

**VILLAGE OF WINNEBAGO  
WINNEBAGO, ILLINOIS**

Annual Financial Report

As of and for the Year Ended  
December 31, 2012

# VILLAGE OF WINNEBAGO, ILLINOIS

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## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Winnebago, Illinois (Village) as of and for the year ended December 31, 2012, 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, 2012, 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.



Rockford, Illinois  
June 13, 2013

## **VILLAGE OF WINNEBAGO, ILLINOIS**

### **Management's Discussion and Analysis**

December 31, 2012 (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, 2012.

### **FINANCIAL HIGHLIGHTS**

-Net position and performance in total – The Village's total net position at December 31, 2012 was \$6,226,674.

-Government activity summary – Net position for governmental activities increased by \$328,279 during the period.

-Business-type activity summary – Net position for business-type activities decreased by \$2,025,501 during the period.

-General Fund summary – The Village's General Fund reported an increase of \$161,495 in fund balance for the period.

-Budget vs. actual – The Village's actual revenues for the General Fund were \$254,723 more than the budgeted revenues. The actual expenditures were \$362,605 less than total budgeted expenditures for the General Fund.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

# VILLAGE OF WINNEBAGO, ILLINOIS

## Management's Discussion and Analysis

December 31, 2012 (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 regardless of when cash is received or paid	Revenues for which cash is received during the year or shortly thereafter; expenditures for goods or services that have been received and payment is due during the year or shortly thereafter	All revenues and expenses during the year regardless of when cash is received or paid

### Government-Wide Statements

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

## **VILLAGE OF WINNEBAGO, ILLINOIS**

### **Management's Discussion and Analysis**

December 31, 2012 (Unaudited)

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 Statement No. 34 required that these assets be valued and reported within the Governmental



## VILLAGE OF WINNEBAGO, ILLINOIS

### Management's Discussion and Analysis

December 31, 2012 (Unaudited)

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, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current and other assets	\$ 2,225,299	2,038,323	1,612,232	1,236,565	3,837,531	3,274,888
Capital assets	3,500,602	3,338,543	633,669	1,907,127	4,134,271	5,245,670
<b>Total assets</b>	<b>5,725,901</b>	<b>5,376,866</b>	<b>2,245,901</b>	<b>3,143,692</b>	<b>7,971,802</b>	<b>8,520,558</b>
Liabilities	121,426	499,081	1,225,292	97,582	1,346,718	596,663
Deferred inflows of resources	398,410	-	-	-	398,410	-
<b>Total liabilities and deferred inflows of resources</b>	<b>519,836</b>	<b>499,081</b>	<b>1,225,292</b>	<b>97,582</b>	<b>1,745,128</b>	<b>596,663</b>
Net position:						
Net investment in capital assets	3,500,602	3,338,543	633,669	1,907,127	4,134,271	5,245,670
Restricted	354,890	354,678	-	-	354,890	354,678
Unrestricted	1,350,573	1,184,564	386,940	1,138,983	1,737,513	2,323,547
<b>Total net position</b>	<b>\$ 5,206,065</b>	<b>4,877,785</b>	<b>1,020,609</b>	<b>3,046,110</b>	<b>6,226,674</b>	<b>7,923,895</b>

For more detailed information see the Statement of Net Position.

## VILLAGE OF WINNEBAGO, ILLINOIS

### Management's Discussion and Analysis

December 31, 2012 (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, 2012 was \$6,226,674 for all funds. This is a decrease of \$1,697,222 during the year. Total assets decreased from \$8,520,559 to \$7,971,802, a decrease of \$548,757. Cash increased by \$182,230. The capital assets (net) decreased by \$1,111,399.

The total liabilities increased by \$1,148,465, which is mainly attributed to increases in accounts payable, due to other governments and deferred revenue.

The net position of business-type activities decreased by \$2,025,501 during the period and ended at \$1,020,609. Unrestricted net position, available to finance the continuing operation of its business-type activities, was \$386,940. The operating cost of the Village's business-type activities for the year ended December 31, 2012 was \$1,023,016.

The total net position at December 31, 2012 was \$6,226,674, of which 66% is the investment in capital assets, another 6% is restricted for capital improvements and highways and streets.

# VILLAGE OF WINNEBAGO, ILLINOIS

## Management's Discussion and Analysis

December 31, 2012 (Unaudited)

The remaining 28% or \$1,737,513 is available for any purpose, which is a decrease of \$586,035 or 25% from the unrestricted net position of December 31, 2012.

### **Statement of Changes in Net Position**

The following chart reflects the condensed Statement of Changes in Net Position. Overall, the financial condition deteriorated as measured by the fact that assets decreased and liabilities increased. This was mainly due to the transfer of sanitary sewer system to Rock River Water Reclamation District in 2012. For more detailed information see the Statement of Activities.

**Table 2**  
**Changes in Net Position**  
**As of December 31, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 75,317	\$ 47,970	\$ 947,917	\$ 619,312	\$1,023,234	\$ 667,282
Grants and contributions			-	-		
Operating	34,799	41,670	350,000	-	384,799	41,670
Capital contributions	-	-	-	-	-	-
General revenues:						
Property taxes	396,654	202,958	-	-	396,654	202,958
Other taxes	850,803	534,013	209,353	-	1,060,156	534,013
Investment income	1,722	498	1,360	364	3,082	862
Loss on sale of capital assets	-	(3,499)	(1,315,057)	(8,714)	(1,315,057)	(12,213)
Miscellaneous	20,960	25,361	17,275	3,674	38,235	29,035
<b>Total revenues received</b>	<b>1,380,255</b>	<b>848,971</b>	<b>210,848</b>	<b>614,636</b>	<b>1,591,103</b>	<b>1,463,607</b>
<b>EXPENSES</b>						
General government	447,438	281,050	-	-	447,438	281,050
Public safety	479,110	349,957	-	-	479,110	349,957
Highways and streets	234,007	149,580	-	-	234,007	149,580
Culture and recreation	81,284	73,525	-	-	81,284	73,525
Interest	-	-	-	-	-	-
Water and sewer	-	-	1,023,016	557,709	1,023,016	557,709
<b>Total expenses disbursed</b>	<b>1,241,839</b>	<b>854,112</b>	<b>1,023,016</b>	<b>557,709</b>	<b>2,264,855</b>	<b>1,411,821</b>
Excess of revenues						
over (under) expenses	138,416	(5,141)	(812,168)	56,927	(673,752)	51,786
Transfers	189,863	-	(189,863)	-	-	-
Special item	-	0	(1,023,470)	-	(1,023,470)	-
<b>Changes in net position</b>	<b>328,279</b>	<b>(5,141)</b>	<b>(2,025,501)</b>	<b>56,927</b>	<b>(1,697,222)</b>	<b>51,786</b>
<b>Beginning net position</b>	<b>4,877,786</b>	<b>4,882,927</b>	<b>3,046,110</b>	<b>2,989,183</b>	<b>7,923,896</b>	<b>7,872,110</b>
<b>Ending net position</b>	<b>\$ 5,206,065</b>	<b>\$ 4,877,786</b>	<b>\$ 1,020,609</b>	<b>\$ 3,046,110</b>	<b>\$ 6,226,674</b>	<b>\$ 7,923,896</b>

## VILLAGE OF WINNEBAGO, ILLINOIS

### Management's Discussion and Analysis

December 31, 2012 (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, 2012.

#### **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, 2012), 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, 2012 (Unaudited)

#### **Current Year Impacts – Changes in Net Position**

##### **Governmental Activities**

###### **Revenues:**

Revenues from governmental activities total \$1,380,255. The largest source of revenue was \$396,654 from property taxes. Sales and use taxes were the next highest with revenue for the period of \$369,541. Income tax ranked third with \$278,731. The next highest source of income was telecommunications tax with \$107,630. The revenues from these four sources represent 84% of the governmental activity revenues. Total revenue from all taxes was 1,247,457 or 90%. The Village also recognized \$75,317 in charges for services or 5% of total revenue.

###### **Expenses:**

The Village's total governmental activity expenses were \$1,241,839. The three major functional areas were general government \$447,438 or 36% of the total; public works \$479,110 or 19% of the total; and public safety of \$234,007 or 39% of the total expenses of the Village.

Personnel costs including wages, taxes, health and life insurance, and retirement benefits were \$640,218 or 52% of the total expenses.

##### **Business-type Activities**

###### **Revenues:**

Operating revenues from business-type activities total \$965,192. The largest source of revenue was \$575,438 or 60% from sewer revenue. Charges for water were the next highest with revenue for the year of \$206,067 or 21%. Refuse and recycling income ranged third with \$166,142 or 17%.

###### **Expenses:**

The Village's total business-type activity expenses were \$1,023,016. The four major areas of operating expenses were wages and benefit expenses of \$178,344 or 17% of the total; refuse and recycling expenses of \$171,711 or 17% of the total; water and sewer upgrade of \$358,255 or 35% of the total; and depreciation of \$50,974 or 5% of the total. These four areas account for \$759,284 or 74% of the total business-type expenses of the Village.

# VILLAGE OF WINNEBAGO, ILLINOIS

## Management's Discussion and Analysis

December 31, 2012 (Unaudited)

### **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

At December 31, 2012, the governmental funds reported a combined fund balance of \$1,682,139; an increase of \$160,112 from the prior period, which is mainly attributed to a \$189,863 transfer in from the Water and Sewer Fund. The General Fund balance increased by \$161,495. All other funds netted a decrease of \$1,383.

The Village's cash and equivalents increased by \$142,015 for all governmental funds during the year ended December 31, 2012. Deferred revenue increased by approximately \$50,650.

The Police Protection Fund was consolidated with the General Fund as of January 1, 2012.

#### **General Fund Budgetary Highlights**

<b>General Fund</b>	<b>FY 12 Original Budget</b>	<b>FY 12 Final Budget</b>	<b>FY 12 Actual</b>
<b>Revenues:</b>			
Taxes	\$ 902,856	902,856	1,149,996
Fines and other fees	24,000	24,000	34,632
Other	26,125	26,125	23,076
<b>Total revenues</b>	<b>952,981</b>	<b>952,981</b>	<b>1,207,704</b>
<b>Expenditures:</b>			
General government	397,233	397,233	302,477
Highways and streets	347,976	347,976	236,143
Public safety	613,605	613,605	479,110
Capital outlay	50,000	50,000	28,479
<b>Total expenditures</b>	<b>1,408,814</b>	<b>1,408,814</b>	<b>1,046,209</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(455,833)</b>	<b>(455,833)</b>	<b>161,495</b>
<b>Other financing sources (uses):</b>			
Transfers out	(46,347)	(46,347)	-
Transfers in	-	-	-
<b>Total other financing sources</b>	<b>(46,347)</b>	<b>(46,347)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (502,180)</b>	<b>(502,180)</b>	<b>161,495</b>

## VILLAGE OF WINNEBAGO, ILLINOIS

### Management's Discussion and Analysis

December 31, 2012 (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 decreased by a net of \$1,111,398. The decrease was a result of an intergovernmental agreement with the Rock River Water Reclamation District to take over the maintenance and operation of all related sewer assets. See Note 5 to the financial statements for more details.

#### Entity Wide Change in Net Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Land	\$ 50,854	50,854	-	-	50,854	50,854
Buildings and improvements	341,454	341,454	15,000	2,981,425	356,454	3,322,879
Equipment and vehicles	473,157	444,678	405,481	376,738	878,638	821,416
Software	21,564	21,564	10,782	10,782	32,346	32,346
Infrastructure	3,683,350	3,404,809	426,406	1,105,063	4,109,756	4,509,872
Construction in progress	-	-	63,830	-	63,830	-
Subtotals	4,570,379	4,263,359	921,499	4,474,008	5,491,878	8,737,367
Accumulated depreciation	(1,069,777)	(924,816)	(287,829)	(2,566,881)	(1,357,606)	(3,491,697)
Totals	\$ 3,500,602	3,338,543	633,670	1,907,127	4,134,272	5,245,670

### **ECONOMIC FACTORS**

Property tax revenue in 2013 for 2012 property tax will be 3% greater than revenue in 2012. Motor fuel tax (MFT) revenue will remain the same in 2013 at approximately \$75,000. Other tax revenue is expected to increase from 0 -5% in 2013 as the economy improves.

Although the 1% municipal sales tax authorized by referendum in the spring of 2011 became effective January 1, 2012, receipts from the state did not start until April 2012 due to the collection, certification, and disbursement process. Therefore, 2013 will be the first full year of the additional 1% sales tax revenue for the Village. Total sales tax revenue in 2013 is projected to be \$500,000 with \$200,000 of that coming from the additional 1% tax. This represents the largest revenue source for the Village, with property tax second at \$400,000. The additional 1% tax, by board action, is to be used for infrastructure improvements and is currently being deposited in the Operations and Maintenance Fund for sewer and water improvements. There is no termination date for the 1% municipal sales tax (no sunset provision).

## **VILLAGE OF WINNEBAGO, ILLINOIS**

### **Management's Discussion and Analysis**

December 31, 2012 (Unaudited)

The Village has one property tax refund agreement with a land owner of agricultural land in the Village which amounts to several hundred dollars.

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 each year beginning in 2012 until the sum of \$600,000 is paid to Sullivan's. Approximately \$38,000 was refunded in 2012. An additional \$45,000 is budgeted to be refunded in 2013. Thus the net sales tax revenue for 2013 is expected to be \$455,000.

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 2014. The estimated total cost of this project, 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. The \$2.7 million for PBI fee and rehab work is expected to be paid for with current reserves and cash from capital improvement charges billed to Village residents and businesses during 2012-2015. 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 a new rate ordinance was passed in late 2011 and updated in 2012 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, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,525,008	1,111,409	2,636,417
Receivables:			
Property taxes	398,410	–	398,410
Intergovernmental – State of Illinois	183,473	402,560	586,033
Other	82,066	–	82,066
Customers – utility users	–	85,321	85,321
Prepaid items	36,342	12,942	49,284
<b>Total current assets</b>	<u>2,225,299</u>	<u>1,612,232</u>	<u>3,837,531</u>
Capital assets not being depreciated	50,854	63,830	114,684
Capital assets (net of accumulated depreciation)	<u>3,449,748</u>	<u>569,839</u>	<u>4,019,587</u>
<b>Total assets</b>	<u>5,725,901</u>	<u>2,245,901</u>	<u>7,971,802</u>
<b>Liabilities</b>			
Accounts payable	42,792	150,752	193,544
Accrued payroll	30,703	8,170	38,873
Compensated absences	13,659	2,815	16,474
Meter deposits	–	40,085	40,085
Due to other governments	–	1,023,470	1,023,470
Unearned / deferred revenue	34,272	–	34,272
<b>Total liabilities</b>	<u>121,426</u>	<u>1,225,292</u>	<u>1,346,718</u>
<b>Deferred inflows of resources</b>			
Property taxes	398,410	–	398,410
<b>Total liabilities and deferred inflows of resources</b>	<u>519,836</u>	<u>1,225,292</u>	<u>1,745,128</u>
<b>Net position:</b>			
Net investment in capital assets	3,500,602	633,669	4,134,271
Restricted for:			
Highways and streets	65,319	–	65,319
Capital improvements	289,571	–	289,571
Unrestricted	<u>1,350,573</u>	<u>386,940</u>	<u>1,737,513</u>
<b>Total net position</b>	<u>\$ 5,206,065</u>	<u>1,020,609</u>	<u>6,226,674</u>

See accompanying notes to financial statements.

# VILLAGE OF WINNEBAGO, ILLINOIS

## Statement of Activities

For the Year Ended December 31, 2012

Functions / Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contrib- utions	Govern- mental Activities	Business- type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 447,438	62,471	–	(384,967)	–	(384,967)
Public safety	479,110	–	–	(479,110)	–	(479,110)
Highway and streets	234,007	12,846	–	(221,161)	–	(221,161)
Culture and recreation	81,284	–	34,799	(46,485)	–	(46,485)
Total governmental activities	<u>1,241,839</u>	<u>75,317</u>	<u>34,799</u>	<u>(1,131,723)</u>	<u>–</u>	<u>(1,131,723)</u>
<b>Business-type activities:</b>						
Water and sewer	<u>1,023,016</u>	<u>947,917</u>	<u>350,000</u>	<u>–</u>	<u>274,901</u>	<u>274,901</u>
Total business-type activities	<u>1,023,016</u>	<u>947,917</u>	<u>350,000</u>	<u>–</u>	<u>274,901</u>	<u>274,901</u>
Total	\$ <u>2,264,855</u>	<u>1,023,234</u>	<u>384,799</u>	<u>(1,131,723)</u>	<u>274,901</u>	<u>(856,822)</u>
<b>General revenues:</b>						
Property taxes				\$ 396,654	–	396,654
Sales and use tax				369,541	209,353	578,894
Income tax				278,731	–	278,731
Telecommunications tax				107,630	–	107,630
Personal property replacement tax				19,278	–	19,278
Motor fuel tax				75,623	–	75,623
Unrestricted investment earnings				1,722	1,360	3,082
Loss on sale of capital assets				–	(1,315,057)	(1,315,057)
Miscellaneous				<u>20,960</u>	<u>17,275</u>	<u>38,235</u>
Total general revenues				<u>1,270,139</u>	<u>(1,087,069)</u>	<u>183,070</u>
<b>Operating transfers</b>				<u>189,863</u>	<u>(189,863)</u>	<u>–</u>
<b>Special item –</b>						
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system				<u>–</u>	<u>(1,023,470)</u>	<u>(1,023,470)</u>
Change in net position				<u>328,279</u>	<u>(2,025,501)</u>	<u>(1,697,222)</u>
<b>Net position:</b>						
Beginning				<u>4,877,786</u>	<u>3,046,110</u>	<u>7,923,896</u>
Ending				\$ <u>5,206,065</u>	<u>1,020,609</u>	<u>6,226,674</u>

See accompanying notes to financial statements.

**VILLAGE OF WINNEBAGO, ILLINOIS**

**Balance Sheet**

**Governmental Funds**

December 31, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,059,044	289,571	176,393	1,525,008
Receivables:				
Property taxes	398,410	–	–	398,410
Intergovernmental – State of Illinois	225,502	–	–	225,502
Other	–	–	37,107	37,107
Prepaid items	39,272	–	–	39,272
Due from other funds	–	–	–	–
<b>Total assets</b>	<b>\$ 1,722,228</b>	<b>289,571</b>	<b>213,500</b>	<b>2,225,299</b>
<b>Liabilities – current:</b>				
Accounts payable	39,743	–	3,048	42,791
Accrued payroll	30,703	–	–	30,703
Deferred revenue	61,309	–	9,947	71,256
Due to other funds	–	–	–	–
<b>Total current liabilities</b>	<b>131,755</b>	<b>–</b>	<b>12,995</b>	<b>144,750</b>
<b>Deferred inflows of resources –</b>				
Property taxes	398,410	–	–	398,410
<b>Total liabilities and deferred     inflows of resources</b>	<b>530,165</b>	<b>–</b>	<b>12,995</b>	<b>543,160</b>
<b>Fund balances:</b>				
Nonspendable – prepaid items	39,272	–	–	39,272
Restricted for highways and streets	–	–	65,319	65,319
Restricted for capital improvements	–	289,571	–	289,571
Committed to community development	–	–	133,066	133,066
Committed to Fourth of July	–	–	2,120	2,120
Unassigned	1,152,791	–	–	1,152,791
<b>Total fund balances</b>	<b>1,192,063</b>	<b>289,571</b>	<b>200,505</b>	<b>1,682,139</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>1,722,228</b>	<b>289,571</b>	<b>213,500</b>	<b>2,225,299</b>

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, 2012**

<b>Fund balances of governmental funds</b>	<b>\$ 1,682,139</b>
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Amounts reported for governmental activities in the statement of  
net assets are different because:

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

Capital assets	4,570,379
Accumulated depreciation	(1,069,777)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds – Compensated absences	(13,659)
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Other long-term assets are not available to pay current period  
expenditures and, therefore, are deferred in the funds:

Sales and use taxes	29,183
Telecommunication taxes	<u>7,800</u>

<b>Net position of governmental activities</b>	<b>\$ <u>5,206,065</u></b>
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See accompanying notes to financial statements.

# VILLAGE OF WINNEBAGO, ILLINOIS

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended December 31, 2012

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,149,996	—	93,489	1,243,485
Intergovernmental	—	—	—	—
Licenses, fees and permits	34,632	—	27,839	62,471
Motor Fuel Tax allotment	—	—	—	—
Grants	1,000	—	12,846	13,846
Interest	1,117	86	514	1,717
Other	20,959	—	33,805	54,764
Total revenue	<u>1,207,704</u>	<u>86</u>	<u>168,493</u>	<u>1,376,283</u>
<b>Expenditures:</b>				
Current:				
General government	302,477	—	—	302,477
Public safety	479,110	—	—	479,110
Highway and streets	236,143	—	278,541	514,684
Culture and recreation	—	—	81,284	81,284
Capital outlay	28,479	—	—	28,479
Total expenditures	<u>1,046,209</u>	<u>—</u>	<u>359,825</u>	<u>1,406,034</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	161,495	86	(191,332)	(29,751)
<b>Other financing sources (uses) –</b>				
Transfer in (out)	<u>—</u>	<u>189,863</u>	<u>—</u>	<u>189,863</u>
<b>Net change in fund balances</b>	161,495	189,949	(191,332)	160,112
<b>Fund balances:</b>				
Beginning	1,030,568	99,622	391,837	1,522,027
Ending	<u>\$ 1,192,063</u>	<u>289,571</u>	<u>200,505</u>	<u>1,682,139</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, 2012**

<b>Net change in fund balances – total governmental funds</b>	<b>\$</b>	<b>160,112</b>
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Amounts reported for governmental activities in the statement of  
activities are different because:

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

Capital asset purchases capitalized	307,020
Depreciation expense	(144,961)

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	3,539
Telecommunications taxes	432

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 –

Decrease in compensated absences	<u>2,137</u>
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<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>328,279</u></b>
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See accompanying notes to financial statements.

# VILLAGE OF WINNEBAGO, ILLINOIS

## Statement of Net Position

### Proprietary Fund

December 31, 2012

	Enterprise Fund – Water and Sewer Fund
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,111,409
Receivables – utility users, net of allowance for \$12,545	85,321
Receivables – grants and sales taxes	402,560
Prepaid items	<u>12,942</u>
<b>Total current assets</b>	1,612,232
<b>Noncurrent assets:</b>	
Fixed assets, net of accumulated depreciation	<u>633,669</u>
<b>Total assets</b>	\$ <u><u>2,245,901</u></u>
<b>Liabilities – current:</b>	
Accounts payable	150,752
Accrued payroll	8,170
Compensated absences	2,815
Meter deposits	40,085
Due to other governments	<u>1,023,470</u>
<b>Total liabilities</b>	1,225,292
<b>Net position:</b>	
Invested in capital assets	633,669
Unrestricted	<u>386,940</u>
<b>Total net position</b>	<u><u>1,020,609</u></u>
<b>Total liabilities and net position</b>	\$ <u><u>2,245,901</u></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, 2012

	<u>Enterprise Fund – Water and Sewer Fund</u>
<b>Operating revenues:</b>	
Refuse and recycling revenue	\$ 166,142
Sewer revenue	575,438
Water revenue	206,067
Water deposit revenue	270
Miscellaneous revenue	<u>17,275</u>
Total operating revenues	<u>965,192</u>
<b>Operating expenses:</b>	
Water and sewer department	800,331
Refuse and recycling expenses	171,711
Depreciation	<u>50,974</u>
Total operating expenses	<u>1,023,016</u>
Operating loss	(57,824)
<b>Non-operating revenues (expenses):</b>	
Interest income	1,360
Loss on sale of capital assets	(1,315,057)
1% sales tax income	209,353
Grant revenue	<u>350,000</u>
Total non–operating revenues (expenses)	<u>(754,344)</u>
Income before other financing sources (uses)	(812,168)
<b>Other financing uses – operating transfers</b>	<u>(189,863)</u>
<b>Special item –</b>	
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system	<u>(1,023,470)</u>
Net increase in net position	(2,025,501)
<b>Net position:</b>	
Net position – beginning	<u>3,046,110</u>
Net position – ending	<u>\$ 1,020,609</u>

See accompanying notes to financial statements.



# VILLAGE OF WINNEBAGO, ILLINOIS

## Statement of Cash Flows

### Proprietary Fund

For the Year Ended December 31, 2012

	Enterprise Fund – Water and Sewer Fund
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,026,447
Payments to suppliers	(684,505)
Payments to employees	(177,445)
Net cash flows from operating activities	<u>164,497</u>
<b>Cash flows from capital and related financing activities –</b>	
Purchase of and construction of fixed assets	<u>(92,572)</u>
<b>Cash flows from non-capital financing activities:</b>	
Receipts from other funds	(189,863)
Receipts from 1% sales tax	<u>156,793</u>
Net cash flows from non-capital financing activities	<u>(33,070)</u>
<b>Cash flows from investing activities –</b>	
Interest on investments	<u>1,360</u>
Net increase (decrease) in cash and cash equivalents	<u>40,215</u>
Cash and cash equivalents, beginning of year	<u>1,071,194</u>
Cash and cash equivalents, end of year	\$ <u><u>1,111,409</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Net operating income	(57,824)
Adjustment to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	50,973
Increase (decrease) in cash flows due to changes in:	
Utility accounts receivable	62,506
Prepaid expenses	4,602
Accounts payable	104,192
Accrued payroll	(634)
Compensated absences	1,933
Refundable deposits	<u>(1,251)</u>
Net cash flows from operating activities	\$ <u><u>164,497</u></u>

See accompanying notes to financial statements.

# **VILLAGE OF WINNEBAGO**

## **Notes to Financial Statements**

December 31, 2012

### **(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.

Effective May 1, 2011, the Village changed its fiscal year end from April 30 to December 31.

#### ***(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

## **VILLAGE OF WINNEBAGO**

### **Notes to Financial Statements**

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 revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

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

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

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

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

The following fund types are used by the Village:

#### **Governmental Funds**

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

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

## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

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

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

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

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

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

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

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

### **Proprietary Funds**

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

## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

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, 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, 2012, 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,

## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

generally considered to be within sixty days after year-end. Revenue from those taxes, which are not considered available is deferred.

The property tax calendar for the 2012 tax levy was as follows:

Lien Date	January 1, 2012
Levy Date	December 12, 2012
First Installment Due	June 14, 2013
Second Installment Due	September 6, 2013

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 2012 tax levy, which attached as an enforceable lien on property as of January 1, 2012, has been recorded as a receivable as of December 31, 2012 as the tax had been levied by the Village and extended by the County but would not collect until fiscal year 2013. The Village's 2012 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	0.4288	0.4375
Police Protection	0.4082	0.6000
Chlorination	—	0.0200
IMRF	0.0002	None
Audit	0.0002	None
Liability Insurance	0.0002	None
Total Village	0.8376	

#### ***(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

## **VILLAGE OF WINNEBAGO**

### **Notes to Financial Statements**

amount due from the date of the last cycle billing to year-end.

#### **(i) *Prepaid Items***

Payments made to vendors for services, which will benefit periods beyond December 31, 2012 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



## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

unrestricted funds are available for spending the Village considers committed funds to be expended first followed by unassigned funds.

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

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

#### *Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have an investment policy regarding custodial credit risk. As of December 31, 2012, none of the Village's deposits were exposed to custodial credit risk or uninsured and uncollateralized.

### **(3) Property Tax Receivables**

Property taxes for 2011 attached as an enforceable lien on January 1, 2011, 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, 2012, and were payable in two installments on or about June 15, 2012 and September 7, 2012. 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 2012 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:

# VILLAGE OF WINNEBAGO

## Notes to Financial Statements

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General Fund	\$ 398,410	–	\$ 398,410
Other governmental units			
General Fund	–	61,309	61,309
Other governmental funds	–	9,947	9,947
Total deferred revenue	\$ <u>398,410</u>	<u>71,256</u>	\$ <u>469,666</u>

### (5) Depreciation and Capital Assets

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

Governmental activities:	
General government	\$ 42,271
Public safety	12,219
Highway and streets	90,471
Total governmental activities, depreciation expense	\$ <u>144,961</u>
Business-type activities – Water and sewer operations	\$ <u>50,974</u>

The governmental activities capital asset activity for year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated –				
Land	\$ 50,854	–	–	50,854
Capital assets being depreciated –				
Buildings and improvements	341,454	–	–	341,454
Equipment and vehicles	444,678	28,479	–	473,157
Software	21,564	–	–	21,564
Infrastructure	3,404,809	278,541	–	3,683,350
Total capital assets being depreciated	4,212,505	307,020	–	4,519,525
Accumulated depreciation	(924,816)	(144,961)	–	(1,069,777)
Total capital assets being depreciated, net	3,287,689	162,059	–	3,449,748
Governmental activities capital assets, net	\$ <u>3,338,543</u>	<u>162,059</u>	<u>–</u>	<u>3,500,602</u>

# VILLAGE OF WINNEBAGO

## Notes to Financial Statements

The business-type activities capital asset activity for the year ended December 31, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets being depreciated –				
Buildings and improvements	\$ 2,981,425	–	(2,966,425)	15,000
Equipment and vehicles	376,738	28,743	–	405,481
Software	10,782	–	–	10,782
Infrastructure	1,105,063	–	(678,658)	426,405
Construction in progress	–	63,830	–	63,830
Total capital assets being depreciated	<u>4,474,008</u>	<u>92,573</u>	<u>(3,645,083)</u>	<u>921,498</u>
Accumulated depreciation	<u>(2,566,881)</u>	<u>(50,974)</u>	<u>2,330,026</u>	<u>(287,829)</u>
Business-type activities capital assets, net	\$ <u>1,907,127</u>	<u>41,599</u>	<u>(1,315,057)</u>	<u>633,669</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, 2012.

Transfers were made to reallocate Fourth of July revenue from the Community Development to the Fourth of July Fund and to reallocate debt-related cash from the Water and Sewer Fund to the Debt Fund.

		Transfers In	Transfers Out
Water and Sewer Fund	* \$	–	189,863
Special Revenue Funds:			
Debt Service Fund	*	189,863	–
Community Development		–	10,415
Fourth of July		10,415	–
	\$	<u>200,278</u>	<u>200,278</u>

\* Denotes major 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,

## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

(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.

#### **(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](http://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 2012 was 12.37 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 2012, the Village's annual pension cost of \$72,955 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
2012	\$	72,955	100%	—
2011		67,792	100%	—
2010		64,211	100%	—

## VILLAGE OF WINNEBAGO

### Notes to Financial Statements

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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 (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, 2010 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, 2012, the most recent actuarial valuation date, the Regular plan was 62.55 percent funded. The actuarial accrued liability for benefits was \$1,176,592 and the actuarial value of assets was \$736,001, resulting in an underfunded actuarial accrued liability (UAAL) of \$440,591. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$589,773 and the ratio of the UAAL to the covered payroll was 75 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, 2012 was as follows:

	Beginning			Ending
	Balance	Additions	Reductions	Balance
Governmental activities: \$	15,796	28,171	30,308	13,659
Business-type activities \$	882	6,156	4,223	2,815

## **VILLAGE OF WINNEBAGO**

### **Notes to Financial Statements**

#### **(11) 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 2012 were \$29,410.

#### **(12) 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, and recorded a loss on sale of capital assets of \$1,315,057 in the Water and Sewer Fund Statement of Revenues, Expenses and Changes in Net Position as of December 31, 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. 2013). 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 \$1,023,470, due to the District, in the related Water and Sewer Statement of Net Position at December 31, 2012. Other costs will be accrued as work is completed through 2022.

## **VILLAGE OF WINNEBAGO**

### **Notes to Financial Statements**

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

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

#### **(13) Fund Deficit**

There are no fund deficits as of December 31, 2012.

#### **(14) 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).

The Village has evaluated subsequent events through June 13, 2013 which was the date that these financial statements were available for issuance, and determined that no 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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>				
Taxes	\$ 902,856	902,856	1,149,996	247,140
Fines and other fees	24,000	24,000	34,632	10,632
Other	<u>26,125</u>	<u>26,125</u>	<u>23,076</u>	<u>(3,049)</u>
Total revenues	<u>952,981</u>	<u>952,981</u>	<u>1,207,704</u>	<u>254,723</u>
<b>Expenditures:</b>				
Current:				
General government	397,233	397,233	302,477	(94,756)
Highways and streets	347,976	347,976	236,143	(111,833)
Public safety	613,605	613,605	479,110	(134,495)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>28,479</u>	<u>(21,521)</u>
Total expenditures	<u>1,408,814</u>	<u>1,408,814</u>	<u>1,046,209</u>	<u>(362,605)</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	(455,833)	(455,833)	161,495	617,328
<b>Other financing sources (uses):</b>				
Transfer in (out)	<u>(46,347)</u>	<u>(46,347)</u>	<u>—</u>	<u>46,347</u>
	<u>(46,347)</u>	<u>(46,347)</u>	<u>—</u>	<u>46,347</u>
<b>Net change in fund balance</b>	\$ <u><u>(502,180)</u></u>	<u><u>(502,180)</u></u>	161,495	<u><u>663,675</u></u>
<b>Fund balance:</b>				
Beginning			<u>1,030,568</u>	
Ending			\$ <u><u>1,192,063</u></u>	

**VILLAGE OF WINNEBAGO, ILLINOIS**

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

**Debt Service Fund**

**For the Year Ended December 31, 2012**

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>					
Property taxes	\$	–	–	–	–
Interest		<u>–</u>	<u>–</u>	<u>86</u>	<u>86</u>
Total revenues		<u>–</u>	<u>–</u>	<u>86</u>	<u>86</u>
<b>Expenditures:</b>					
Debt service					
GO bond – principal		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
GO bond – interest		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>		<u>–</u>	<u>–</u>	<u>86</u>	<u>86</u>
<b>Other financing sources (uses) – Transfer in (out)</b>		<u>–</u>	<u>–</u>	<u>189,863</u>	<u>189,863</u>
<b>Net change in fund balance</b>	\$	<u>–</u>	<u>–</u>	<u>189,949</u>	<u>189,949</u>
<b>Fund balance:</b>					
Beginning				<u>99,622</u>	
Ending			\$	<u>289,571</u>	

# **VILLAGE OF WINNEBAGO, ILLINOIS**

## **Required Supplementary Information**

### **Schedule of Funding Progress**

#### **Illinois Municipal Retirement Fund**

**December 31, 2012**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>		<u>Covered Payroll ( c )</u>	<u>UAAL as a % of Covered Payroll (b-a)/c</u>	
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	
12/31/02	101,763	223,410	121,647	45.55		348,027	34.95	

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$770,796.  
On a market basis, the funded ratio would be 65.51%.

## **VILLAGE OF WINNEBAGO, ILLINOIS**

### **Notes to Required Supplementary Information**

December 31, 2012

#### **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, 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, 2012

		<u>Special Revenue Funds</u>			Total
		<u>Community Development Fund</u>	<u>Fourth of July Fund</u>	<u>Motor Fuel Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$	115,373	2,120	58,900	176,393
Accounts receivable		<u>30,688</u>	<u>—</u>	<u>6,419</u>	<u>37,107</u>
<b>Total assets</b>	\$	<u><u>146,061</u></u>	<u><u>2,120</u></u>	<u><u>65,319</u></u>	<u><u>213,500</u></u>
<b>Liabilities:</b>					
Accounts payable		3,048	—	—	3,048
Deferred revenue – grants		8,647	—	—	8,647
Deferred revenue – taxes		<u>1,300</u>	<u>—</u>	<u>—</u>	<u>1,300</u>
<b>Total liabilities</b>		<u>12,995</u>	<u>—</u>	<u>—</u>	<u>12,995</u>
<b>Fund balances:</b>					
Restricted for highway and streets		—	—	65,319	65,319
Committed to community development		133,066	—	—	133,066
Committed to Fourth of July		<u>—</u>	<u>2,120</u>	<u>—</u>	<u>2,120</u>
<b>Total fund balances</b>		<u>133,066</u>	<u>2,120</u>	<u>65,319</u>	<u>200,505</u>
<b>Total liabilities and fund balances</b>	\$	<u><u>146,061</u></u>	<u><u>2,120</u></u>	<u><u>65,319</u></u>	<u><u>213,500</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, 2012

	<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>
<b>Revenues:</b>				
Taxes	\$ 17,866	—	75,623	93,489
Grants	—	—	12,846	12,846
Fees and charges	27,839	—	—	27,839
Interest	179	—	335	514
Other	1	33,804	—	33,805
Total revenue	<u>45,885</u>	<u>33,804</u>	<u>88,804</u>	<u>168,493</u>
<b>Expenditures:</b>				
Highway and streets	—	—	278,541	278,541
Culture and recreation	<u>34,307</u>	<u>46,977</u>	<u>—</u>	<u>81,284</u>
Total expenditures	<u>34,307</u>	<u>46,977</u>	<u>278,541</u>	<u>359,825</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	11,578	(13,173)	(189,737)	(191,332)
<b>Other financing sources (uses) –</b>				
Transfer in (out)	<u>(10,415)</u>	<u>10,415</u>	<u>—</u>	<u>—</u>
	<u>(10,415)</u>	<u>10,415</u>	<u>—</u>	<u>—</u>
<b>Net change in fund balances</b>	1,163	(2,758)	(189,737)	(191,332)
<b>Fund balances:</b>				
Beginning	<u>131,903</u>	<u>4,878</u>	<u>255,056</u>	<u>391,837</u>
Ending	\$ <u><u>133,066</u></u>	<u><u>2,120</u></u>	<u><u>65,319</u></u>	<u><u>200,505</u></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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>				
Telecommunications taxes	\$ 16,000	16,000	17,866	1,866
Fees and charges	50,400	50,400	27,839	(22,561)
Interest	50	50	179	129
Other	100	100	1	(99)
Total revenues	<u>66,550</u>	<u>66,550</u>	<u>45,885</u>	<u>(20,665)</u>
<b>Expenditures:</b>				
Culture and recreation:				
Contractual services:				
Presidential project	12,500	12,500	9,893	(2,607)
Legal expenses	6,250	6,250	4,326	(1,924)
Dues	–	–	2,000	2,000
Development escrow refund	1,250	1,250	–	(1,250)
Engineering	6,250	6,250	–	(6,250)
Electricity	3,125	3,125	2,185	(940)
Community projects	76,875	76,875	9,235	(67,640)
Supplies –				
Community expenses	8,500	8,500	6,668	(1,832)
Total expenditures	<u>114,750</u>	<u>114,750</u>	<u>34,307</u>	<u>(80,443)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(48,200)	(48,200)	11,578	59,778
<b>Other financing sources (uses) –</b>				
Transfer in (out)	22,750	22,750	(10,415)	(33,165)
<b>Net change in fund balance</b>	\$ <u>(25,450)</u>	<u>(25,450)</u>	1,163	<u>26,613</u>
<b>Fund balance:</b>				
Beginning			131,903	
Ending		\$	<u>133,066</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, 2012

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>					
Donations and other	\$	43,600	43,600	33,799	(9,801)
Interest		<u>10</u>	<u>10</u>	<u>5</u>	<u>(5)</u>
Total revenues		<u>43,610</u>	<u>43,610</u>	<u>33,804</u>	<u>(9,806)</u>
<b>Expenditures:</b>					
Culture and recreation:					
Fourth of July expenses		<u>69,950</u>	<u>69,950</u>	<u>46,977</u>	<u>(22,973)</u>
Total expenditures		<u>69,950</u>	<u>69,950</u>	<u>46,977</u>	<u>(22,973)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>					
		(26,340)	(26,340)	(13,173)	13,167
<b>Other financing sources (uses) –</b>					
Transfer in (out)		<u>10,000</u>	<u>10,000</u>	<u>10,415</u>	<u>415</u>
<b>Net change in fund balance</b>	\$	<u>(16,340)</u>	<u>(16,340)</u>	<u>(2,758)</u>	<u>13,582</u>
<b>Fund balance:</b>					
Beginning				<u>4,878</u>	
Ending			\$	<u>2,120</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>				
Intergovernmental –				
Motor fuel taxes	\$ 75,000	75,000	75,623	623
Grants	12,800	12,800	12,846	46
Interest	200	200	335	135
Total revenues	<u>88,000</u>	<u>88,000</u>	<u>88,804</u>	<u>804</u>
<b>Expenditures:</b>				
Highways and streets:				
Highways, street and bridges	393,750	388,750	262,626	(126,124)
Engineering	<u>12,500</u>	<u>17,500</u>	<u>15,915</u>	<u>(1,585)</u>
Total expenditures	<u>406,250</u>	<u>406,250</u>	<u>278,541</u>	<u>(127,709)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(318,250)	(318,250)	(189,737)	128,513
<b>Other financing sources (uses) –</b>				
Transfer in (out)	<u>237,000</u>	<u>237,000</u>	<u>–</u>	<u>(237,000)</u>
<b>Net change in fund balance</b>	\$ <u>(81,250)</u>	<u>(81,250)</u>	(189,737)	<u>(108,487)</u>
<b>Fund balance:</b>				
Beginning			<u>255,056</u>	
Ending		\$	<u><u>65,319</u></u>	

# VILLAGE OF WINNEBAGO, ILLINOIS

## Schedule of Detailed Revenues and Expenditures – Budget and Actual

### General Fund

For the Year Ended December 31, 2012

		2012			
		Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>					
Taxes:					
Property taxes	\$	237,856	237,856	396,654	158,798
Sales taxes		290,000	290,000	319,244	29,244
State income tax		240,000	240,000	278,731	38,731
Telecommunications tax		80,000	80,000	89,332	9,332
Local use tax		45,000	45,000	46,757	1,757
Replacement tax		10,000	10,000	19,278	9,278
Total taxes		902,856	902,856	1,149,996	247,140
Licenses, fees and permits		5,000	5,000	12,008	7,008
Police fines		19,000	19,000	22,624	3,624
Total fines and other fees		24,000	24,000	34,632	10,632
Other revenue:					
Grants		1,000	1,000	1,000	–
Interest		125	125	1,117	992
Miscellaneous		26,000	26,000	20,959	(5,041)
Total other revenue		27,125	27,125	23,076	(4,049)
Total revenues		953,981	953,981	1,207,704	253,723
<b>Expenditures:</b>					
General government:					
Office salaries		49,900	49,900	39,751	(10,149)
Treasurer		46,748	46,748	39,768	(6,980)
Salaries – elected officials		33,750	33,750	26,500	(7,250)
Payroll taxes		15,375	15,375	9,881	(5,494)
Employee benefits		32,000	28,000	17,669	(10,331)
Employee welfare		2,250	3,200	3,355	155
Office equipment		10,834	11,334	8,468	(2,866)
Professional services		21,250	21,250	12,538	(8,712)
Engineering		28,125	25,825	11,054	(14,771)
Legal services		37,500	37,500	33,370	(4,130)
Inspection fees		9,375	9,375	8,206	(1,169)
Postage		2,063	2,063	1,780	(283)
Telephone		3,750	3,750	3,081	(669)
Publishing		1,875	1,875	751	(1,124)
Printing		5,250	5,250	3,311	(1,939)
Dues		1,750	2,250	2,071	(179)

(Continued)

# VILLAGE OF WINNEBAGO, ILLINOIS

## Schedule of Detailed Revenues and Expenditures – Budget and Actual

### General Fund

For the Year Ended December 31, 2012

	2012			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
General government (continued):				
Travel	1,375	2,075	1,750	(325)
Training	1,375	2,175	2,192	17
Office maintenance	5,625	5,625	4,133	(1,492)
Audit and accounting services	13,750	13,750	10,200	(3,550)
Liability insurance	6,250	6,250	4,133	(2,117)
Recapture payments	250	250	163	(87)
Office supplies	6,250	9,000	8,303	(697)
Foreign fire insurance	6,000	6,000	5,076	(924)
Building water usage	500	500	336	(164)
Miscellaneous expense	313	413	346	(67)
Sullivan's payback agreemnt	37,500	37,500	29,410	(8,090)
Capital outlay	3,750	3,750	2,381	(1,369)
Contingency	12,500	12,500	12,500	–
Total general government	<u>397,233</u>	<u>397,233</u>	<u>302,477</u>	<u>(94,756)</u>
Highways and streets:				
Salaries	111,500	111,500	91,648	(19,852)
Employee benefits	28,188	28,188	19,320	(8,868)
Payroll taxes	8,538	8,538	7,007	(1,531)
Maintenance – buildings	40,000	37,500	4,487	(33,013)
Maintenance – vehicles	11,250	11,250	2,663	(8,587)
Maintenance – streets and sidewalks	43,750	46,250	45,944	(306)
Maintenance – equipment	11,250	11,250	5,430	(5,820)
Telephone	2,250	2,250	1,905	(345)
Electricity	50,000	50,000	29,829	(20,171)
Supplies	6,250	6,250	3,076	(3,174)
Gas and oil	21,250	21,250	15,630	(5,620)
Tree removal	5,000	5,000	2,350	(2,650)
Liability insurance	8,750	8,750	6,854	(1,896)
Capital outlay – equipment	50,000	50,000	28,479	(21,521)
Total highways and streets	<u>397,976</u>	<u>397,976</u>	<u>264,622</u>	<u>(133,354)</u>

(Continued)

# VILLAGE OF WINNEBAGO, ILLINOIS

## Schedule of Detailed Revenues and Expenditures – Budget and Actual

### General Fund

For the Year Ended December 31, 2012

		2012		
		Original Budget	Final Budget	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public safety:				
Office salaries	5,628	5,628	4,659	(969)
Police chief	84,225	84,225	67,049	(17,176)
Full time officers	259,750	259,750	213,150	(46,600)
Part time officers	25,000	22,000	17,428	(4,572)
Payroll taxes	34,032	34,032	24,724	(9,308)
Employee benefits	91,875	91,875	63,801	(28,074)
Uniforms	5,625	6,625	5,427	(1,198)
Computers and equipment	1,250	1,250	411	(839)
Professional services	10,000	17,000	17,490	490
Vehicle maintenance	16,250	11,250	2,381	(8,869)
Legal	21,250	21,250	19,948	(1,302)
Postage	188	188	70	(118)
Telephone	5,250	5,250	3,842	(1,408)
Publishing and printing	313	313	97	(216)
Dues	438	438	400	(38)
Travel	250	250	-	(250)
Liability insurance	20,000	20,000	15,532	(4,468)
Water	406	406	108	(298)
Gas and oil	15,000	15,000	11,469	(3,531)
Grants	1,250	1,250	1,000	(250)
Miscellaneous	1,875	1,875	954	(921)
Alert-leads user fee	2,500	2,500	1,728	(772)
Police garage maintenance	1,250	1,250	3	(1,247)
Pre-employment physical	625	625	65	(560)
Small equipment	2,500	2,500	2,198	(302)
Training	6,875	6,875	5,176	(1,699)
Total public safety	<u>613,605</u>	<u>613,605</u>	<u>479,110</u>	<u>(134,495)</u>
 Total expenditures	 \$ <u>1,408,814</u>	 <u>1,408,814</u>	 <u>1,046,209</u>	 <u>(362,605)</u>

**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, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>				
Water service income	\$ 200,000	200,000	206,067	6,067
Sewer service income	470,000	470,000	575,438	105,438
Water hook-up fees	2,700	2,700	–	(2,700)
Sewer hook-up fees	4,250	4,250	–	(4,250)
Water deposit revenue	1,500	1,500	270	(1,230)
Garbage charges	175,000	175,000	166,022	(8,978)
Garbage stickers	200	200	120	(80)
Miscellaneous revenue	4,100	4,100	17,275	13,175
Total operating revenues	857,750	857,750	965,192	107,442
<b>Operating expenses:</b>				
Office salary	22,500	22,500	18,879	(3,621)
Part-time wages	6,250	6,250	352	(5,898)
Meter reader	27,000	27,000	20,149	(6,851)
Plant operator	81,594	81,594	65,015	(16,579)
Public works wages	37,188	37,188	30,220	(6,968)
Health insurance	27,938	27,938	16,471	(11,467)
Payroll taxes	15,500	15,500	11,367	(4,133)
Employee benefits	20,625	20,625	15,891	(4,734)
Building water usage	1,875	1,875	1,232	(643)
Alarm system	5,000	5,000	2,386	(2,614)
Chemicals	11,250	11,250	3,389	(7,861)
Engineering	150,000	150,000	37,161	(112,839)
EPA permit fees	7,500	7,500	1,000	(6,500)
Garbage expense	225,000	225,000	171,711	(53,289)
Garbage stickers/bins	1,250	1,250	–	(1,250)
Liability insurance	21,250	21,250	16,546	(4,704)
Large equipment and equipment maintenance	10,000	10,000	4,428	(5,572)
Office & computer equipment	1,250	1,250	1,005	(245)
Operating supplies	62,500	62,500	31,185	(31,315)
Postage	7,500	7,500	5,036	(2,464)
Pre-employment physical	250	250	–	(250)
Printing	3,125	3,125	43	(3,082)
Professional fees	3,750	3,630	594	(3,036)

(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, 2012

		Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating expenses (continued):</b>					
Rental and small equipment	\$	20,000	20,000	1,624	(18,376)
Sewer cleaning		25,000	25,000	–	(25,000)
Telephone		2,000	2,120	2,110	(10)
Travel and training		3,000	3,000	375	(2,625)
Utilities		131,250	131,250	31,061	(100,189)
Water analysis		11,250	11,250	2,068	(9,182)
Water deposit expense		1,250	1,250	–	(1,250)
Water sewer upgrade		900,000	900,000	358,255	(541,745)
Grant expense		437,500	437,500	113,063	(324,437)
Sullivan's payback agreement		12,500	12,500	9,426	(3,074)
Depreciation		–	–	50,974	50,974
Capital outlay		112,500	112,500	–	(112,500)
Total operating expenses		<u>2,406,345</u>	<u>2,406,345</u>	<u>1,023,016</u>	<u>(1,383,329)</u>
Operating income		<u>(1,548,595)</u>	<u>(1,548,595)</u>	<u>(57,824)</u>	<u>1,490,771</u>
<b>Nonoperating income (expense):</b>					
Interest income		150	150	1,360	1,210
Gain (loss) on sale of assets		–	–	(1,315,057)	(1,315,057)
1% Sales tax income		165,000	165,000	209,353	44,353
Grant revenue		<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>–</u>
Total nonoperating income (expenses)		<u>515,150</u>	<u>515,150</u>	<u>(754,344)</u>	<u>(1,269,494)</u>
Income (loss) before other financing sources		(1,033,445)	(1,033,445)	(812,168)	221,277
<b>Operating financing sources –</b>					
Operating transfers		<u>552,175</u>	<u>552,175</u>	<u>(189,863)</u>	<u>(742,038)</u>
<b>Special item –</b>					
Rock River Water Reclamation District costs related to intergovernmental agreement for sanitary system		<u>–</u>	<u>–</u>	<u>(1,023,470)</u>	<u>(1,023,470)</u>
<b>Change in net assets</b>	\$	<u>(481,270)</u>	<u>(481,270)</u>	<u>(2,025,501)</u>	<u>(1,544,231)</u>
<b>Net position</b>					
Beginning				<u>3,046,110</u>	
Ending			\$	<u>1,020,609</u>	

# VILLAGE OF WINNEBAGO, ILLINOIS

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

**December 31, 2012**

	Tax Years			
	2012	2011	2010	2009
Assessed valuations	\$ <u>47,932,444</u>	<u>51,549,632</u>	<u>51,304,264</u>	<u>52,180,708</u>
Property tax rates (per \$100 of assessed valuation):	Max	Estimated	Actual	Actual
General	0.4375	0.4375	0.4292	0.4375
General – Audit	–	0.0001	0.0001	0.0001
General – Liability	–	0.0001	0.0001	0.0001
Police	0.6000	0.3934	0.3196	0.3010
Debt Service	–	–	–	–
Sewer Chlorination	0.0200	–	0.0001	0.0001
IMRF	–	0.0001	0.0001	0.0001
Total tax rate		<u>0.8312</u>	<u>0.7492</u>	<u>0.7389</u>
Property tax extensions:				
General		209,704	221,251	224,354
General – Audit		48	52	51
General – Liability		48	51	51
Police		188,566	164,753	154,375
Debt Service		–	–	–
Sewer Chlorination		–	51	51
IMRF		48	52	51
	\$	<u>398,414</u>	<u>386,210</u>	<u>378,933</u>
Property tax collections:**				
General		–	221,127	224,097
General – Audit		–	51	51
General – Liability		–	51	51
Police		–	164,660	154,197
Debt Service		–	–	–
Sewer Chlorination		–	51	51
IMRF		–	51	51
	\$	<u>–</u>	<u>385,991</u>	<u>378,498</u>
Percentage of extensions collected		<u>–</u>	<u>100</u>	<u>99.89</u>
				<u>99.79</u> %

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

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

**VILLAGE OF WINNEBAGO, ILLINOIS**

**Schedule of Legal Debt Margin**

**December 31, 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Valuation	\$ <u>47,574,249</u>	<u>51,549,632</u>	<u>51,304,264</u>
Statutory Debt Limitation (8.625 % of Assessed Valuation)	4,103,279	4,446,156	4,424,993
Outstanding debt – Note payable	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	\$ <u>4,103,279</u>	<u>4,446,156</u>	<u>4,424,993</u>