

**VILLAGE OF WINNEBAGO
WINNEBAGO, ILLINOIS**

Annual Financial Report

As of and for the Year Ended
December 31, 2013

VILLAGE OF WINNEBAGO, ILLINOIS

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BENNING GROUP, LLC

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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, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, 2013, 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's basic financial statements. The combining, individual nonmajor fund financial statements, and the schedules listed in the table of contents as other supplementary information 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 other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Rockford, Illinois
May 12, 2014

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (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, 2013.

FINANCIAL HIGHLIGHTS

Net position and performance in total – The Village's total net position at December 31,

2013 was \$6,237,679.

-Government activity summary – Net position for governmental activities decreased by \$41,427 during the period.

-Business-type activity summary – Net position for business-type activities increased by \$52,432 during the period.

-General Fund summary – The Village's General Fund reported a decrease of \$300,807 in fund balance for the period.

-Budget vs. actual – The Village's actual revenues for the General Fund were \$145,292 more than the budgeted revenues. The actual expenditures were \$559,291 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.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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	Revenues for which cash is received during the year	All revenues and expenses during the year

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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. 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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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 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, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current and other assets	\$ 1,997,211	2,225,299	1,199,755	1,612,232	3,196,966	3,837,531
Capital assets	3,721,575	3,500,602	990,243	633,669	4,711,818	4,134,271
Total assets	5,718,786	5,725,901	2,189,998	2,245,901	7,908,784	7,971,802
Liabilities	143,786	121,426	1,116,957	1,225,292	1,260,743	1,346,718
Deferred inflows of resources	410,362	398,410	-	-	410,362	398,410
Total liabilities and deferred inflows of resources	554,148	519,836	1,116,957	1,225,292	1,671,105	1,745,128
Net position:						
Net investment in capital assets	3,721,575	3,500,602	990,243	633,669	4,711,818	4,134,271
Restricted	443,778	354,890	-	-	443,778	354,890
Unrestricted	999,285	1,350,573	82,798	386,940	1,082,083	1,737,513
Total net position	\$ 5,164,638	5,206,065	1,073,041	1,020,609	6,237,679	6,226,674

For more detailed information see the Statement of Net Position.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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, 2013 was \$6,237,679 for all funds. This was an increase of \$11,005 during the year. Total assets decreased from \$7,971,802 to \$7,908,784, a decrease of \$63,018. Cash decreased by \$238,944. The capital assets (net) increased by \$577,547.

The total liabilities decreased by \$85,975, which is mainly attributed to decreases in accounts payable. Deferred inflows of resources increased \$11,592, which is made up of the change in property taxes.

The net position of business-type activities increased by \$52,432 during the period and ended at \$1,073,041. Unrestricted net position, available to finance the continuing operation of its business-type activities, was \$82,798. The operating cost of the Village's business-type activities for the year ended December 31, 2013 was \$609,364.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

The total net position at December 31, 2013 was \$6,237,679, of which 7.6% is the investment in capital assets, another 7.1% is restricted for capital improvements and highways and streets. The remaining 17.3% or \$1,082,083 is available for any purpose, which is a decrease of \$655,430 or 37.7% from the unrestricted net position of December 31, 2013.

Statement of Changes in Net Position

The following chart reflects the condensed Statement of Changes in Net Position. Overall, the financial condition was better than 2012, due in large part to the Reclamation District asset transfer, that created large special item losses in 2012. For more detailed information see the Statement of Activities.

Table 2
Changes in Net Position
As of December 31, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
REVENUES						
Program revenues:						
Charges for services	\$ 65,102	\$ 75,317	\$ 942,323	\$ 947,917	\$1,007,425	\$1,023,234
Grants and contributions			-	-		
Operating	76,157	34,799	-	350,000	76,157	384,799
Capital contributions	-	-	-	-	-	-
General revenues:						
Property taxes	408,694	396,654	-	-	408,694	396,654
Other taxes	854,452	850,803	211,247	209,353	1,065,699	1,060,156
Investment income	816	1,722	648	1,360	1,464	3,082
Gain(loss) on sale of capital assets	35,382	-	-	(1,315,057)	35,382	(1,315,057)
Miscellaneous	18,424	20,960	11,557	17,275	29,981	38,235
Total revenues received	1,459,027	1,380,255	1,165,775	210,848	2,624,802	1,591,103
EXPENSES						
General government	474,841	447,438	-	-	474,841	447,438
Public safety	530,857	479,110	-	-	530,857	479,110
Highways and streets	225,347	234,007	-	-	225,347	234,007
Culture and recreation	69,409	81,284	-	-	69,409	81,284
Interest	-	-	-	-	-	-
Water and sewer	-	-	609,364	1,023,016	609,364	1,023,016
Total expenses disbursed	1,300,454	1,241,839	609,364	1,023,016	1,909,818	2,264,855
Excess of revenues						
over (under) expenses	158,573	138,416	556,411	(812,168)	714,984	(673,752)
Transfers	(200,000)	189,863	200,000	(189,863)	-	-
Special item	-	-	(703,979)	(1,023,470)	(703,979)	(1,023,470)
Changes in net position	(41,427)	328,279	52,432	(2,025,501)	11,005	(1,697,222)
Beginning net position	5,206,065	4,877,786	1,020,609	3,046,110	6,226,674	7,923,896
Ending net position	\$ 5,164,638	\$ 5,206,065	\$ 1,073,041	\$ 1,020,609	\$6,237,679	\$6,226,674

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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, 2013.

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, 2013), 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

December 31, 2013 (Unaudited)

Current Year Impacts – Changes in Net Position

Governmental Activities

Revenues:

Revenues from governmental activities total \$1,459,027. The largest source of revenue was \$408,694 from property taxes. Sales and use taxes were the next highest with revenue for the period of \$375,672. Income tax ranked third with \$291,740. The next highest source of income was telecommunications tax with \$89,110. The revenues from these four sources represent 80% of the governmental activity revenues. Total revenue from all taxes was 1,263,146 or 87%. The Village also recognized \$65,102 in charges for services or 4% and grants of \$76,157 or 5% of total revenue.

Expenses:

The Village's total governmental activity expenses were \$1,300,454. The three major functional areas were general government \$474,841 or 37% of the total; public safety \$530,857 or 41% of the total; and highways and streets of \$225,347 or 17% of the total expenses of the Village.

Personnel costs including wages, taxes, health and life insurance, and retirement benefits were \$679,411 or 52% of the total expenses.

Business-type Activities

Revenues:

Operating revenues from business-type activities total \$953,880. The largest source of revenue was \$476,727 or 50% from sewer revenue. Charges for water were the next highest with revenue for the year of \$308,628 or 33%. Refuse and recycling income ranged third with \$189,954 or 20%.

Expenses:

The Village's total business-type activity expenses were \$609,364. The four major areas of operating expenses were wages and benefit expenses of \$179,552 or 29% of the total; refuse and recycling expenses of \$161,833 or 27% of the total; water and

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

sewer upgrade of \$39,915 or 7% of the total; and depreciation of \$58,906 or 10% of the total. These four areas account for \$440,206 or 72% of the total business-type expenses of the Village.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At December 31, 2013, the governmental funds reported a combined fund balance of \$1,480,912; a decrease of \$201,227 from the prior period, which is mainly attributed to a \$200,000 transfer out to the Water and Sewer Fund. The General Fund balance decreased by \$300,807. All other funds netted an increase of \$99,580.

The Village's cash and equivalents decreased by \$176,135 for all governmental funds during the year ended December 31, 2013. Deferred revenue increased by approximately \$37,656.

General Fund Budgetary Highlights

General Fund	FY 13 Original Budget	FY 13 Final Budget	FY 13 Actual
Revenues:			
Taxes	\$ 1,058,804	1,058,804	1,175,771
Fines and other fees	24,000	24,000	24,798
Other	27,125	59,570	87,097
Total revenues	1,109,929	1,142,374	1,287,666
Expenditures:			
General government	427,631	427,631	314,349
Highways and streets	666,942	666,942	455,075
Public safety	750,250	782,695	593,469
Capital outlay	131,250	131,250	86,334
Total expenditures	1,976,073	2,008,518	1,449,227
Excess of revenues over (under) expenditures	(866,144)	(866,144)	(161,561)
Other financing sources (uses):			
Transfers in (out)	20,724	20,724	(194,246)
Note proceeds	-	-	55,000
Total other financing sources	20,724	20,724	(139,246)
Net change in fund balance	\$ (845,420)	(845,420)	(300,807)

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

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 increased by a net of \$577,547. The increase is a result of water and road improvements. See Note 5 to the financial statements for more details.

Entity Wide Change in Net Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Land	\$ 50,854	50,854	45,375	-	96,229	50,854
Buildings and improvements	341,454	341,454	15,000	15,000	356,454	356,454
Equipment and vehicles	531,684	473,157	458,375	405,481	990,059	878,638
Software	21,564	21,564	10,782	10,782	32,346	32,346
Infrastructure	3,915,868	3,683,350	665,229	426,406	4,581,097	4,109,756
Construction in progress	-	-	142,217	63,830	142,217	63,830
Subtotals	4,861,424	4,570,379	1,336,978	921,499	6,198,402	5,491,878
Accumulated depreciation	(1,139,849)	(1,069,777)	(346,735)	(287,829)	(1,486,584)	(1,357,606)
Totals	\$ 3,721,575	3,500,602	990,243	633,670	4,711,818	4,134,272

ECONOMIC FACTORS

Property tax revenue in 2014 for 2013 property tax will be 1.7% greater than revenue in 2013. Motor fuel tax (MFT) revenue will remain the same in 2014 at approximately \$75,000. Personal Property Replacement Tax, Local Use Tax and Income Tax are expected to increase 5 – 10% in 2014. Telecommunication Tax is expected to remain unchanged at approximately \$90,000.

2014 will be the second full year of the additional 1% Sales Tax currently designated for water/sewer infrastructure. Total Sales Tax revenue in 2013 was \$537,323 of which \$213,111 was the additional 1% sales tax. The total sales tax for 2014 is projected to remain unchanged.

In 2013, the Village annexed, by voluntary annexation agreements, six properties into the corporate limit. Five of the properties will be paying 2013 property taxes with one of those receiving a refund as per the annexation agreement. The refund of property taxes for that property will continue until zoning is changed or property title changes. Total increase in

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2013 (Unaudited)

annual property tax revenue is estimated to be \$1,000-1,500. In addition, five new water users and three new sewer users are anticipated.

With the addition of the property mentioned in the previous paragraph, the village now has two properties receiving refunds of property taxes until such time as zoning of the property changes or ownership changes.

The Village has one sales tax refund agreement with Sullivan's Grocery/ACE Hardware Store. This agreement requires the Village to reimburse 35% of all sales tax collected from the combined stores until the sum of \$600,000 is paid to Sullivan's. 2013 was the second year of refunds. Total refunded sales tax to date is \$81,216 or 14%.

In December of 2011, the Village signed an inter-governmental agreement with the Rock River Water Reclamation District (RRWRD) transferring the Village's sewerage collection and processing system and its operation to the District. This agreement became effective in early 2012. 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. The PBI fee is \$676,370, and is due when a contract for construction of the Fuller Creek Sewer Extension west of Meridian Road is awarded. This is expected to take place in 2015. The estimated total cost of this IGA, including the PBI fee, is \$10.6 million, with a fixed maximum cost of \$11.4 million. Approximately \$2.05 million of the cost is for rehabilitation of the Village's collection system which will take place within seven years. As of the end of 2013, \$1.047 million of the rehabilitation costs have been paid to the District out of reserves and monthly Capital charges to users. The remaining \$1.65 million is expected to be paid in 2014-2016 from the same sources. The remaining \$8 million is expected to be paid for with low interest 20 year loans from the IEPA obtained by the RRWRD. Payments on these loans will be made to the district with moneys collected from capital charges from monthly water/sewer bills. Payment on these loans is not expected to start until 2016 or later. A rate study was completed in 2011 and updated in 2012 and 2013 to reflect these costs going forward.

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, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,348,873	1,048,600	2,397,473
Receivables:			
Property taxes	410,362	–	410,362
Intergovernmental – State of Illinois	153,787	50,696	204,483
Other	47,107	–	47,107
Customers – utility users	–	85,407	85,407
Prepaid items	37,082	15,052	52,134
Total current assets	1,997,211	1,199,755	3,196,966
Capital assets not being depreciated	50,854	187,592	238,446
Capital assets (net of accumulated depreciation)	3,670,721	802,651	4,473,372
Total assets	5,718,786	2,189,998	7,908,784
Liabilities:			
Accounts payable	48,011	38,856	86,867
Accrued payroll	24,325	5,854	30,179
Compensated absences	16,450	458	16,908
Notes payable	55,000	–	55,000
Due to other governments	–	1,071,789	1,071,789
Total liabilities	143,786	1,116,957	1,260,743
Deferred inflows of resources –			
Property taxes	410,362	–	410,362
Total liabilities and deferred inflows of resources	554,148	1,116,957	1,671,105
Net position:			
Net investment in capital assets, net of related debt	3,666,575	990,243	4,656,818
Restricted for:			
Highways and streets	154,072	–	154,072
Capital improvements	289,706	–	289,706
Unrestricted	1,054,285	82,798	1,137,083
Total net position	\$ 5,164,638	1,073,041	6,237,679

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Activities

For the Year Ended December 31, 2013

Functions / Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 474,841	52,256	–	(422,585)	–	(422,585)
Public safety	530,857	–	–	(530,857)	–	(530,857)
Highway and streets	225,347	12,846	–	(212,501)	–	(212,501)
Culture and recreation	69,409	–	76,157	6,748	–	6,748
Total governmental activities	<u>1,300,454</u>	<u>65,102</u>	<u>76,157</u>	<u>(1,159,195)</u>	<u>–</u>	<u>(1,159,195)</u>
Business-type activities:						
Water and sewer	609,364	942,323	–	–	332,959	332,959
Total business-type activities	<u>609,364</u>	<u>942,323</u>	<u>–</u>	<u>–</u>	<u>332,959</u>	<u>332,959</u>
Total	\$ <u>1,909,818</u>	<u>1,007,425</u>	<u>76,157</u>	<u>(1,159,195)</u>	<u>332,959</u>	<u>(826,236)</u>
General revenues:						
Property taxes				\$ 408,694	–	408,694
Sales and use tax				375,672	211,247	586,919
Income tax				291,740	–	291,740
Telecommunications tax				89,110	–	89,110
Personal property replacement tax				22,056	–	22,056
Motor fuel tax				75,874	–	75,874
Unrestricted investment earnings				816	648	1,464
Gain on sale of capital assets				35,382	–	35,382
Miscellaneous				18,424	11,557	29,981
Total general revenues				<u>1,317,768</u>	<u>223,452</u>	<u>1,541,220</u>
Operating transfers				<u>(200,000)</u>	<u>200,000</u>	<u>–</u>
Special item –						
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system				<u>–</u>	<u>(703,979)</u>	<u>(703,979)</u>
Change in net position				(41,427)	52,432	11,005
Net position:						
Beginning				<u>5,206,065</u>	<u>1,020,609</u>	<u>6,226,674</u>
Ending				<u>\$ 5,164,638</u>	<u>1,073,041</u>	<u>6,237,679</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Balance Sheet

Governmental Funds

December 31, 2013

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 786,301	289,706	272,866	1,348,873
Receivables:				
Property taxes	410,362	-	-	410,362
Intergovernmental – State of Illinois	171,745	-	-	171,745
Other	-	-	29,149	29,149
Prepaid items	37,082	-	-	37,082
Total assets	\$ 1,405,490	289,706	302,015	1,997,211
Liabilities – current:				
Accounts payable	47,213	-	798	48,011
Accrued payroll	24,325	-	-	24,325
Deferred revenue	32,334	-	1,267	33,601
Total current liabilities	103,872	-	2,065	105,937
Deferred inflows of resources –				
Property taxes	410,362	-	-	410,362
Total liabilities and deferred inflows of resources	514,234	-	2,065	516,299
Fund balances:				
Nonspendable – prepaid items	37,082	-	-	37,082
Restricted for highways and streets	-	-	154,072	154,072
Restricted for capital improvements	-	289,706	-	289,706
Committed to community development	-	-	145,125	145,125
Committed to Fourth of July	-	-	753	753
Unassigned	854,174	-	-	854,174
Total fund balances	891,256	289,706	299,950	1,480,912
Total liabilities, deferred inflows of resources and fund balances	1,405,490	289,706	302,015	1,997,211

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, 2013

Fund balances of governmental funds \$ 1,480,912

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	4,861,424
Accumulated depreciation	(1,139,849)

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

Compensated absences	(16,450)
Note payable	<u>(55,000)</u>

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

Sales and use taxes	26,000
Telecommunication taxes	<u>7,601</u>

Net position of governmental activities \$ 5,164,638

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, 2013

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,175,771	-	90,759	1,266,530
Intergovernmental	-	-	-	-
Licenses, fees and permits	24,798	-	27,458	52,256
Motor Fuel Tax allotment	-	-	-	-
Grants	33,642	-	12,846	46,488
Interest	472	135	209	816
Other	52,983	-	43,336	96,319
Total revenue	<u>1,287,666</u>	<u>135</u>	<u>174,608</u>	<u>1,462,409</u>
Expenditures:				
Current:				
General government	314,349	-	-	314,349
Public safety	593,469	-	-	593,469
Highway and streets	455,075	-	-	455,075
Culture and recreation	-	-	69,409	69,409
Capital outlay	86,334	-	-	86,334
Total expenditures	<u>1,449,227</u>	<u>-</u>	<u>69,409</u>	<u>1,518,636</u>
Excess (deficiency) of revenues over (under) expenditures	(161,561)	135	105,199	(56,227)
Other financing sources (uses):				
Note payable proceeds	55,000	-	-	55,000
Transfers in (out)	(194,246)	-	(5,754)	(200,000)
Net change in fund balances	(300,807)	135	99,445	(201,227)
Fund balances:				
Beginning	1,192,063	289,571	200,505	1,682,139
Ending	\$ <u>891,256</u>	<u>289,706</u>	<u>299,950</u>	<u>1,480,912</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, 2013

Net change in fund balances – total governmental funds \$ (201,227)

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	381,465
Depreciation expense	(160,492)

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	(3,182)
Telecommunications taxes	(200)

Debt proceeds are reported in governmental funds as income. However,
they are not reported in the statement of activities –

Note payable proceeds	(55,000)
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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 compensated absences	<u>(2,791)</u>
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Change in net position of governmental activities \$ (41,427)

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Net Position

Proprietary Fund

December 31, 2013

	Enterprise Fund – Water and Sewer Fund
Current assets:	
Cash and cash equivalents	\$ 1,048,600
Receivables – utility users, net of allowance of \$12,545	85,407
Receivables – grants and sales taxes	50,696
Prepaid items	<u>15,052</u>
Total current assets	1,199,755
Noncurrent assets:	
Fixed assets, net of accumulated depreciation	<u>990,243</u>
Total assets	\$ <u>2,189,998</u>
Liabilities – current:	
Accounts payable	38,856
Accrued payroll	5,854
Compensated absences	458
Due to other governments	<u>1,071,789</u>
Total liabilities	<u>1,116,957</u>
Net position:	
Invested in capital assets	990,243
Unrestricted	<u>82,798</u>
Total net position	<u>1,073,041</u>
Total liabilities and net position	\$ <u>2,189,998</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, 2013

	Enterprise Fund – Water and Sewer Fund
Operating revenues:	
Refuse and recycling revenue	\$ 190,194
Sewer revenue	476,777
Water revenue	309,078
Water deposit revenue	(33,726)
Miscellaneous revenue	11,557
Total operating revenues	<u>953,880</u>
Operating expenses:	
Water and sewer department	388,625
Refuse and recycling expenses	161,833
Depreciation	58,906
Total operating expenses	<u>609,364</u>
Operating income	<u>344,516</u>
Non-operating revenues (expenses):	
Interest income	648
1% sales tax income	211,247
Total non-operating revenues (expenses)	<u>211,895</u>
Income before other financing sources (uses)	556,411
Other financing uses – operating transfers	200,000
Special item –	
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system	<u>(703,979)</u>
Net increase in net position	52,432
Net position:	
Net position – beginning	<u>1,020,609</u>
Net position – ending	\$ <u>1,073,041</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2013

	Enterprise Fund – Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 913,709
Payments to suppliers	(484,920)
Payments to employees	<u>(184,216)</u>
Net cash flows from operating activities	<u>244,573</u>
Cash flows from capital and related financing activities –	
Purchase of and construction of fixed assets	<u>(415,480)</u>
Cash flows from non-capital financing activities:	
Payments to other funds	(105,661)
Receipts from 1% sales tax	<u>213,111</u>
Net cash flows from non-capital financing activities	<u>107,450</u>
Cash flows from investing activities –	
Interest on investments	<u>648</u>
Net decrease in cash and cash equivalents	(62,809)
Cash and cash equivalents, beginning of year	<u>1,111,409</u>
Cash and cash equivalents, end of year	\$ <u>1,048,600</u>
Reconciliation of operating loss to net cash provided by operating activities	
Net operating income	344,516
Adjustment to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	58,906
Increase (decrease) in cash flows due to changes in:	
Utility accounts receivable	(86)
Prepaid expenses	(2,110)
Accounts payable	(111,896)
Accrued payroll	(2,315)
Compensated absences	(2,357)
Refundable deposits	<u>(40,085)</u>
Net cash flows from operating activities	\$ <u>244,573</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

December 31, 2013

(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 and sewer 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 expenses are those that are clearly identifiable with a specific function. Program

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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.

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.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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 the net revenues, (b) has third party requirements that the cost of providing services,

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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.

Debt Service Fund – This fund accounts for the Village's revenues and expenses related to general long-term debt service.

The major proprietary fund is:

Water and Sewer Fund – This fund accounts for the provision of water treatment and distribution to the residential and commercial users of the Village. It also accounts for the storm drainage runoff service provided 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, 2013, 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 2013 tax levy was as follows:

Lien Date	January 1, 2013
Levy Date	December 12, 2013
First Installment Due	June 13, 2014
Second Installment Due	September 5, 2014

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 2013 tax levy, which attached as an enforceable lien on property as of January 1, 2013, has been recorded as a receivable as of December 31, 2013 as the tax had been levied by the Village and extended by the County but would not collect until fiscal year 2014. The Village's 2013 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	0.4286	0.4375
Police Protection	0.4510	0.6000
Chlorination	—	0.0200
IMRF	0.0003	None
Audit	0.0003	None
Liability Insurance	0.0003	None
Total Village	0.8805	

(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 sewer treatment. 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, 2013 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 unassigned 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. 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 represents 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.

(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; 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 or the Federal Savings and Loan Insurance Corporation.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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, 2013, none of the Village's deposits were exposed to custodial credit risk or uninsured and uncollateralized.

(3) Property Tax Receivables

Property taxes for 2012 attached as an enforceable lien on January 1, 2012, 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, 2013, and were payable in two installments on or about June 15, 2013 and September 7, 2013. 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 the fiscal year that the tax levy is intended to finance. Therefore the entire 2013 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. At the end of the current fiscal year, the various components of deferred 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	\$ 410,362	–	\$ 410,362
Other governmental units:			
General Fund	32,333	–	32,333
Other governmental funds	<u>1,267</u>	<u>–</u>	<u>1,267</u>
Total deferred revenue	\$ <u>443,962</u>	<u>–</u>	\$ <u>443,962</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(5) Depreciation and Capital Assets

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

Governmental activities:	
General government	\$ 46,006
Public safety	17,635
Highway and streets	<u>96,851</u>
Total governmental activities, depreciation expense	\$ <u>160,492</u>
Business-type activities – Water and sewer operations	
	\$ <u>58,906</u>

The governmental activities capital asset activity for year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated –				
Land	\$ 50,854	–	–	50,854
Capital assets being depreciated –				
Buildings and improvements	341,454	–	–	341,454
Equipment and vehicles	473,157	148,947	(90,420)	531,684
Software	21,564	–	–	21,564
Infrastructure	<u>3,683,350</u>	<u>232,518</u>	<u>–</u>	<u>3,915,868</u>
Total capital assets being depreciated	<u>4,519,525</u>	<u>381,465</u>	<u>(90,420)</u>	<u>4,810,570</u>
Accumulated depreciation	<u>(1,069,777)</u>	<u>(160,492)</u>	<u>90,420</u>	<u>(1,139,849)</u>
Total capital assets being depreciated, net	<u>3,449,748</u>	<u>220,973</u>	<u>–</u>	<u>3,670,721</u>
Governmental activities capital assets, net	\$ <u>3,500,602</u>	<u>220,973</u>	<u>–</u>	<u>3,721,575</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

The business-type activities capital asset activity for the year ended December 31, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated –				
Land	\$ –	45,375	–	45,375
Buildings and improvements	15,000	–	–	15,000
Equipment and vehicles	405,481	52,894	–	458,375
Software	10,782	–	–	10,782
Infrastructure	426,405	238,824	–	665,229
Construction in progress	63,830	149,201	(70,814)	142,217
Total capital assets being depreciated	<u>921,498</u>	<u>486,294</u>	<u>(70,814)</u>	<u>1,336,978</u>
Accumulated depreciation	<u>(287,829)</u>	<u>(58,906)</u>	<u>–</u>	<u>(346,735)</u>
Business-type activities capital assets, net	<u>\$ 633,669</u>	<u>427,388</u>	<u>(70,814)</u>	<u>990,243</u>

(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, 2013.

Transfers were made to reallocate Fourth of July revenue from the Community Development to the Fourth of July Fund and to repay the Water and Sewer 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 employer's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the Village's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2013 was 12.65 percent. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For 2013, the Village's annual pension cost of \$80,268 for the Regular plan was equal to its required and actual contributions.

Three-Year Trend Information for the Regular Plan				
Calendar Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$	80,268	100%	—
2012		72,955	100%	—
2011		67,792	100%	—

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 42.75 percent funded. The actuarial accrued liability for benefits was \$994,872 and the actuarial value of assets was \$425,338, resulting in an underfunded actuarial accrued liability (UAAL) of \$569,534. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$634,528 and the ratio of the UAAL to the covered payroll was 90 percent.

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

(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, 2013 was as follows:

	Beginning			Ending
	Balance	Additions	Reductions	Balance
Governmental activities: \$	<u>13,659</u>	<u>32,035</u>	<u>29,244</u>	<u>16,450</u>
Business-type activities \$	<u>2,815</u>	<u>5,110</u>	<u>7,468</u>	<u>457</u>

(11) Note Payable

On July 8, 2013, the VOW obtained a note payable in the amount of \$55,000 to purchase a dump truck. The note carried an interest rate 3.25% and matured January 30, 2014. The note was paid off in January 2014 from the General Fund.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(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 annually within 18 days after November 2012. Rebates paid in 2013 were \$31,929.

(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 (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 \$676,370 covering 1415 properties currently "served" by the Village's system. This fee is payable when a construction contract for extension of the Fuller Creek trunkline west of Meridian Road is awarded (est. 2014). 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. The Village has accrued \$1,071,789, due to the District, in the related Water and Sewer Statement of Net Position at December 31, 2013. 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.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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, 2013.

(15) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, non-recognized subsequent events).

On January 22, 2014, the Village obtained financing from the Illinois Environmental Protection Agency for \$2,265,000 to construct a new water tower. Construction began in first quarter 2014 and is expected to be completed by November 15, 2014. The loan accrues interest at 1.995% and will mature on September 30, 2034.

The Village has evaluated subsequent events through May 12, 2014 which was the date that these financial statements were available for issuance, and determined that no other significant non-recognized subsequent events have occurred through that date.

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Taxes	\$ 1,058,804	1,058,804	1,175,771	116,967
Fines and other fees	24,000	24,000	24,798	798
Other	<u>27,125</u>	<u>59,570</u>	<u>87,097</u>	<u>27,527</u>
Total revenues	<u>1,109,929</u>	<u>1,142,374</u>	<u>1,287,666</u>	<u>145,292</u>
Expenditures:				
Current:				
General government	427,631	427,631	314,349	(113,282)
Highways and streets	666,942	666,942	455,075	(211,867)
Public safety	750,250	782,695	593,469	(189,226)
Capital outlay	<u>131,250</u>	<u>131,250</u>	<u>86,334</u>	<u>(44,916)</u>
Total expenditures	<u>1,976,073</u>	<u>2,008,518</u>	<u>1,449,227</u>	<u>(559,291)</u>
Excess (deficiency) of revenues over (under) expenditures	(866,144)	(866,144)	(161,561)	704,583
Other financing sources (uses):				
Note payable proceeds	–	–	55,000	55,000
Transfer in (out)	<u>20,724</u>	<u>20,724</u>	<u>(194,246)</u>	<u>(214,970)</u>
Total other financing sources (uses)	<u>20,724</u>	<u>20,724</u>	<u>(139,246)</u>	<u>(159,970)</u>
Net change in fund balance	\$ <u>(845,420)</u>	<u>(845,420)</u>	(300,807)	<u>544,613</u>
Fund balance:				
Beginning			<u>1,192,063</u>	
Ending		\$	<u>891,256</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, 2013

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:					
Property taxes	\$	–	–	–	–
Interest		–	–	135	135
		<u>–</u>	<u>–</u>	<u>135</u>	<u>135</u>
Total revenues		–	–	135	135
		<u>–</u>	<u>–</u>	<u>135</u>	<u>135</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		–	–	135	135
Other financing sources (uses) –					
Transfer in (out)		–	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net change in fund balance	\$	<u>–</u>	<u>–</u>	135	<u>135</u>
Fund balance:					
Beginning				<u>289,571</u>	
Ending				\$ <u>289,706</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information

Schedule of Funding Progress

Illinois Municipal Retirement Fund

December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c	
12/31/13	\$ 425,338	994,872	569,534	42.75	%	634,528	89.76	%
12/31/12	736,001	1,176,592	440,591	62.55		589,773	74.71	
12/31/11	621,277	1,062,160	440,883	58.49		570,639	77.26	
12/31/10	476,344	899,189	422,845	52.97		571,272	74.02	
12/31/09	549,501	924,703	375,202	59.42		559,767	67.03	
12/31/08	732,897	1,070,204	337,307	68.48		610,407	55.26	
12/31/07	622,719	919,137	296,418	67.75		628,866	47.14	
12/31/06	498,101	812,146	314,045	61.33		523,984	59.93	
12/31/05	382,249	646,622	264,373	59.11		512,632	51.57	
12/31/04	292,853	483,861	191,008	60.52		466,885	40.91	
12/31/03	221,655	419,415	197,760	52.85		385,799	51.26	

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$569,096.

On a market basis, the funded ratio would be 57.20%.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Required Supplementary Information

December 31, 2013

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, non-major Special Revenue funds – Community Development, Fourth of July and Motor Fuel 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

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2013

		<u>Special Revenue Funds</u>			<u>Total</u>
		<u>Community Development Fund</u>	<u>Fourth of July Fund</u>	<u>Motor Fuel Fund</u>	<u>Nonmajor Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$	125,801	753	146,312	272,866
Accounts receivable		<u>21,389</u>	<u>—</u>	<u>7,760</u>	<u>29,149</u>
Total assets	\$	<u><u>147,190</u></u>	<u><u>753</u></u>	<u><u>154,072</u></u>	<u><u>302,015</u></u>
Liabilities:					
Accounts payable		798	—	—	798
Deferred revenue – grants		1,267	—	—	1,267
Deferred revenue – taxes		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities		<u>2,065</u>	<u>—</u>	<u>—</u>	<u>2,065</u>
Fund balances:					
Restricted for highway and streets		—	—	154,072	154,072
Committed to community development		145,125	—	—	145,125
Committed to Fourth of July		<u>—</u>	<u>753</u>	<u>—</u>	<u>753</u>
Total fund balances		<u>145,125</u>	<u>753</u>	<u>154,072</u>	<u>299,950</u>
Total liabilities and fund balances	\$	<u><u>147,190</u></u>	<u><u>753</u></u>	<u><u>154,072</u></u>	<u><u>302,015</u></u>

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2013

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Community Development Fund</u>	<u>Fourth of July Fund</u>	<u>Motor Fuel Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 14,885	–	75,874	90,759
Grants	–	–	12,846	12,846
Fees and charges	27,458	–	–	27,458
Interest	173	3	33	209
Other	721	42,615	–	43,336
Total revenue	<u>43,237</u>	<u>42,618</u>	<u>88,753</u>	<u>174,608</u>
Expenditures:				
Highway and streets	–	–	–	–
Culture and recreation	<u>14,924</u>	<u>54,485</u>	<u>–</u>	<u>69,409</u>
Total expenditures	<u>14,924</u>	<u>54,485</u>	<u>–</u>	<u>69,409</u>
Excess (deficiency) of revenues over (under) expenditures	28,313	(11,867)	88,753	105,199
Other financing sources (uses) –				
Transfer in (out)	<u>(16,254)</u>	<u>10,500</u>	<u>–</u>	<u>(5,754)</u>
	<u>(16,254)</u>	<u>10,500</u>	<u>–</u>	<u>(5,754)</u>
Net change in fund balances	12,059	(1,367)	88,753	99,445
Fund balances:				
Beginning	<u>133,066</u>	<u>2,120</u>	<u>65,319</u>	<u>200,505</u>
Ending	<u>\$ 145,125</u>	<u>753</u>	<u>154,072</u>	<u>299,950</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Telecommunications taxes	\$ 16,000	16,000	14,885	(1,115)
Fees and charges	50,400	50,400	27,458	(22,942)
Interest	50	50	173	123
Other	<u>100</u>	<u>100</u>	<u>721</u>	<u>621</u>
Total revenues	<u>66,550</u>	<u>66,550</u>	<u>43,237</u>	<u>(23,313)</u>
Expenditures:				
Culture and recreation:				
Contractual services:				
Presidential project	1,250	1,250	549	(701)
Legal expenses	9,375	9,375	6,759	(2,616)
Dues	2,500	2,500	2,000	(500)
Development escrow refund	1,250	1,250	–	(1,250)
Engineering	3,750	3,750	–	(3,750)
Electricity	2,500	2,500	1,576	(924)
Community projects	76,875	76,875	800	(76,075)
Supplies –				
Community expenses	<u>8,500</u>	<u>8,500</u>	<u>3,240</u>	<u>(5,260)</u>
Total expenditures	<u>106,000</u>	<u>106,000</u>	<u>14,924</u>	<u>(91,076)</u>
Excess (deficiency) of revenues over (under) expenditures	(39,450)	(39,450)	28,313	67,763
Other financing sources (uses) –				
Transfer in (out)	<u>13,375</u>	<u>13,375</u>	<u>(16,254)</u>	<u>(29,629)</u>
Net change in fund balance	\$ <u>(26,075)</u>	<u>(26,075)</u>	12,059	<u>38,134</u>
Fund balance:				
Beginning			<u>133,066</u>	
Ending		\$	<u>145,125</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, 2013

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:					
Donations and other	\$	46,600	46,600	42,615	(3,985)
Interest		<u>10</u>	<u>10</u>	<u>3</u>	<u>(7)</u>
Total revenues		<u>46,610</u>	<u>46,610</u>	<u>42,618</u>	<u>(3,992)</u>
Expenditures:					
Culture and recreation –					
Fourth of July expenses		<u>65,525</u>	<u>65,525</u>	<u>54,485</u>	<u>(11,040)</u>
Total expenditures		<u>65,525</u>	<u>65,525</u>	<u>54,485</u>	<u>(11,040)</u>
Excess (deficiency) of revenues over (under) expenditures					
		(18,915)	(18,915)	(11,867)	7,048
Other financing sources (uses) –					
Transfer in (out)		<u>10,000</u>	<u>10,000</u>	<u>10,500</u>	<u>500</u>
Net change in fund balance					
	\$	<u>(8,915)</u>	<u>(8,915)</u>	<u>(1,367)</u>	<u>7,548</u>
Fund balance:					
Beginning				<u>2,120</u>	
Ending			\$	<u>753</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, 2013

	<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	75,874	874
Grants	12,800	12,800	12,846	46
Interest	<u>200</u>	<u>200</u>	<u>33</u>	<u>(167)</u>
Total revenues	<u>88,000</u>	<u>88,000</u>	<u>88,753</u>	<u>753</u>
Expenditures:				
Highways and streets:				
Highways, street and bridges	–	–	–	–
Engineering	<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	88,000	88,000	88,753	753
Other financing sources (uses) –				
Transfer in (out)	<u>237,000</u>	<u>237,000</u>	<u>–</u>	<u>(237,000)</u>
Net change in fund balance	\$ <u>325,000</u>	<u>325,000</u>	88,753	<u>(236,247)</u>
Fund balance:				
Beginning			<u>65,319</u>	
Ending		\$	<u>154,072</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2013

		2013			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:					
Taxes:					
Property taxes	\$	393,804	393,804	408,694	14,890
Sales taxes		290,000	290,000	325,869	35,869
State income tax		240,000	240,000	291,740	51,740
Telecommunications tax		80,000	80,000	74,425	(5,575)
Local use tax		45,000	45,000	52,987	7,987
Replacement tax		10,000	10,000	22,056	12,056
Total taxes		1,058,804	1,058,804	1,175,771	116,967
Licenses, fees and permits		5,000	5,000	8,556	3,556
Police fines		19,000	19,000	16,242	(2,758)
Total fines and other fees		24,000	24,000	24,798	798
Other revenue:					
Grants		1,000	33,445	33,642	197
Interest		125	125	472	347
Miscellaneous		26,000	26,000	52,983	26,983
Total other revenue		27,125	59,570	87,097	27,527
Total revenues		1,109,929	1,142,374	1,287,666	145,292
Expenditures:					
General government:					
Office salaries		53,893	53,893	40,585	(13,308)
Treasurer		52,089	52,089	39,112	(12,977)
Salaries – elected officials		36,250	36,250	26,650	(9,600)
Payroll taxes		16,179	16,179	9,535	(6,644)
Employee benefits		25,969	25,969	20,264	(5,705)
Employee welfare		2,500	2,500	2,486	(14)
Office equipment		8,750	8,750	7,813	(937)
Professional services		23,750	23,750	12,070	(11,680)
Engineering		25,000	23,000	16,006	(6,994)
Legal services		37,500	37,500	36,110	(1,390)
Inspection fees		10,000	10,000	8,708	(1,292)
Postage		1,875	1,875	1,827	(48)
Telephone		3,750	3,750	2,834	(916)
Publishing		1,250	4,000	4,090	90
Printing		5,625	5,625	3,645	(1,980)
Dues		1,875	2,625	2,361	(264)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2013

	2013			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (continued):				
Travel	1,250	1,150	791	(359)
Training	1,250	1,250	727	(523)
Conferences	9,375	9,375	5,828	(3,547)
Office maintenance	5,000	5,000	4,379	(621)
Audit and accounting services	13,250	13,250	10,600	(2,650)
Liability insurance	6,563	6,563	4,749	(1,814)
Recapture payments	250	250	201	(49)
Office supplies	8,750	8,750	9,311	561
Foreign fire insurance	6,250	6,250	5,021	(1,229)
Building water usage	500	500	353	(147)
Miscellaneous expense	188	288	219	(69)
Sullivan's payback agreemnt	41,250	41,250	31,929	(9,321)
Capital outlay	3,750	2,250	515	(1,735)
Contingency	23,750	23,750	5,630	(18,120)
Total general government	<u>427,631</u>	<u>427,631</u>	<u>314,349</u>	<u>(113,282)</u>
Highways and streets:				
Salaries	123,975	123,975	85,150	(38,825)
Employee benefits	29,559	29,559	19,696	(9,863)
Payroll taxes	9,345	9,345	6,986	(2,359)
Maintenance – buildings	18,750	18,750	3,605	(15,145)
Maintenance – vehicles	10,000	10,000	1,977	(8,023)
Maintenance – streets and sidewalks	50,000	50,000	35,871	(14,129)
Maintenance – equipment	11,250	11,250	5,746	(5,504)
Street project	281,250	281,250	211,380	(69,870)
Engineering	31,250	31,250	20,593	(10,657)
Telephone	2,250	2,250	1,983	(267)
Electricity	43,750	43,750	28,917	(14,833)
Supplies	6,250	6,250	3,963	(2,287)
Gas and oil	21,250	21,250	18,095	(3,155)
Tree removal	5,000	5,000	3,000	(2,000)
Liability insurance	10,563	10,563	8,113	(2,450)
MS4 upgrades and repairs	12,500	12,500	–	(12,500)
Capital outlay – equipment	131,250	131,250	86,334	(44,916)
Total highways and streets	<u>798,192</u>	<u>798,192</u>	<u>541,409</u>	<u>(256,783)</u>

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2013

		2013		
		Original Budget	Final Budget	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Office salaries	6,426	6,426	5,184	(1,242)
Police chief	95,130	95,130	72,526	(22,604)
Full time officers	293,030	293,030	223,343	(69,687)
Part time officers	31,250	31,250	12,784	(18,466)
Payroll taxes	38,548	38,548	25,995	(12,553)
Employee benefits	104,216	104,216	88,810	(15,406)
Uniforms	6,250	6,250	4,941	(1,309)
Computers and equipment	1,250	1,250	1,207	(43)
Professional services	10,618	15,618	13,686	(1,932)
Vehicle maintenance	13,125	13,125	5,462	(7,663)
Legal	29,250	29,250	20,863	(8,387)
Postage	188	188	80	(108)
Telephone	5,250	5,250	3,684	(1,566)
Publishing and printing	313	313	462	149
Dues	500	500	525	25
Travel	250	250	199	(51)
Liability insurance	25,000	25,000	18,469	(6,531)
Water	406	406	120	(286)
Gas and oil	17,500	17,500	12,256	(5,244)
Grants	1,250	1,250	–	(1,250)
Miscellaneous	1,875	1,875	447	(1,428)
Alert-leads user fee	2,500	2,500	864	(1,636)
Police garage maintenance	1,250	1,250	33	(1,217)
Pre-employment physical	2,625	2,625	999	(1,626)
Small equipment	16,625	44,070	41,150	(2,920)
Large equipment	37,500	37,500	30,620	(6,880)
Training	8,125	8,125	8,760	635
Total public safety	750,250	782,695	593,469	(189,226)
Total expenditures	\$ 1,976,073	2,008,518	1,449,227	(559,291)

VILLAGE OF WINNEBAGO, ILLINOIS

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

Proprietary Fund Types Enterprise Fund – Water and Sewer Fund

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating revenues:				
Water service income	\$ 200,000	200,000	308,628	108,628
Sewer service income	470,000	470,000	476,727	6,727
Water hook-up fees	2,700	2,700	450	(2,250)
Sewer hook-up fees	4,250	4,250	50	(4,200)
Water deposit revenue	1,500	1,500	(33,726)	(35,226)
Garbage charges	175,000	175,000	189,954	14,954
Garbage stickers	200	200	240	40
Miscellaneous revenue	4,100	4,100	11,557	7,457
Total operating revenues	857,750	857,750	953,880	96,130
Operating expenses:				
Office salary	25,704	25,704	20,305	(5,399)
Part-time wages	–	–	–	–
Meter reader	28,836	28,836	20,479	(8,357)
Plant operator	87,251	87,251	67,677	(19,574)
Public works wages	41,325	41,325	22,616	(18,709)
Health insurance	27,451	27,451	19,523	(7,928)
Payroll taxes	16,758	16,758	11,074	(5,684)
Employee benefits	23,088	23,088	17,878	(5,210)
Building water usage	1,875	1,875	210	(1,665)
Alarm system	2,500	2,500	2,206	(294)
Chemicals	3,750	3,750	3,266	(484)
Engineering	175,000	275,000	16,736	(258,264)
EPA permit fees	1,250	1,250	1,000	(250)
Garbage expense	225,000	225,000	161,833	(63,167)
Liability insurance	18,750	18,750	12,707	(6,043)
Large equipment and equipment maintenance	10,000	10,000	5,819	(4,181)
Office & computer equipment	1,250	1,250	–	(1,250)
Operating supplies	62,500	62,500	41,735	(20,765)
Postage	8,125	8,125	4,603	(3,522)
Pre-employment physical	250	250	90	(160)
Printing	3,125	3,125	400	(2,725)
Professional fees	3,750	3,750	–	(3,750)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

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

Proprietary Fund Types Enterprise Fund – Water and Sewer Fund

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating expenses (continued):				
Rental and small equipment	\$ 20,000	20,000	112	(19,888)
Telephone	2,500	2,500	2,022	(478)
Travel and training	2,500	2,500	436	(2,064)
Utilities	54,500	54,500	22,745	(31,755)
Water analysis	4,375	4,375	2,966	(1,409)
Water deposit expense	1,250	1,250	1,250	–
Water sewer upgrade	1,750,000	1,650,000	39,915	(1,610,085)
Grant expense	587,500	587,500	40,404	(547,096)
Sullivan's payback agreement	15,000	15,000	10,451	(4,549)
Depreciation	–	–	58,906	58,906
Capital outlay	181,250	181,250	–	(181,250)
Total operating expenses	<u>3,386,413</u>	<u>3,386,413</u>	<u>609,364</u>	<u>(2,777,049)</u>
Operating income	<u>(2,528,663)</u>	<u>(2,528,663)</u>	<u>344,516</u>	<u>2,873,179</u>
Nonoperating income (expense):				
Interest income	150	150	648	498
1% sales tax income	165,000	165,000	211,247	46,247
Grant revenue	<u>350,000</u>	<u>350,000</u>	<u>–</u>	<u>(350,000)</u>
Total nonoperating income (expenses)	<u>515,150</u>	<u>515,150</u>	<u>211,895</u>	<u>(303,255)</u>
Income (loss) before other financing sources	(2,013,513)	(2,013,513)	556,411	2,569,924
Operating financing sources –				
Operating transfers	<u>552,175</u>	<u>552,175</u>	<u>200,000</u>	<u>(352,175)</u>
Special item –				
Rock River Water Reclamation District costs related to intergovernmental agreement for sanitary system	<u>(875,000)</u>	<u>(875,000)</u>	<u>(703,979)</u>	<u>171,021</u>
Change in net assets	<u>\$ (2,336,338)</u>	<u>(2,336,338)</u>	<u>52,432</u>	<u>2,388,770</u>
Net position				
Beginning			1,020,609	
Ending		\$	<u>1,073,041</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Assessed Valuations, Property Tax Rates, Extensions and Collections

December 31, 2013

	Tax Years			
	2012	2011	2010	2009
Assessed valuations	\$ 47,574,249	51,549,632	51,304,264	52,180,708
Property tax rates (per \$100 of assessed valuation):	Max	Actual	Actual	Actual
General	0.4375	0.4288	0.4292	0.4375
General – Audit	–	0.0002	0.0001	0.0001
General – Liability	–	0.0002	0.0001	0.0001
Police	0.6000	0.4082	0.3196	0.3010
Debt Service	–	–	–	0.1692
Sewer Chlorination	0.0200	–	0.0001	0.0001
IMRF	–	0.0002	0.0001	0.0001
Total tax rate		0.8376	0.7492	0.7389
Property tax extensions:				
General		203,998	221,251	224,354
General – Audit		95	52	51
General – Liability		95	51	51
Police		194,198	164,753	154,375
Debt Service		–	–	–
Sewer Chlorination		–	51	51
IMRF		95	52	51
	\$	398,481	386,210	378,933
Property tax collections:**				
General		203,802	221,127	224,097
General – Audit		95	51	51
General – Liability		95	51	51
Police		194,012	164,660	154,197
Debt Service		–	–	–
Sewer Chlorination		–	51	51
IMRF		95	51	51
	\$	398,099	385,991	378,498
Percentage of extensions collected		99.90	99.94	99.89

%

** 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, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assessed Valuation	\$ <u>46,292,556</u>	<u>47,574,249</u>	<u>51,549,632</u>
Statutory Debt Limitation (8.625 % of Assessed Valuation)	3,992,733	4,103,279	4,446,156
Outstanding debt – Note payable	<u>55,000</u>	<u>–</u>	<u>–</u>
Legal Debt Margin	\$ <u>3,937,733</u>	<u>4,103,279</u>	<u>4,446,156</u>