – Debt Service Fund, non-major Special Revenue funds – Community Development, Fourth of July and Motor Fuel Tax Fund on the modified accrual basis and Enterprise Fund – Water and Sewer on the accrual basis by line item within the fund. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The Village Finance Committee submits to the Village Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means for financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to January 1, the budget is legally enacted by Village Board action. This is the amount reported as original budget.
- D. The Village Board is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriation of any fund must be approved by the Village Board as a supplemental appropriation ordinance.
- E. Budgets are adopted and formal budgetary integration is employed as management control device during the year for general, special revenue funds and enterprise funds.
- F. All budgets for these funds are adopted on a basis consistent with generally accepted accounting principles.
- G. Budgetary authority lapses at year-end.
- H. State law requires that “expenditures be made in conformity with appropriations/budget.” As under the budget act, transfers between line items, departments and funds may be made by administrative action. The final budget reflects all amendments made. The level of legal control is at the fund level.

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios

Illinois Municipal Retirement Fund

December 31, 2016

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 80,998	79,745
Interest on the total pension liability	176,387	163,711
Differences between expected and actual experience of the total pension liability	(10,793)	1,030
Changes of assumptions	(14,353)	–
Benefit payments, including refunds of employee contributions	<u>(78,867)</u>	<u>(71,520)</u>
Net change in total pension liability	153,372	172,966
Total pension liability – beginning	<u>2,363,366</u>	<u>2,190,400</u>
Total pension liability – ending (a)	<u>2,516,738</u>	<u>2,363,366</u>
Plan fiduciary net position:		
Contributions – employer	91,570	91,903
Contributions – employee	31,845	31,260
Net investment income	119,387	8,291
Benefit payments, including refunds of employee contributions	(78,867)	(71,520)
Other (net transfer)	<u>7,547</u>	<u>23,627</u>
Net change in plan fiduciary net position	171,482	83,561
Plan fiduciary net position – beginning	<u>1,715,864</u>	<u>1,632,303</u>
Plan fiduciary net position – ending (b)	<u>1,887,346</u>	<u>1,715,864</u>
Net pension liability – ending (a)-(b)	\$ <u>629,392</u>	<u>647,502</u>
Plan fiduciary net position as a percentage of the total pension liability	74.99%	72.60%
Covered valuation payroll	\$ <u>707,659</u>	<u>694,662</u>
Net pension liability as a percentage of covered valuation payroll	88.94%	93.21%

Notes to Schedule: 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 WINNEBAGO, ILLINOIS

Required Supplementary Information

Multiyear Schedule of Contributions

Illinois Municipal Retirement Fund

December 31, 2016

Calendar Year Ending December 31,		Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Valuation Payroll (c)	Actual Contribution as a % of Covered Payroll (b/c)
12/31/16	\$	91,571	91,570	1	707,659	12.94%
12/31/15		91,904	91,903	1	694,662	13.23%
12/31/14		81,851	79,505	2,346	681,523	11.67%

Notes to Schedule:

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 WINNEBAGO

Notes to Schedule of Contributions

December 31, 2016

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	Non-taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early retirement incentive plan liabilities – a period up to 10 years selected by the employer upon adoption of early retirement incentive.
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.

VILLAGE OF WINNEBAGO

Notes to Schedule of Contributions

December 31, 2016

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 <P-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee 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

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2016

		Special Revenue Funds			Total
		Community Development Fund	Fourth of July Fund	Motor Fuel Tax Fund	Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$	46,189	7,949	56,855	110,993
Accounts receivable		2,885	—	7,357	10,242
Total assets	\$	<u>49,074</u>	<u>7,949</u>	<u>64,212</u>	<u>121,235</u>
Liabilities:					
Accounts payable		1,683	341	—	2,024
Deferred revenue – taxes		1,000	—	—	1,000
Total liabilities		<u>2,683</u>	<u>341</u>	<u>—</u>	<u>3,024</u>
Fund balances:					
Restricted for highways streets and bridges		—	—	64,212	64,212
Committed to community development		46,391	—	—	46,391
Committed to Fourth of July		—	7,608	—	7,608
Total fund balances		<u>46,391</u>	<u>7,608</u>	<u>64,212</u>	<u>118,211</u>
Total liabilities and fund balances	\$	<u>49,074</u>	<u>7,949</u>	<u>64,212</u>	<u>121,235</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2016

	Special Revenue Funds			Total
	Community Development Fund	Fourth of July Fund	Motor Fuel Tax Fund	Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 11,873	—	—	11,873
Motor fuel tax allotment			78,953	78,953
Grants	—	—	—	—
Fees and charges	6,930	—	—	6,930
Interest	83	11	186	280
Other	67	49,241	—	49,308
Total revenue	<u>18,953</u>	<u>49,252</u>	<u>79,139</u>	<u>147,344</u>
Expenditures —				
Culture and recreation:				
Current	35,275	58,102	—	93,377
Highway and streets:				
Highway, streets and bridges	—	—	—	—
Capital outlay	—	—	95,538	95,538
Total expenditures	<u>35,275</u>	<u>58,102</u>	<u>95,538</u>	<u>188,915</u>
Excess (deficiency) of revenues over (under) expenditures	(16,322)	(8,850)	(16,399)	(41,571)
Other financing sources (uses) —				
Transfer in (out)	<u>(15,182)</u>	<u>12,000</u>	<u>—</u>	<u>(3,182)</u>
Net change in fund balances	(31,504)	3,150	(16,399)	(44,753)
Fund balances:				
Beginning	<u>77,895</u>	<u>4,458</u>	<u>80,611</u>	<u>162,964</u>
Ending	<u>\$ 46,391</u>	<u>7,608</u>	<u>64,212</u>	<u>118,211</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Community Development Fund

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Telecommunications taxes	\$ 14,000	14,000	11,873	(2,127)
Fees and charges	48,100	48,100	6,930	(41,170)
Interest	150	150	83	(67)
Other	500	500	67	(433)
Total revenues	<u>62,750</u>	<u>62,750</u>	<u>18,953</u>	<u>(43,797)</u>
Expenditures:				
Culture and recreation:				
Contractual services:				
Presidential project	1,250	1,250	937	(313)
Code enforcement officer	14,438	14,438	11,520	(2,918)
Legal expenses	12,500	12,500	6,951	(5,549)
Dues	2,500	2,500	2,000	(500)
Development escrow refund	1,250	1,250	–	(1,250)
Engineering	3,750	3,750	551	(3,199)
Electricity	3,125	3,125	1,963	(1,162)
Community projects	62,500	62,500	10,570	(51,930)
Supplies –				
Community expenses	6,250	6,250	783	(5,467)
Capital outlay	–	–	–	–
Total expenditures	<u>107,563</u>	<u>107,563</u>	<u>35,275</u>	<u>(72,288)</u>
Excess (deficiency) of revenues over (under) expenditures	(44,813)	(44,813)	(16,322)	28,491
Other financing sources (uses) –				
Transfer in (out)	18,175	18,175	(15,182)	(33,357)
Net change in fund balance	<u>\$ (26,638)</u>	<u>(26,638)</u>	<u>(31,504)</u>	<u>(4,866)</u>
Fund balance:				
Beginning			77,895	
Ending		\$	<u>46,391</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Fourth of July Fund

For the Year Ended December 31, 2016

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:					
Donations and other	\$	43,053	43,053	49,241	6,188
Interest		<u>–</u>	<u>–</u>	<u>11</u>	<u>11</u>
Total revenues		<u>43,053</u>	<u>43,053</u>	<u>49,252</u>	<u>6,199</u>
Expenditures:					
Culture and recreation –					
Fourth of July expenses		<u>68,526</u>	<u>68,526</u>	<u>58,102</u>	<u>(10,424)</u>
Total expenditures		<u>68,526</u>	<u>68,526</u>	<u>58,102</u>	<u>(10,424)</u>
Excess (deficiency) of revenues over (under) expenditures		(25,473)	(25,473)	(8,850)	16,623
Other financing sources (uses) –					
Transfer in (out)		<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>–</u>
Net change in fund balance	\$	<u>(13,473)</u>	<u>(13,473)</u>	3,150	<u>16,623</u>
Fund balance:					
Beginning				<u>4,458</u>	
Ending	\$			<u>7,608</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual **Motor Fuel Tax Fund**

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental –				
Motor fuel taxes	\$ 75,000	75,000	78,953	3,953
Grants	–	–	–	–
Interest	<u>100</u>	<u>100</u>	<u>186</u>	<u>86</u>
Total revenues	<u>75,100</u>	<u>75,100</u>	<u>79,139</u>	<u>4,039</u>
Expenditures:				
Highways and streets:				
Highways, street and bridges	87,500	87,500	–	(87,500)
Engineering	9,625	9,625	–	(9,625)
Capital outlay	<u>–</u>	<u>–</u>	<u>95,538</u>	<u>95,538</u>
Total expenditures	<u>97,125</u>	<u>97,125</u>	<u>95,538</u>	<u>(1,587)</u>
Excess (deficiency) of revenues over (under) expenditures	(22,025)	(22,025)	(16,399)	5,626
Other financing sources (uses) –				
Transfer in (out)	<u>2,600</u>	<u>2,600</u>	<u>–</u>	<u>(2,600)</u>
Net change in fund balance	\$ <u>(19,425)</u>	<u>(19,425)</u>	(16,399)	<u>3,026</u>
Fund balance:				
Beginning			<u>80,611</u>	
Ending		\$	<u>64,212</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2016

		2016			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:					
Taxes:					
Property taxes	\$	423,193	423,193	422,767	(426)
Sales taxes		320,000	320,000	319,178	(822)
State income tax		340,000	340,000	299,933	(40,067)
Telecommunications tax		70,000	70,000	59,366	(10,634)
Local use tax		65,000	65,000	74,704	9,704
Utility tax		73,000	73,000	112,868	39,868
Replacement tax		24,000	24,000	21,104	(2,896)
Total taxes		1,315,193	1,315,193	1,309,920	(5,273)
Licenses, fees and permits		10,000	10,000	7,522	(2,478)
Police fines		24,000	24,000	39,057	15,057
Total fines and other fees		34,000	34,000	46,579	12,579
Other revenue:					
Grants		10,000	10,000	652	(9,348)
Interest		250	250	1,672	1,422
Donated assets		—	—	27,975	27,975
Miscellaneous		27,535	27,535	12,443	(15,092)
Total other revenue		37,785	37,785	42,742	4,957
Total revenues	\$	1,386,978	1,386,978	1,399,241	12,263
Expenditures:					
General government:					
Office salaries		48,331	48,331	38,995	(9,336)
Treasurer		43,414	43,414	34,922	(8,492)
Salaries – elected officials		36,250	36,250	26,800	(9,450)
Payroll taxes		10,920	10,920	8,178	(2,742)
Employee benefits		30,606	30,606	23,854	(6,752)
Employee welfare		3,125	3,125	2,601	(524)
Office equipment		12,125	12,875	9,210	(3,665)
Professional services		17,813	17,813	15,888	(1,925)
Engineering		12,500	12,500	3,292	(9,208)
Legal services		31,250	31,250	13,489	(17,761)
Inspection fees		10,000	10,000	5,912	(4,088)
Postage		1,500	1,500	1,653	153
Telephone		4,063	4,063	2,798	(1,265)
Publishing		1,250	1,250	558	(692)
Printing		5,000	5,000	4,472	(528)
Dues		2,500	2,500	2,150	(350)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2016

		2016			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):					
General government (continued):					
Travel	\$	1,250	1,250	–	(1,250)
Training		1,250	1,250	510	(740)
Conferences		10,625	10,625	4,505	(6,120)
Office maintenance		5,000	5,000	5,021	21
Audit and accounting services		15,000	15,000	11,960	(3,040)
Liability insurance		6,625	6,625	5,289	(1,336)
Office supplies		8,750	8,000	5,707	(2,293)
Foreign fire insurance		7,500	7,500	5,933	(1,567)
Building water usage		563	563	438	(125)
Miscellaneous expense		500	500	641	141
Sullivan's payback agreement		43,125	43,125	35,600	(7,525)
Property tax refunds		1,063	1,063	769	(294)
Equipment sinking fund		6,250	6,250	–	(6,250)
WINGIS		893	893	709	(184)
Contingency		2,070	2,070	1,656	(414)
Total general government		381,111	381,111	273,510	(107,601)
Highways and streets:					
Salaries		125,508	125,508	100,976	(24,532)
Employee benefits		38,122	38,122	30,316	(7,806)
Payroll taxes		9,601	9,601	7,363	(2,238)
Maintenance – buildings		12,500	12,500	377	(12,123)
Maintenance – vehicles		10,000	10,000	4,330	(5,670)
Maintenance – streets and sidewalks		100,000	100,000	57,493	(42,507)
Maintenance – equipment		7,500	7,500	5,711	(1,789)
Professional fees		175	175	–	(175)
Engineering		6,250	6,250	–	(6,250)
Telephone		3,331	3,331	2,223	(1,108)
Electricity		43,750	43,750	33,526	(10,224)
Supplies		6,250	6,250	2,440	(3,810)
Gas and oil		18,750	18,750	5,640	(13,110)
Tree removal		15,000	15,000	11,550	(3,450)
Liability insurance		15,000	15,000	11,751	(3,249)
WINGIS		893	893	709	(184)
MS4 upgrades and repairs		12,500	12,500	139	(12,361)
MS4 permits		1,250	1,250	1,000	(250)
Equipment sinking fund		56,250	56,250	–	(56,250)
Street projects		50,000	50,000	18,969	(31,031)
Capital outlay – equipment		–	–	4,146	4,146
Total highways and streets		532,630	532,630	298,659	(233,971)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures -- Budget and Actual

General Fund

For the Year Ended December 31, 2016

		2015			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):					
Public safety:					
Office salaries	\$	6,828	6,828	5,727	(1,101)
Police chief		104,531	104,531	84,081	(20,450)
Full time officers		354,006	354,006	297,579	(56,427)
Part time officers		18,750	18,750	11,435	(7,315)
Police overtime		13,923	13,923	9,498	(4,425)
Payroll taxes		38,755	38,755	30,382	(8,373)
Employee benefits		156,248	156,248	125,751	(30,497)
Uniforms		6,250	6,250	3,870	(2,380)
Computers and equipment		1,250	1,250	1,489	239
Professional services		12,500	12,500	11,086	(1,414)
Vehicle maintenance		8,125	8,125	5,139	(2,986)
Legal		15,625	15,625	8,419	(7,206)
Postage		188	188	116	(72)
Telephone		6,500	6,500	4,449	(2,051)
Publishing and printing		625	625	445	(180)
Dues		813	813	490	(323)
Travel		250	250	54	(196)
Liability insurance		27,500	27,500	21,555	(5,945)
Water		625	625	158	(467)
Gas and oil		15,625	15,625	8,336	(7,289)
Grants		6,250	6,250	652	(5,598)
Miscellaneous		1,250	1,250	795	(455)
Alert-leads user fee		2,500	2,500	1,728	(772)
Police garage maintenance		3,750	3,750	1,301	(2,449)
Pre-employment physical		1,250	1,250	607	(643)
Small equipment		6,250	6,250	5,524	(726)
WINGIS		445	445	354	(91)
Equipment sinking fund		12,500	12,500	—	(12,500)
Capital outlay – equipment		—	—	27,975	27,975
Training		7,500	7,500	4,912	(2,588)
Total public safety		830,612	830,612	673,907	(156,705)
Total expenditures	\$	1,744,353	1,744,353	1,246,076	(498,277)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual

Proprietary Fund Types Enterprise Fund – Water Fund

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating revenues:				
Water service income	\$ 330,000	330,000	333,524	3,524
Capital charge – sewer hook-up	480,000	480,000	455,609	(24,391)
Water hook-up fees	32,691	32,691	–	(32,691)
Sewer hook-up fees	56,341	56,341	1,965	(54,376)
Water deposit revenue	500	500	583	83
Garbage charges	179,760	179,760	183,644	3,884
Recapture and impact fees	6,000	6,000	–	(6,000)
Intergovernmental income	64,072	64,072	46,466	(17,606)
Miscellaneous revenue	10,500	10,500	8,383	(2,117)
Total operating revenues	<u>1,159,864</u>	<u>1,159,864</u>	<u>1,030,174</u>	<u>(129,690)</u>
Operating expenses:				
Office salary	45,979	45,979	37,665	(8,314)
Rock 39 salary	58,422	58,422	44,867	(13,555)
Part-time wages	1,875	1,875	–	(1,875)
Meter reader	30,429	30,429	18,767	(11,662)
Plant operator	12,483	12,483	12,168	(315)
Public works wages	38,291	38,291	27,235	(11,056)
Health insurance	40,103	40,103	26,038	(14,065)
Payroll taxes	17,823	17,823	10,477	(7,346)
Employee benefits	29,390	29,390	17,300	(12,090)
IMRF – GASB 68	–	–	7,081	7,081
Building water usage	625	625	139	(486)
Alarm system	4,875	4,875	3,591	(1,284)
Chemicals	6,250	6,250	4,019	(2,231)
Engineering	43,750	43,750	10,561	(33,189)
Garbage expense	221,250	221,250	178,043	(43,207)
Liability insurance	18,750	18,750	13,150	(5,600)
Equipment maintenance	10,000	10,000	7,046	(2,954)
Office and computer equipment	1,250	1,250	499	(751)
Operating supplies	62,500	62,500	33,732	(28,768)
Postage	7,500	7,500	4,646	(2,854)
Pre-employment physical	625	625	177	(448)
Printing	1,875	1,875	1,141	(734)
Professional fees	2,900	2,900	2,868	(32)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual

Proprietary Fund Types Enterprise Fund – Water Fund

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating expenses (continued):				
Publishing/advertising	\$ 1,250	1,250	220	(1,030)
WINGIS	2,230	2,230	1,773	(457)
Rental and small equipment	21,875	21,875	422	(21,453)
Special audit	4,875	4,875	–	(4,875)
Telephone	3,125	3,125	2,721	(404)
Travel and training	2,500	2,500	591	(1,909)
Utilities	40,000	40,000	34,650	(5,350)
Water analysis	4,375	4,375	2,453	(1,922)
Fuel, grease and oil	16,666	16,666	5,588	(11,078)
Recapture fees	3,750	3,750	–	(3,750)
Impact fees	3,750	3,750	–	(3,750)
Water sewer upgrade	687,500	687,500	2,871	(684,629)
Sullivan's payback agreement	14,875	14,875	11,990	(2,885)
IEPA – interest expense	117,467	117,467	29,831	(87,636)
Depreciation	295,250	295,250	215,723	(79,527)
Contingency	74,047	74,047	–	(74,047)
Total operating expenses	<u>1,950,480</u>	<u>1,950,480</u>	<u>770,043</u>	<u>(1,180,437)</u>
Operating income	<u>(790,616)</u>	<u>(790,616)</u>	<u>260,131</u>	<u>1,050,747</u>
Nonoperating income (expense):				
Interest income	800	800	4,256	3,456
Miscellaneous income	2,750	2,750	–	(2,750)
1% sales tax income	202,000	202,000	198,731	(3,269)
Total nonoperating income (expenses)	<u>205,550</u>	<u>205,550</u>	<u>202,987</u>	<u>(2,563)</u>
Income before other financing sources	(585,066)	(585,066)	463,118	1,048,184
Operating financing sources –				
Operating transfers	<u>1,235,443</u>	<u>1,235,443</u>	<u>–</u>	<u>(1,235,443)</u>
Special item –				
Rock River Water Reclamation District costs related to intergovernmental agreement for sanitary system	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(322,873)</u>	<u>927,127</u>
Change in net assets	<u>\$ (599,623)</u>	<u>(599,623)</u>	<u>140,245</u>	<u>739,868</u>
Net position				
Beginning			<u>2,427,927</u>	
Ending			<u>\$ 2,568,172</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Assessed Valuations, Property Tax Rates, Extensions and Collections

December 31, 2016

	Tax Years			
	2016	2015	2014	2013
Assessed valuations	\$ <u>44,384,130</u>	<u>44,048,532</u>	<u>45,678,728</u>	<u>46,292,556</u>
Property tax rates (per \$100 of assessed valuation):	Max	Actual	Actual	Actual
General	0.4375	0.4241	0.4273	0.4313
General – Audit	–	0.0005	0.0005	0.0004
General – Liability	–	0.0005	0.0005	0.0004
Police	0.6000	0.5065	0.5103	0.4628
IMRF	–	0.0005	0.0005	0.0004
Total tax rate		<u>0.9321</u>	<u>0.9391</u>	<u>0.8953</u>
Property tax extensions:				
General		188,233	188,220	197,012
General – Audit		222	220	183
General – Liability		222	220	183
Police		224,806	224,780	211,401
IMRF		222	220	183
	\$	<u>413,705</u>	<u>413,660</u>	<u>408,962</u>
Property tax collections:**				
General		–	187,362	196,081
General – Audit		–	219	182
General – Liability		–	219	182
Police		–	223,755	210,402
IMRF		–	219	182
	\$	<u>–</u>	<u>411,774</u>	<u>407,029</u>
Percentage of extensions collected		<u>–</u>	<u>99.54</u>	<u>99.42</u>
				<u>99.90</u> %

** Includes mobile home privilege tax, protested and back taxes.

Note: This schedule is presented on the cash basis, which differs from the Village's financial statement presentation.

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Legal Debt Margin

December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assessed Valuation	\$ <u>44,384,130</u>	<u>44,048,572</u>	<u>45,678,728</u>
Statutory Debt Limitation (8.625 % of Assessed Valuation)	3,828,131	3,799,189	3,939,790
Outstanding debt – Note payable	<u>1,508,917</u>	<u>1,573,059</u>	<u>1,763,627</u>
Legal Debt Margin	\$ <u>2,319,214</u>	<u>2,226,130</u>	<u>2,176,163</u>