

**VILLAGE OF WINNEBAGO
WINNEBAGO, ILLINOIS**

Annual Financial Report

As of and for the Year Ended
December 31, 2014

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, 2014, 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.

50 W. Douglas Street, Suite 801
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6785 Weaver Road, Suite 2A
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Winnebago, Illinois, as of December 31, 2014, 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, on our consideration of the Village of Winnebago, Illinois's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Winnebago, Illinois's internal control over financial reporting and compliance.

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

Rockford, Illinois
June 8, 2015

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2014 (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, 2014.

FINANCIAL HIGHLIGHTS

-Net position and performance in total – The Village's total net position at December 31, 2014 was \$6,741,116.

-Government activity summary – Net position for governmental activities decreased by \$148,314 during the period.

-Business-type activity summary – Net position for business-type activities increased by \$651,751 during the period.

-General Fund summary – The Village's General Fund reported a decrease of \$387,568 in fund balance for the period.

-Budget vs. actual – The Village's actual revenues for the General Fund were \$19,355 more than the budgeted revenues. The actual expenditures were \$423,941 less than total budgeted expenditures for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

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

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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Government-Wide Statements

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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – streets, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 required that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to 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, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current and other assets	\$ 1,698,212	1,997,211	1,550,460	1,199,755	3,248,672	3,196,966
Capital assets	3,868,307	3,721,575	3,049,910	990,243	6,918,217	4,711,818
Total assets	5,566,519	5,718,786	4,600,370	2,189,998	10,166,889	7,908,784
Liabilities	131,690	143,786	1,111,951	1,116,957	1,243,641	1,260,743
Liabilities – non-current	–	–	1,763,627	–	1,763,627	–
Deferred inflows of resources	418,505	410,362	–	–	418,505	410,362
Total liabilities and deferred inflows of resources	550,195	554,148	2,875,578	1,116,957	3,425,773	1,671,105
Net position:						
Net investment in capital assets	3,868,307	3,721,575	1,286,283	990,243	5,154,590	4,711,818
Restricted	546,445	443,778	–	–	546,445	443,778
Unrestricted	601,572	999,285	438,509	82,798	1,040,081	1,082,083
Total net position	\$ 5,016,324	5,164,638	1,724,792	1,073,041	6,741,116	6,237,679

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

For more detailed information see the Statement of Net Position.

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, 2014 was \$6,741,116 for all funds. This was an increase of \$503,437 during the year. Total assets increased from \$7,908,784 to \$10,166,889, an increase of \$2,258,105. Current assets increased by \$51,709. The capital assets (net) increased by \$2,206,399.

The total liabilities increased by \$1,746,525, which is mainly attributed to a new notes payable in 2014 of \$1,763,627, in the business-type activities. Deferred inflows of resources increased \$8,143, which is made up of the change in property taxes.

The net position of business-type activities increased by \$651,751 during the period and ended at \$1,724,792. Unrestricted net position, available to finance the continuing operation of its business-type activities, was \$438,509. The operating cost of the Village's business-type activities for the year ended December 31, 2014 was \$590,508.

The total net position at December 31, 2014 was \$6,741,116, of which 76.5% is in investment in capital assets, another 8.1% is restricted for capital improvements and highways and streets. The remaining 17.3% or \$1,040,081 is available for any purpose, which is a decrease of \$42,002 or 3.88% from the unrestricted net position of December 31, 2013.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Statement of Changes in Net Position

The following chart reflects the condensed Statement of Changes in Net Position. Overall, the financial condition was better than 2013, due in large part to the amount paid to the Reclamation District (special item) was down by \$489,349. For more detailed information see the Statement of Activities.

Table 2
Changes in Net Position
As of December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
REVENUES						
Program revenues:						
Charges for services	\$ 94,287	\$ 65,102	\$ 958,121	\$ 942,323	\$1,052,408	\$1,007,425
Grants and contributions	—	—	—	—	—	—
Operating	101,333	76,157	46,383	—	147,716	76,157
Capital contributions	—	—	—	—	—	—
General revenues:						
Property taxes	415,979	408,694	—	—	415,979	408,694
Other taxes	877,513	854,452	214,675	211,247	1,092,188	1,065,699
Investment income	572	816	485	648	1,057	1,464
Gain(loss) on sale of capital assets	—	35,382	22,505	—	22,505	35,382
Miscellaneous	16,761	18,424	14,720	11,557	31,481	29,981
Total revenues received	1,506,445	1,459,027	1,256,889	1,165,775	2,763,334	2,624,802
EXPENSES						
General government	488,047	474,841	—	—	488,047	474,841
Public safety	613,989	530,857	—	—	613,989	530,857
Highways and streets	261,602	225,347	—	—	261,602	225,347
Culture and recreation	91,121	69,409	—	—	91,121	69,409
Interest	—	—	—	—	—	—
Water and sewer	—	—	590,508	609,364	590,508	609,364
Total expenses disbursed	1,454,759	1,300,454	590,508	609,364	2,045,267	1,909,818
Excess of revenues						
over (under) expenses	51,686	158,573	666,381	556,411	718,067	714,984
Transfers	(200,000)	(200,000)	200,000	200,000	—	—
Special item	—	—	(214,630)	(703,979)	(214,630)	(703,979)
Changes in net position	(148,314)	(41,427)	651,751	52,432	503,437	11,005
Beginning net position	5,164,638	5,206,065	1,073,041	1,020,609	6,237,679	6,226,674
Ending net position	\$ 5,016,324	\$ 5,164,638	\$ 1,724,792	\$ 1,073,041	\$6,741,116	\$6,237,679

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Normal Impact – Changes in Net Position

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

Revenues:

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

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

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

Market Impacts on Investment Income – The Village principally has cash and cash equivalents. There were no investments at December 31, 2014.

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, 2014), the Village is a major consumer of certain commodities and services, which typically experience inflation at a rate that can be significantly different from CPI. Examples of such items include health insurance, fuel, electricity and operating supplies.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Current Year Impacts – Changes in Net Position

Governmental Activities

Revenues:

Revenues from governmental activities total \$1,506,445. The largest source of revenue was \$415,979 from property taxes. Sales and use taxes were the next highest with revenue for the period of \$396,723. Income tax ranked third with \$297,163. The next highest source of income was telecommunications tax with \$85,379. The revenues from these four sources represent 79.3% of the governmental activity revenues. Total revenue from all taxes was 1,293,492 or 86%. The Village also recognized \$94,287 in charges for services or 6% and grants of \$101,333 or 7% of total revenue.

Expenses:

The Village's total governmental activity expenses were \$1,454,759. The three major functional areas were general government \$488,047 or 34% of the total; public works \$261,602 or 18% of the total; and public safety of \$613,989 or 42% of the total expenses of the Village.

Personnel costs including wages, taxes, health and life insurance, and retirement benefits were \$774,638 or 53% of the total expenses.

Business-type Activities

Revenues:

Operating revenues from business-type activities total \$1,019,224. The largest source of revenue was \$451,539 or 44% from capital charges revenue. Charges for water were the next highest with revenue for the year of \$315,657 or 31%. Refuse and recycling income ranged third with \$178,166 or 17%.

Expenses:

The Village's total business-type activity expenses were \$590,508. The four major areas of operating expenses were wages and benefit expenses of \$172,839 or 29% of the total; refuse and recycling expenses of \$171,257 or 29% of the total; operating supplies of \$32,868 or 5.5% of the total; and depreciation of \$77,584 or 13% of the total. These four areas account for \$454,548 or 77% of the total business-type expenses of the Village.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At December 31, 2014, the governmental funds reported a combined fund balance of \$1,162,903; a decrease of \$318,010 from the prior period, which is mainly attributed to a \$200,000 transfer out to the Water Fund. The General Fund balance decreased by \$387,568. All other funds netted an increase of \$69,558.

The Village's cash and equivalents decreased by \$29,381 for all governmental funds during the year ended December 31, 2014. Deferred revenue decreased by approximately \$26,001.

General Fund Budgetary Highlights

General Fund	FY 14 Original Budget	FY 14 Final Budget	FY 14 Actual
Revenues:			
Taxes	\$ 1,202,300	1,202,300	1,228,442
Fines and other fees	27,000	27,000	40,353
Other	86,628	86,628	66,488
Total revenues	1,315,928	1,315,928	1,335,283
Expenditures:			
General government	395,647	395,647	310,787
Highways and streets	670,098	670,098	516,257
Public safety	812,297	812,297	644,162
Capital outlay	76,250	76,250	59,145
Total expenditures	1,954,292	1,954,292	1,530,351
Excess of revenues over (under) expenditures	(638,364)	(638,364)	(195,068)
Other financing sources (uses):			
Transfers in (out)	195,000	195,000	(192,500)
Note proceeds	-	-	-
Total other financing sources	195,000	195,000	(192,500)
Net change in fund balance	\$ (443,364)	(443,364)	(387,568)

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

CAPITAL ASSETS

As allowed by GASB Statement No. 34, the Village has elected to capitalize its infrastructure assets prospectively. During the current period the Village's capital assets, net of accumulated depreciation increased by \$2,206,399. The increase is a result of water and road improvements and the building of the new water tower system. See Note 5 to the financial statements for more details.

Entity Wide Change in Net Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Land	\$ 73,884	50,854	45,375	45,375	119,259	96,229
Buildings and improvements	347,404	341,454	15,000	15,000	362,404	356,454
Equipment and vehicles	570,996	531,684	534,675	458,375	1,105,671	990,059
Software	21,564	21,564	10,782	10,782	32,346	32,346
Infrastructure	4,171,568	3,915,868	665,229	665,229	4,836,797	4,581,097
Construction in progress	—	—	2,168,963	142,217	2,168,963	142,217
Subtotals	5,185,416	4,861,424	3,440,024	1,336,978	8,625,440	6,198,402
Accumulated depreciation	(1,317,109)	(1,139,849)	(390,114)	(346,735)	(1,707,223)	(1,486,584)
Totals	\$ 3,868,307	3,721,575	3,049,910	990,243	6,918,217	4,711,818

ECONOMIC FACTORS

Property tax revenue in 2015 for 2014 property tax will be 1% higher than in 2014(+\$4,000). The Levy was adjusted to attempt to keep the tax rate approximately the same as the rate for 2013.

The Village of Winnebago has adopted a calendar fiscal year. The State of Illinois has a July 1 to June 30 fiscal year. Illinois made a "sweep" of monies held in various Illinois accounts during April 2015 to "balance" the 2015 State budget which ends June 30, 2015. This "sweep" had very little impact on the Village of Winnebago budget, however the Village did lose approximately \$2,500 of Motor Fuel Tax (MFT) revenue for FY2015.

The State of Illinois is in process of negotiating the budget for FY2016, which starts July 1, 2015. It is expected that there will be some loss of revenue to the Village from the Local Government Distribution Fund (LGDF) in the Illinois FY2016 budget. Currently, LGDF revenue represents 22% of the Village's budget. Any loss of revenue will impact the second half of the Village's 2015 FY and the 2016 FY budget will have to be adjusted accordingly. Other revenue sources such as a utility tax on electricity are being investigated to replace possible lost revenue.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Other tax revenues that are collected by the state of Illinois and distributed to the Village, Local Use, Motor Fuel, Personal Property Replacement, Sales and Telecommunication Taxes are expected to increase from 0-2% during FY 2015.

The Village annexed 2 properties through voluntary annexation in 2014. Both will be paying 2014 property taxes. However, one of the properties will receive a \$300 refund from the village each year for 10 years starting with the 2014 taxes due in 2015. This was part of the annexation agreement to compensate the property owner for the lack of sewer access to the property.

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

The Village has one Sales Tax refund agreement with Sullivan's Grocery/Ace Hardware Store. This agreement requires the Village to refund 35% of all sales tax collected from the combined stores until \$600,000 is paid to Sullivan's. 2014 was the third year of refunds. Total refunded sales tax as of December 31, 2014 was \$125,603 or 21%.

In December of 2011, the Village signed an inter-governmental agreement (IGA) with the Rock River Water Reclamation District (District) transferring the Village's sewerage collection and processing system and its operation to the District. This agreement became effective in early 2012 and is a 10 year agreement. 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 is \$676,370, and is due when a contract for construction of the Fuller Creek Sewer Extension west of Meridian Road is awarded. This is expected to take place in 2015 or early 2016. Currently the District is negotiating with property owners for easements. The estimated total cost of this IGA, including the PBI fee, is \$10.6 million, with a fixed maximum cost of \$11.4 million. Approximately \$2.05 million of the cost is for rehabilitation of the Village's collection system which will take place within seven years. As of the end of 2014, \$1.26 million of the rehabilitation costs have been paid to the District out of reserves and monthly Capital charges to users. The remaining \$791,000 for rehabilitation is expected to be paid in 2015-2016 from the same sources. The remaining \$8 million is expected to be paid for with low interest 20 year loans from the IEPA obtained by the District. Payments on these loans will be made to the District with monies collected from Capital charges from monthly water bills. Payment on these loans is not expected to start until 2016 or later. A rate study was completed in 2011 and updated annually to reflect these costs going forward.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

In 2014, the Village obtained funding from the IEPA for the upgrading of its potable water system. The project included the building of a new 400,000 gallon water tower, rehabilitating well #3, rebuilding well house #3, and digitizing the controls and data collection of the entire water system. The cost of the project is approximately \$2.4 million. The loan for this project was approved for \$2.265 million. Costs above loan amount were paid from reserves. Terms are 20 years at 1.99% APR with bi-annual payments. All aspects of the project are expected to be completed by July 2015 on or below budget. In April 2015, the Village received loan forgiveness from the IEPA for \$650,000 of the loan. This will reduce the annual payments by about \$40,000 to \$100,000 from \$140,000. Loan payments will be from monies collected on monthly water bills. Loan payments will start in July 2015.

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 989,085	1,401,403	2,390,488
Receivables:			
Property taxes	418,505	–	418,505
Intergovernmental – State of Illinois	223,658	57,007	280,665
Other	27,882	–	27,882
Customers – utility users	–	76,784	76,784
Prepaid items	39,082	15,266	54,348
Total current assets	<u>1,698,212</u>	<u>1,550,460</u>	<u>3,248,672</u>
Capital assets not being depreciated	73,884	45,375	119,259
Capital assets (net of accumulated depreciation)	<u>3,794,423</u>	<u>3,004,535</u>	<u>6,798,958</u>
Total assets	<u>5,566,519</u>	<u>4,600,370</u>	<u>10,166,889</u>
Liabilities:			
Accounts payable	90,654	430,496	521,150
Accrued payroll	18,550	3,734	22,284
Compensated absences	22,486	1,350	23,836
Notes payable	–	1,763,627	1,763,627
Due to other governments	–	676,371	676,371
Total liabilities	<u>131,690</u>	<u>2,875,578</u>	<u>3,007,268</u>
Deferred inflows of resources –			
Property taxes	<u>418,505</u>	<u>–</u>	<u>418,505</u>
Total liabilities and deferred inflows of resources	<u>550,195</u>	<u>2,875,578</u>	<u>3,425,773</u>
Net position:			
Net investment in capital assets, net of related debt	3,868,307	1,286,283	5,154,590
Restricted for:			
Highways and streets	256,630	–	256,630
Capital improvements	289,815	–	289,815
Unrestricted	<u>601,572</u>	<u>438,509</u>	<u>1,040,081</u>
Total net position	<u>\$ 5,016,324</u>	<u>1,724,792</u>	<u>6,741,116</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Activities

For the Year Ended December 31, 2014

Functions / Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Govern-mental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 488,047	68,595	–	(419,452)	–	(419,452)
Public safety	613,989	–	–	(613,989)	–	(613,989)
Highway and streets	261,602	25,692	–	(235,910)	–	(235,910)
Culture and recreation	91,121	–	101,333	10,212	–	10,212
Total governmental activities	<u>1,454,759</u>	<u>94,287</u>	<u>101,333</u>	<u>(1,259,139)</u>	<u>–</u>	<u>(1,259,139)</u>
Business-type activities:						
Water and sewer	<u>590,508</u>	<u>958,121</u>	<u>–</u>	<u>–</u>	<u>367,613</u>	<u>367,613</u>
Total business-type activities	<u>590,508</u>	<u>958,121</u>	<u>–</u>	<u>–</u>	<u>367,613</u>	<u>367,613</u>
Total	\$ <u>2,045,267</u>	<u>1,052,408</u>	<u>101,333</u>	<u>(1,259,139)</u>	<u>367,613</u>	<u>(891,526)</u>
General revenues:						
Property taxes				\$ 415,979	–	415,979
Sales and use tax				396,723	214,675	611,398
Income tax				297,163	–	297,163
Telecommunications tax				85,379	–	85,379
Personal property replacement tax				21,428	–	21,428
Motor fuel tax				76,820	–	76,820
Intergovernmental revenue				–	46,383	46,383
Unrestricted investment earnings				572	485	1,057
Gain on sale of capital assets				–	22,505	22,505
Miscellaneous				16,761	14,720	31,481
Total general revenues				<u>1,310,825</u>	<u>298,768</u>	<u>1,609,593</u>
Operating transfers				<u>(200,000)</u>	<u>200,000</u>	<u>–</u>
Special item –						
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system				<u>–</u>	<u>(214,630)</u>	<u>(214,630)</u>
Change in net position				<u>(148,314)</u>	<u>651,751</u>	<u>503,437</u>
Net position:						
Beginning				<u>5,164,638</u>	<u>1,073,041</u>	<u>6,237,679</u>
Ending				\$ <u>5,016,324</u>	<u>1,724,792</u>	<u>6,741,116</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Balance Sheet

Governmental Funds

December 31, 2014

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 354,959	289,815	344,311	989,085
Receivables:				
Property taxes	418,505	—	—	418,505
Intergovernmental –				
State of Illinois	223,658	—	—	223,658
Other	—	—	27,882	27,882
Prepaid items	39,082	—	—	39,082
Total assets	\$ 1,036,204	289,815	372,193	1,698,212
Liabilities – current:				
Accounts payable	89,128	—	1,526	90,654
Accrued payroll	18,550	—	—	18,550
Deferred revenue	6,333	—	1,267	7,600
Total current liabilities	114,011	—	2,793	116,804
Deferred inflows of resources –				
Property taxes	418,505	—	—	418,505
Total liabilities and deferred inflows of resources	532,516	—	2,793	535,309
Fund balances:				
Nonspendable – prepaid items	39,082	—	—	39,082
Restricted for highways and streets	—	—	256,630	256,630
Restricted for capital improvements	—	289,815	—	289,815
Committed to community development	—	—	109,512	109,512
Committed to Fourth of July	—	—	3,258	3,258
Unassigned	464,606	—	—	464,606
Total fund balances	503,688	289,815	369,400	1,162,903
Total liabilities, deferred inflows of resources and fund balances	\$ 1,036,204	289,815	372,193	1,698,212

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, 2014

Fund balances of governmental funds	\$ 1,162,903
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Amounts reported for governmental activities in the statement of
net assets are different because:

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

Capital assets	5,185,416
Accumulated depreciation	(1,317,109)

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

Compensated absences	(22,486)
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Other long-term assets are not available to pay current period
expenditures and, therefore, are deferred in the funds:

Telecommunication taxes	<u>7,600</u>
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Net position of governmental activities	\$ <u>5,016,324</u>
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See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2014

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,228,442	—	14,230	1,242,672
Intergovernmental	—	—	—	—
Licenses, fees and permits	40,353	—	28,242	68,595
Motor Fuel Tax allotment	—	—	76,820	76,820
Grants	52,000	—	25,692	77,692
Interest	253	108	211	572
Other	14,235	—	51,856	66,091
Total revenue	<u>1,335,283</u>	<u>108</u>	<u>197,051</u>	<u>1,532,442</u>
Expenditures:				
Current:				
General government	310,787	—	—	310,787
Public safety	607,951	—	—	607,951
Highway and streets	260,557	—	—	260,557
Culture and recreation	—	—	91,120	91,120
Capital outlay	295,011	—	28,981	323,992
Total expenditures	<u>1,474,306</u>	<u>—</u>	<u>120,101</u>	<u>1,594,407</u>
Excess (deficiency) of revenues over (under) expenditures	(139,023)	108	76,950	(61,965)
Other financing sources (uses):				
Note payable – principal and interest	(56,045)	—	—	(56,045)
Transfers in (out)	(192,500)	—	(7,500)	(200,000)
Total other financing sources (uses)	<u>(248,545)</u>	<u>—</u>	<u>(7,500)</u>	<u>(256,045)</u>
Net change in fund balances	(387,568)	108	69,450	(318,010)
Fund balances:				
Beginning	891,256	289,707	299,950	1,480,913
Ending	\$ <u>503,688</u>	<u>289,815</u>	<u>369,400</u>	<u>1,162,903</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, 2014

Net change in fund balances – total governmental funds **\$ (318,010)**

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	323,992
Depreciation expense	(177,260)

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	(26,000)
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Debt proceeds are reported in governmental funds as income. However,
they are not reported in the statement of activities –

Note payable payments	55,000
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Certain expenses reported in the statement of activities, such as
compensated absences do not require the use of current
financial resources and therefore, are not reported as expenditures
in governmental funds –

Increase in compensated absences	<u>(6,036)</u>
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Change in net position of governmental activities **\$ (148,314)**

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Net Position

Proprietary Fund

December 31, 2014

	Enterprise Fund – Water Fund
Current assets:	
Cash and cash equivalents	\$ 1,401,403
Receivables – utility users, net of allowance of \$10,000	76,784
Receivables – grants and sales taxes	57,007
Prepaid items	<u>15,266</u>
Total current assets	1,550,460
Noncurrent assets:	
Fixed assets, net of accumulated depreciation	<u>3,049,910</u>
Total assets	\$ <u>4,600,370</u>
Liabilities – current:	
Accounts payable	430,496
Accrued payroll	3,734
Compensated absences	1,350
Due to other governments	<u>676,371</u>
Total liabilities	<u>1,111,951</u>
Liabilities – non-current –	
Note payable	<u>1,763,627</u>
Net position:	
Invested in capital assets	1,286,283
Unrestricted	<u>438,509</u>
Total net position	<u>1,724,792</u>
Total liabilities and net position	\$ <u>4,600,370</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, 2014

	<u>Enterprise Fund – Water Fund</u>
Operating revenues:	
Refuse and recycling revenue	\$ 178,166
Capital charge – sewer hook-up	459,123
Water revenue	320,055
Water deposit revenue	777
Intergovernmental revenue	46,383
Miscellaneous revenue	<u>14,720</u>
Total operating revenues	<u>1,019,224</u>
Operating expenses:	
Water department	341,667
Refuse and recycling expenses	171,257
Depreciation	<u>77,584</u>
Total operating expenses	<u>590,508</u>
Operating income	<u>428,716</u>
Non-operating revenues (expenses):	
Interest income	485
Gain on sale of capital assets	22,505
1% sales tax income	<u>214,675</u>
Total non–operating revenues (expenses)	<u>237,665</u>
Income before other financing sources (uses)	666,381
Other financing sources (uses) – operating transfers	200,000
Special item – Rock River Water Reclamation District –	
Costs related to intergovernmental agreement for sanitary system	<u>(214,630)</u>
Net increase in net position	651,751
Net position:	
Net position – beginning	<u>1,073,041</u>
Net position – ending	\$ <u>1,724,792</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2014

	Enterprise Fund – Water Fund
Cash flows from operating activities:	
Receipts from customers	\$ 942,440
Payments to suppliers	51,342
Payments to employees	<u>(174,068)</u>
Net cash flows from operating activities	<u>819,714</u>
Cash flows from capital and related financing activities –	
Proceeds from sale of fixed assets	37,000
Proceeds from IEPA loan draw for construction of water tower	1,763,627
Purchase of and construction of fixed assets	<u>(2,151,746)</u>
Net cash flows from capital financing activities	<u>(351,119)</u>
Cash flows from non-capital financing activities:	
Payments to other funds	(324,641)
Receipts from 1% sales tax	<u>208,364</u>
Net cash flows from non-capital financing activities	<u>(116,277)</u>
Cash flows from investing activities –	
Interest on investments	<u>485</u>
Net increase in cash and cash equivalents	352,803
Cash and cash equivalents, beginning of year	<u>1,048,600</u>
Cash and cash equivalents, end of year	\$ <u><u>1,401,403</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Net operating income	428,716
Adjustment to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	77,584
Increase (decrease) in cash flows due to changes in:	
Utility accounts receivable	(76,784)
Prepaid expenses	(214)
Accounts payable	391,640
Accrued payroll	(2,120)
Compensated absences	<u>892</u>
Net cash flows from operating activities	\$ <u><u>819,714</u></u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

December 31, 2014

(1) Summary of Significant Accounting Policies

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

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

(a) Reporting Entity

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

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

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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

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

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

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

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

The following fund types are used by the Village:

Governmental Funds

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

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

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

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market accounts. As of December 31, 2014, 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 2014 tax levy was as follows:

Lien Date	January 1, 2014
Levy Date	December 12, 2014
First Installment Due	June 13, 2015
Second Installment Due	September 5, 2015

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 2014 tax levy, which attached as an enforceable lien on property as of January 1, 2014, has been recorded as a receivable as of December 31, 2014 as the tax had been levied by the Village and extended by the County but would not collect until fiscal year 2015. The Village's 2014 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	0.4313	0.4375
Police Protection	0.4628	0.6000
Chlorination	—	0.0200
IMRF	0.0004	None
Audit	0.0004	None
Liability Insurance	0.0004	None
Total Village	0.8953	

(e) Capital Assets

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

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Infrastructure includes roads, bridges, curbs, sidewalks, lighting systems, gutters, draining systems, and the water and sewer system. The cost of infrastructure has been capitalized and depreciated beginning in fiscal year 2005. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

(f) Budgets and Budgetary Accounting

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

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

Budgeted amounts are shown on the GAAP basis.

(g) Compensated Absences

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

(h) Receivables – Utility Users

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(i) *Prepaid Items*

Payments made to vendors for services, which will benefit periods beyond December 31, 2014 are recorded as prepaid items. Prepaid items recorded in governmental funds do not represent current resources that are available for appropriation and, thus, an equivalent portion of fund balance is reserved.

(j) *Interfund Activity*

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

(k) *Estimates*

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

(l) *Fund Balances / Net Position*

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

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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

In the government-wide and proprietary financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets, represents the book value of capital assets net of related debt. None of the Village's net positions or fund balances are restricted as a result of enabling legislation adopted by the Village. Unrestricted net positions 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.

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.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

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, 2014, none of the Village's deposits were exposed to custodial credit risk or uninsured and uncollateralized.

(3) Property Tax Receivables

Property taxes for 2013 attached as an enforceable lien on January 1, 2013, 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, 2014, and were payable in two installments on or about June 15, 2014 and September 7, 2014. 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 2014 tax levy has been recorded as a receivable and deferred revenue on the financial statements.

(4) Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable –			
General Fund	\$ 418,505	–	\$ 418,505
Other governmental units:			
General Fund	6,333	–	6,333
Other governmental funds	1,267	–	1,267
Total deferred revenue	<u>\$ 426,105</u>	<u>–</u>	<u>\$ 426,105</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(5) Depreciation and Capital Assets

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

Governmental activities:

General government	\$	52,543
Public safety		24,662
Highway and streets		<u>100,055</u>
Total governmental activities, depreciation expense	\$	<u>177,260</u>

Business-type activities – Water operations	\$	<u>77,584</u>
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The governmental activities capital asset activity for year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land	\$ 50,854	23,030	–	<u>73,884</u>
Capital assets being depreciated –				
Buildings and improvements	341,454	5,950	–	347,404
Equipment and vehicles	531,684	39,312	–	570,996
Software	21,564	–	–	21,564
Infrastructure	<u>3,915,868</u>	<u>255,700</u>	<u>–</u>	<u>4,171,568</u>
Total capital assets being depreciated	<u>4,810,570</u>	<u>300,962</u>	<u>–</u>	<u>5,111,532</u>
Accumulated depreciation	<u>(1,139,849)</u>	<u>(177,260)</u>	<u>–</u>	<u>(1,317,109)</u>
Total capital assets being depreciated, net	<u>3,670,721</u>	<u>123,702</u>	<u>–</u>	<u>3,794,423</u>
Governmental activities capital assets, net	\$ <u>3,721,575</u>	<u>146,732</u>	<u>–</u>	<u>3,868,307</u>

VILLAGE OF WINNEBAGO

Notes to Financial Statements

The business-type activities capital asset activity for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated –				
Land	\$ 45,375	–	–	45,375
Capital assets being depreciated –				
Buildings and improvements	15,000	–	–	15,000
Equipment and vehicles	458,375	125,000	(48,700)	534,675
Software	10,782	–	–	10,782
Infrastructure	665,229	–	–	665,229
Construction in progress	142,217	2,026,746	–	2,168,963
Total capital assets being depreciated	<u>1,291,603</u>	<u>2,151,746</u>	<u>(48,700)</u>	<u>3,394,649</u>
Accumulated depreciation	<u>(346,735)</u>	<u>(77,584)</u>	<u>34,205</u>	<u>(390,114)</u>
Total capital assets being depreciated, net	<u>944,868</u>	<u>2,074,162</u>	<u>(14,495)</u>	<u>3,004,535</u>
Governmental activities capital assets, net	<u>\$ 990,243</u>	<u>2,074,162</u>	<u>(14,495)</u>	<u>3,049,910</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, 2014.

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

(7) Risk Management

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(8) Illinois Municipal Retirement Fund

Plan Description

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

Funding Policy

As set by statute, the Village's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2014 was 12.63 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 2014, the Village's annual pension cost of \$83,610 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
2014	\$ 83,610	100%	—
2013	80,268	100%	—
2012	72,955	100%	—

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 47.05 percent funded. The actuarial accrued liability for benefits was \$1,199,034 and the actuarial value of assets was \$564,161, resulting in an underfunded actuarial accrued liability (UAAL) of \$634,873. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$661,997 and the ratio of the UAAL to the covered payroll was 96 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, 2014 was as follows:

	Beginning			Ending
	Balance	Additions	Reductions	Balance
Governmental activities:	\$ 16,450	30,166	24,130	22,486
Business-type activities	\$ 457	2,718	1,825	1,350

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(11) Notes Payable

(a) Equipment

On July 8, 2013, the Village obtained a note payable in the amount of \$55,000 to purchase a dump truck. The note carried an interest rate 3.25% and matured January 30, 2014. The note (including \$1,045 in interest) was paid off in January 2014 from the General Fund.

(b) Illinois Environmental Protection Agency Notes Payable

On January 22, 2014, the Village obtained financing from the Illinois Environmental Protection Agency for \$2,265,000 to upgrade its potable water system. A portion of the upgrade included construction of a new water tower. Construction began during the first quarter of 2014 and is expected to be completed by July 1, 2015. The loan accrues interest at 1.995% and will mature on September 30, 2034.

As of December 31, 2014, there has been \$1,763,627 disbursed on the loan. In April 2015, the Village was notified by the Illinois Environmental Protection Agency that the agency had forgiven \$650,000 of the loan. The Village is expected to begin repayment in July, 2015 with bi-annual payments of approximately \$50,000 each.

(12) Sales Tax Rebate

The Village has entered into an agreement with a developer within the Village. The agreement requires the Village to rebate a portion of the retail sales tax equal to 35% of annual retail sales tax revenue collected during the year by the Village as a result of sales generated by all businesses in the development commencing on sales made during November 2012 until \$600,000 has been rebated. Payment is to be made by December 18th each year. Rebates paid in 2014 and 2013 were \$33,586 and \$31,929, respectively.

(13) Intergovernmental Agreement with Rock River Water Reclamation District

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

VILLAGE OF WINNEBAGO

Notes to Financial Statements

Under terms of the IGA, the District will extend its Fuller Creek trunk to Winnebago, connect to the Village's collection system, and eliminate Village's sewage processing plant. In addition, the District will rehabilitate and upgrade the Village's collection system within the first seven years of the agreement. All operational costs associated with the current system are the responsibility of the District. All costs related to rehabilitation and upgrade of the Village's collection system, extension and upsizing of the Fuller Creek trunkline, and elimination/demolition of the Village's sewerage treatment facility (capital costs) are the responsibility of the Village. The Village relinquished all sewer related assets to the District on January 1, 2012.

In addition the Village must pay the District a one-time plant buy in fee of \$676,371 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. 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 \$676,371, due to the District, in the related Water and Sewer Statement of Net Position at December 31, 2014. Other costs will be accrued as work is completed through 2022.

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

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

(14) Fund Deficit

There were no funds with a deficit balance as of December 31, 2014.

VILLAGE OF WINNEBAGO

Notes to Financial Statements

(15) Subsequent Events

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

The Village has evaluated subsequent events through June 8, 2015 which was the date that these financial statements were available for issuance, and determined that no other significant non-recognized subsequent events have occurred through that date.

VILLAGE OF WINNEBAGO, ILLINOIS
Required Supplementary Information
Schedule of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Taxes	\$ 1,202,300	1,202,300	1,228,442	26,142
Fines and other fees	27,000	27,000	40,353	13,353
Other	<u>86,628</u>	<u>86,628</u>	<u>66,488</u>	<u>(20,140)</u>
Total revenues	<u>1,315,928</u>	<u>1,315,928</u>	<u>1,335,283</u>	<u>19,355</u>
Expenditures:				
Current:				
General government	395,647	395,647	310,787	(84,860)
Highways and streets	670,098	670,098	260,557	(409,541)
Public safety	812,297	812,297	607,951	(204,346)
Capital outlay	<u>20,205</u>	<u>20,205</u>	<u>295,011</u>	<u>274,806</u>
Total expenditures	<u>1,898,247</u>	<u>1,898,247</u>	<u>1,474,306</u>	<u>(423,941)</u>
Excess (deficiency) of revenues over (under) expenditures	(582,319)	(582,319)	(139,023)	443,296
Other financing sources (uses):				
Note payable – principal and interest	(56,045)	(56,045)	(56,045)	–
Transfer in (out)	<u>195,000</u>	<u>195,000</u>	<u>(192,500)</u>	<u>(387,500)</u>
Total other financing sources (uses)	<u>138,955</u>	<u>138,955</u>	<u>(248,545)</u>	<u>(387,500)</u>
Net change in fund balance	\$ <u>(443,364)</u>	<u>(443,364)</u>	(387,568)	<u>55,796</u>
Fund balance:				
Beginning			891,256	
Ending		\$	<u>503,688</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, 2014

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:					
Property taxes	\$	–	–	–	–
Interest		<u>–</u>	<u>–</u>	<u>108</u>	<u>108</u>
Total revenues		<u>–</u>	<u>–</u>	<u>108</u>	<u>108</u>
Expenditures –					
Debt service:					
GO bond – principal		–	–	–	–
GO bond – interest		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Excess (deficiency) of revenues over (under) expenditures		–	–	108	108
Other financing sources (uses) –					
Transfer in (out)		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net change in fund balance	\$	<u>–</u>	<u>–</u>	108	<u>108</u>
Fund balance:					
Beginning				<u>289,707</u>	
Ending			\$	<u>289,815</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information Schedule of Funding Progress

Illinois Municipal Retirement Fund

December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c	
12/31/14	\$ 564,161	1,199,034	634,873	47.05	% 661,997	95.90	%
12/31/13	425,338	994,872	569,534	42.75	634,528	89.76	
12/31/12	736,001	1,176,592	440,591	62.55	589,773	74.71	
12/31/11	621,277	1,062,160	440,883	58.49	570,639	77.26	
12/31/10	476,344	899,189	422,845	52.97	571,272	74.02	
12/31/09	549,501	924,703	375,202	59.42	559,767	67.03	
12/31/08	732,897	1,070,204	337,307	68.48	610,407	55.26	
12/31/07	622,719	919,137	296,418	67.75	628,866	47.14	
12/31/06	498,101	812,146	314,045	61.33	523,984	59.93	
12/31/05	382,249	646,622	264,373	59.11	512,632	51.57	

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$713,121.
On a market basis, the funded ratio would be 59.47%.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Required Supplementary Information

December 31, 2014

Legal Compliance and Accountability

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

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

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

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

		Special Revenue Funds			Total
		Community Development Fund	Fourth of July Fund	Motor Fuel Fund	Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$	92,165	3,325	248,821	344,311
Accounts receivable		20,073	—	7,809	27,882
Total assets	\$	<u>112,238</u>	<u>3,325</u>	<u>256,630</u>	<u>372,193</u>
Liabilities:					
Accounts payable		1,459	67	—	1,526
Deferred revenue – grants		—	—	—	—
Deferred revenue – taxes		1,267	—	—	1,267
Total liabilities		<u>2,726</u>	<u>67</u>	<u>—</u>	<u>2,793</u>
Fund balances:					
Restricted for highway and streets		—	—	256,630	256,630
Committed to community development		109,512	—	—	109,512
Committed to Fourth of July		—	3,258	—	3,258
Total fund balances		<u>109,512</u>	<u>3,258</u>	<u>256,630</u>	<u>369,400</u>
Total liabilities and fund balances	\$	<u>112,238</u>	<u>3,325</u>	<u>256,630</u>	<u>372,193</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Special Revenue Funds			Total
	Community Development Fund	Fourth of July Fund	Motor Fuel Fund	Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 14,230	–	76,820	91,050
Grants	–	–	25,692	25,692
Fees and charges	28,242	–	–	28,242
Interest	161	4	46	211
Other	2,523	49,333	–	51,856
Total revenue	<u>45,156</u>	<u>49,337</u>	<u>102,558</u>	<u>197,051</u>
Expenditures:				
Culture and recreation:				
Current	34,288	56,832	–	91,120
Capital outlay	28,981	–	–	28,981
Total expenditures	<u>63,269</u>	<u>56,832</u>	<u>–</u>	<u>120,101</u>
Excess (deficiency) of revenues over (under) expenditures	(18,113)	(7,495)	102,558	76,950
Other financing sources (uses) –				
Transfer in (out)	<u>(17,500)</u>	<u>10,000</u>	<u>–</u>	<u>(7,500)</u>
	<u>(17,500)</u>	<u>10,000</u>	<u>–</u>	<u>(7,500)</u>
Net change in fund balances	(35,613)	2,505	102,558	69,450
Fund balances:				
Beginning	<u>145,125</u>	<u>753</u>	<u>154,072</u>	<u>299,950</u>
Ending	\$ <u>109,512</u>	<u>3,258</u>	<u>256,630</u>	<u>369,400</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Telecommunications taxes	\$ 14,000	14,000	14,230	230
Fees and charges	47,640	47,640	28,242	(19,398)
Interest	150	150	161	11
Other	<u>1,000</u>	<u>1,000</u>	<u>2,523</u>	<u>1,523</u>
Total revenues	<u>62,790</u>	<u>62,790</u>	<u>45,156</u>	<u>(17,634)</u>
Expenditures:				
Culture and recreation:				
Contractual services:				
Presidential project	1,250	1,250	1,194	(56)
Code enforcement officer	15,000	15,000	10,240	(4,760)
Legal expenses	8,750	12,000	11,447	2,697
Dues	2,500	2,500	2,000	(500)
Development escrow refund	1,250	1,250	–	(1,250)
Engineering	3,750	3,750	360	(3,390)
Electricity	2,500	2,500	1,656	(844)
Community projects	49,770	49,770	5,926	(43,844)
Supplies –				
Community expenses	7,500	4,250	1,465	(6,035)
Capital outlay	<u>28,980</u>	<u>28,980</u>	<u>28,981</u>	<u>1</u>
Total expenditures	<u>121,250</u>	<u>121,250</u>	<u>63,269</u>	<u>(57,981)</u>
Excess (deficiency) of revenues over (under) expenditures	(58,460)	(58,460)	(18,113)	40,347
Other financing sources (uses) –				
Transfer in (out)	<u>29,835</u>	<u>29,835</u>	<u>(17,500)</u>	<u>(47,335)</u>
Net change in fund balance	\$ <u>(28,625)</u>	<u>(28,625)</u>	(35,613)	<u>(6,988)</u>
Fund balance:				
Beginning			<u>145,125</u>	
Ending		\$	<u>109,512</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Donations and other	\$ 42,500	42,500	49,333	6,833
Interest	<u>100</u>	<u>100</u>	<u>4</u>	<u>(96)</u>
Total revenues	<u>42,600</u>	<u>42,600</u>	<u>49,337</u>	<u>6,737</u>
Expenditures:				
Culture and recreation –				
Fourth of July expenses	<u>65,526</u>	<u>65,526</u>	<u>56,832</u>	<u>(8,694)</u>
Total expenditures	<u>65,526</u>	<u>65,526</u>	<u>56,832</u>	<u>(8,694)</u>
Excess (deficiency) of revenues over (under) expenditures	(22,926)	(22,926)	(7,495)	15,431
Other financing sources (uses) –				
Transfer in (out)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>
Net change in fund balance	\$ <u>(12,926)</u>	<u>(12,926)</u>	2,505	<u>15,431</u>
Fund balance:				
Beginning			<u>753</u>	
Ending		\$	<u>3,258</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental –				
Motor fuel taxes	\$ 75,000	75,000	76,820	1,820
Grants	12,800	12,800	25,692	12,892
Interest	<u>25</u>	<u>25</u>	<u>46</u>	<u>21</u>
Total revenues	<u>87,825</u>	<u>87,825</u>	<u>102,558</u>	<u>14,733</u>
Expenditures:				
Highways and streets:				
Highways, street and bridges	–	–	–	–
Engineering	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Excess (deficiency) of revenues over (under) expenditures	87,825	87,825	102,558	14,733
Other financing sources (uses) –				
Transfer in (out)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net change in fund balance	\$ <u>87,825</u>	<u>87,825</u>	102,558	<u>14,733</u>
Fund balance:				
Beginning			<u>154,072</u>	
Ending		\$	<u>256,630</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2014

		2014			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:					
Taxes:					
Property taxes	\$	418,500	418,500	415,979	(2,521)
Sales taxes		325,000	325,000	362,374	37,374
State income tax		315,000	315,000	297,163	(17,837)
Telecommunications tax		72,000	72,000	71,149	(851)
Local use tax		50,500	50,500	60,349	9,849
Replacement tax		21,300	21,300	21,428	128
Total taxes		1,202,300	1,202,300	1,228,442	26,142
Licenses, fees and permits		8,000	8,000	11,599	3,599
Police fines		19,000	19,000	28,754	9,754
Total fines and other fees		27,000	27,000	40,353	13,353
Other revenue:					
Grants		60,000	60,000	52,000	(8,000)
Interest		500	500	253	(247)
Miscellaneous		26,128	26,128	14,235	(11,893)
Total other revenue		86,628	86,628	66,488	(20,140)
Total revenues		1,315,928	1,315,928	1,335,283	19,355
Expenditures:					
General government:					
Office salaries		53,973	53,973	43,417	(10,556)
Treasurer		52,165	52,165	41,884	(10,281)
Salaries – elected officials		36,250	36,250	26,800	(9,450)
Payroll taxes		15,571	15,571	9,521	(6,050)
Employee benefits		26,784	26,784	21,437	(5,347)
Employee welfare		2,500	3,800	3,266	(534)
Office equipment		8,750	12,350	15,053	2,703
Professional services		18,750	18,750	14,289	(4,461)
Engineering		15,000	15,000	11,746	(3,254)
Legal services		43,750	37,550	25,596	(11,954)
Inspection fees		10,000	10,000	8,620	(1,380)
Postage		2,500	2,500	1,708	(792)
Telephone		3,750	3,750	2,612	(1,138)
Publishing		1,250	1,550	1,265	(285)
Printing		5,000	4,500	4,236	(264)
Dues		3,125	3,125	1,240	(1,885)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2014

		2014			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):					
General government (continued):					
Travel	\$	1,250	1,950	1,763	(187)
Training		1,250	1,950	1,658	(292)
Conferences		9,375	9,375	6,762	(2,613)
Office maintenance		4,375	4,375	3,566	(809)
Audit and accounting services		13,750	13,750	11,000	(2,750)
Liability insurance		6,563	6,563	4,811	(1,752)
Recapture payments		625	625	537	(88)
Office supplies		8,750	10,750	7,879	(2,871)
Foreign fire insurance		6,250	6,250	6,045	(205)
Building water usage		500	500	390	(110)
Miscellaneous expense		125	125	100	(25)
Sullivan's payback agreement		41,250	41,250	33,586	(7,664)
Contingency		2,466	566	—	(566)
Total general government		395,647	395,647	310,787	(84,860)
Highways and streets:					
Salaries		121,126	121,126	93,046	(28,080)
Employee benefits		28,363	28,363	22,304	(6,059)
Payroll taxes		9,130	9,130	6,759	(2,371)
Maintenance – buildings		12,500	12,500	5,265	(7,235)
Maintenance – vehicles		10,000	10,000	3,692	(6,308)
Maintenance – streets and sidewalks		77,000	77,000	57,900	(19,100)
Maintenance – equipment		7,500	7,500	4,013	(3,487)
Engineering		—	—	1,759	1,759
Telephone		2,250	2,250	1,831	(419)
Electricity		37,500	37,500	30,861	(6,639)
Supplies		6,250	6,250	2,039	(4,211)
Gas and oil		16,666	16,666	13,840	(2,826)
Tree removal		5,000	10,000	8,050	(1,950)
Liability insurance		10,563	10,563	7,445	(3,118)
MS4 upgrades and repairs		12,500	7,500	753	(6,747)
MS4 permits		1,250	1,250	1,000	(250)
Capital outlay – street projects		312,500	312,500	255,700	(56,800)
Capital outlay – equipment		20,205	20,205	3,100	(17,105)
Total highways and streets		690,303	690,303	519,357	(170,946)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2014

		2014			
		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):					
Public safety:					
Office salaries	\$	6,375	6,375	5,320	(1,055)
Police chief		100,510	100,510	80,700	(19,810)
Full time officers		351,348	342,848	276,588	(66,260)
Part time officers		18,750	8,650	4,302	(4,348)
Payroll taxes		42,994	38,994	28,190	(10,804)
Employee benefits		136,670	136,670	108,332	(28,338)
Uniforms		7,500	6,500	4,079	(2,421)
Computers and equipment		1,250	750	459	(291)
Professional services		21,930	17,430	13,066	(4,364)
Vehicle maintenance		13,125	10,125	6,460	(3,665)
Legal		18,750	18,750	14,806	(3,944)
Postage		188	188	137	(51)
Telephone		5,500	5,500	3,927	(1,573)
Publishing and printing		313	413	340	(73)
Dues		813	313	170	(143)
Travel		250	250	–	(250)
Liability insurance		20,625	25,625	19,704	(5,921)
Water		406	406	172	(234)
Gas and oil		21,875	16,375	11,725	(4,650)
Grants		12,500	6,000	–	(6,000)
Miscellaneous		1,875	4,375	4,675	300
Alert-leads user fee		2,500	2,500	2,592	92
Police garage maintenance		3,125	3,125	3,006	(119)
Pre-employment physical		2,625	2,625	1,786	(839)
Small equipment		12,375	11,875	9,484	(2,391)
Capital outlay – equipment		–	37,000	36,211	(789)
Training		8,125	8,125	7,931	(194)
Total public safety		<u>812,297</u>	<u>812,297</u>	<u>644,162</u>	<u>(168,135)</u>
Total expenditures	\$	<u>1,898,247</u>	<u>1,898,247</u>	<u>1,474,306</u>	<u>(423,941)</u>

VILLAGE OF WINNEBAGO, ILLINOIS

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

Proprietary Fund Types
Enterprise Fund – Water Fund

For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating revenues:				
Water service income	\$ 334,000	334,000	315,657	(18,343)
Capital charge – sewer hook-up	484,500	484,500	451,539	(32,961)
Water hook-up fees	5,400	5,400	4,398	(1,002)
Sewer hook-up fees	8,500	8,500	7,584	(916)
Water deposit revenue	1,000	1,000	777	(223)
Garbage charges	175,000	175,000	178,166	3,166
Garbage stickers	200	200	–	(200)
Intergovernmental income	50,010	50,010	46,383	(3,627)
Miscellaneous revenue	10,500	10,500	14,720	4,220
Total operating revenues	<u>1,069,110</u>	<u>1,069,110</u>	<u>1,019,224</u>	<u>(49,886)</u>
Operating expenses:				
Office salary	25,501	25,501	21,731	(3,770)
Rock 39 salary	45,598	45,598	1,251	(44,347)
Part-time wages	6,250	6,250	649	(5,601)
Meter reader	29,250	29,250	24,637	(4,613)
Plant operator	67,929	67,929	55,540	(12,389)
Public works wages	30,744	30,744	24,564	(6,180)
Health insurance	28,000	28,000	17,640	(10,360)
Payroll taxes	19,662	19,662	10,289	(9,373)
Employee benefits	25,136	25,136	16,539	(8,597)
Building water usage	625	625	181	(444)
Alarm system	1,500	2,500	2,649	149
Chemicals	3,750	3,750	4,086	336
Engineering	156,250	156,250	26,232	(130,018)
Garbage expense	218,750	218,750	171,257	(47,493)
Liability insurance	18,750	18,750	14,661	(4,089)
Large equipment and equipment maintenance	10,000	10,000	5,010	(4,990)
Office & computer equipment	1,250	1,250	106	(1,144)
Operating supplies	62,500	62,500	32,868	(29,632)
Postage	8,125	8,125	4,735	(3,390)
Pre-employment physical	625	625	–	(625)
Printing	3,125	3,125	497	(2,628)
Professional fees	3,750	4,750	4,173	(577)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

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

Proprietary Fund Types
Enterprise Fund – Water Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating expenses (continued):				
Publishing/advertising	\$ 1,250	1,250	–	(1,250)
Rental and small equipment	21,875	21,875	9,443	(12,432)
Telephone	2,500	2,500	2,476	(24)
Travel and training	2,500	2,500	–	(2,500)
Utilities	36,000	36,000	23,826	(12,174)
Water analysis	4,375	4,375	3,608	(767)
Fuel, grease and oil	8,334	8,334	7,916	(418)
Water sewer upgrade	3,000,000	2,999,000	15,559	(2,983,441)
Grant expense	150,000	150,000	–	(150,000)
Sullivan's payback agreement	15,000	15,000	10,801	(4,199)
Depreciation	140,000	140,000	77,584	(62,416)
Capital outlay	181,250	180,250	–	(180,250)
Total operating expenses	<u>4,330,154</u>	<u>4,330,154</u>	<u>590,508</u>	<u>(3,739,646)</u>
Operating income	<u>(3,261,044)</u>	<u>(3,261,044)</u>	<u>428,716</u>	<u>3,689,760</u>
Nonoperating income (expense):				
Interest income	750	750	485	(265)
Gain (loss) on sale of assets	–	–	22,505	22,505
1% sales tax income	<u>210,000</u>	<u>210,000</u>	<u>214,675</u>	<u>4,675</u>
Total nonoperating income (expenses)	<u>210,750</u>	<u>210,750</u>	<u>237,665</u>	<u>26,915</u>
Income (loss) before other financing sources	(3,050,294)	(3,050,294)	666,381	3,716,675
Operating financing sources –				
Operating transfers	<u>981,687</u>	<u>981,687</u>	<u>200,000</u>	<u>(781,687)</u>
Special item –				
Rock River Water Reclamation District costs related to intergovernmental agreement for sanitary system	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(214,630)</u>	<u>1,285,370</u>
Change in net assets	<u>\$ (3,568,607)</u>	<u>(3,568,607)</u>	<u>651,751</u>	<u>4,220,358</u>
Net position				
Beginning			<u>1,073,041</u>	
Ending		<u>\$ 1,724,792</u>		

VILLAGE OF WINNEBAGO, ILLINOIS

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

December 31, 2014

	Tax Years			
	2014	2013	2012	2011
Assessed valuations	\$ <u>45,678,728</u>	<u>46,292,556</u>	<u>47,574,249</u>	<u>51,549,632</u>
Property tax rates (per \$100 of assessed valuation):	Max	Actual	Actual	Actual
General	0.4375	0.4313	0.4286	0.4288
General – Audit	–	0.0004	0.0003	0.0002
General – Liability	–	0.0004	0.0003	0.0002
Police	0.6000	0.4628	0.4510	0.4082
Debt Service	–	–	–	–
Sewer Chlorination	0.0200	–	–	0.0001
IMRF	–	0.0004	0.0003	0.0002
Total tax rate		<u>0.8953</u>	<u>0.8805</u>	<u>0.8376</u>
Property tax extensions:				
General		197,012	198,410	203,998
General – Audit		183	139	95
General – Liability		183	139	95
Police		211,401	208,779	194,198
Debt Service		–	–	–
Sewer Chlorination		–	–	51
IMRF		183	139	95
	\$	<u>408,962</u>	<u>407,606</u>	<u>398,481</u>
Property tax collections:**				
General		–	197,257	203,802
General – Audit		–	138	95
General – Liability		–	138	95
Police		–	207,567	194,012
Debt Service		–	–	–
Sewer Chlorination		–	–	51
IMRF		–	138	95
	\$	<u>–</u>	<u>405,238</u>	<u>398,099</u>
Percentage of extensions collected		<u>–</u>	<u>99.42</u>	<u>99.90</u>
				<u>99.94</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, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed Valuation	\$ <u>45,678,728</u>	<u>46,292,556</u>	<u>47,574,249</u>
Statutory Debt Limitation (8.625 % of Assessed Valuation)	3,939,790	4,103,279	4,446,156
Outstanding debt – Note payable	<u>1,763,627</u>	<u>55,000</u>	<u>–</u>
Legal Debt Margin	\$ <u>2,176,163</u>	<u>4,048,279</u>	<u>4,446,156</u>