

**VILLAGE OF WINNEBAGO
WINNEBAGO, ILLINOIS**

Annual Financial Report

**As of and for the Year Ended
December 31, 2018**

VILLAGE OF WINNEBAGO, ILLINOIS

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BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Winnebago, Illinois, as of December 31, 2018, and the respective changes in financial position and cash flows of its proprietary fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining, individual nonmajor fund financial statements and the schedules listed in the table of contents as supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Banning Group, LLC

Rockford, Illinois
August 12, 2019

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

December 31, 2018 (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, 2018.

FINANCIAL HIGHLIGHTS

- Net position and performance in total – The Village's total net position at December 31, 2018 was \$1,900.956.
- Government activity summary – Net position for governmental activities increased by \$67,074 during the period.
- Business-type activity summary – Net position for business-type activities decreased by \$5,954,723 during the period to (\$2,869,957) from \$3,085,466 in 2017.
- General Fund summary – The Village's General Fund reported an increase of \$17,800 in fund balance for the period.
- Budget vs. actual – The Village's actual revenues for the General Fund were \$9,363 less than the budgeted revenues. The actual expenditures were \$550,970 less than total budgeted expenditures for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

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

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

Government-Wide Statements

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

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

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

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

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on major funds, rather than fund types.

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

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

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

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – streets, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 required that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (1)

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current and other assets	\$ 1,818,378	1,685,152	1,668,390	1,276,615	3,486,768	2,961,767
Capital assets	4,004,188	3,973,283	3,585,908	3,403,425	7,590,096	7,376,708
Total assets	5,822,566	5,658,435	5,254,298	4,680,040	11,076,864	10,338,475
Deferred outflows of resources	278,097	67,314	65,233	17,894	343,330	85,208
Total assets and deferred outflows of resources	6,100,663	5,725,749	5,319,531	4,697,934	11,420,194	10,423,683
Liabilities	244,210	85,875	388,033	117,183	632,243	203,058
Liabilities – non-current	498,026	302,249	7,764,160	1,442,097	8,262,186	1,744,346
Deferred inflows of resources	588,214	634,486	36,596	53,188	624,810	687,674
Total liabilities and deferred inflows of resources	1,330,450	1,022,610	8,188,789	1,612,468	9,519,239	2,635,078
Net position:						
Net investment in capital assets	4,004,188	3,973,283	2,214,708	1,962,684	6,218,896	5,935,967
Restricted	328,823	304,392	–	–	328,823	304,392
Unrestricted	437,202	425,464	(5,083,965)	1,122,782	(4,646,763)	1,548,246
Total net position	\$ 4,770,213	4,703,139	(2,869,257)	3,085,466	1,900,956	7,788,605

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, 2018 was \$1,900,956 for all funds. This was an decrease of \$5,887,649 during the year. Total assets increased from \$10,338,475 to \$11,076,864, an increase of \$738,389. Current assets increased by \$525,001. The capital assets (net) increased by \$213,388. Total deferred outflows of resources increased by \$258,122.

The total liabilities and deferred inflows of resources increased by \$6,884,161, which is mainly attributed to an increase in accounts payable by \$132,847 and long-term liabilities increased \$6,517,840, which was made up of amounts due to Rock River Water Reclamation District for sanitation system upgrades. The deferred inflow of resources decreased by \$62,864, which is made up primarily of the change in deferred pension expense.

The net position of business-type activities decreased by \$5,954,723 during the period and ended at (\$2,869,257). Unrestricted net position, available to finance the continuing operation of its business-type activities, was (\$5,083,965) of which \$149,000 is board designated for debt obligations. The operating cost of the Village's business-type activities for the year ended December 31, 2018 was \$814,153.

The total net position at December 31, 2018 was \$1,900,956, of which (\$6,218,896) is in investment in capital assets, another \$328,823 or 17.3% is restricted for capital improvements and highways and streets. The remaining deficit position of (\$4,646,763), which is an decrease of \$6,195,009 from the unrestricted net position of December 31, 2017.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Statement of Changes in Net Position

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

Table 2
Changes in Net Position
As of December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
REVENUES						
Program revenues:						
Charges for services	\$ 95,158	\$ 92,128	\$ 1,077,929	\$ 1,014,577	\$ 1,173,087	\$ 1,106,705
Grants and contributions:						
Operating	4,221	44,864	—	—	4,221	44,864
Capital contributions	—	—	—	—	—	—
General revenues:						
Property taxes	434,149	422,242	—	—	434,149	422,242
Other taxes	996,042	981,935	223,615	208,891	1,219,657	1,190,826
Intergovernmental	—	—	59,936	64,281	59,936	46,466
Investment income	18,022	7,615	24,875	6,900	42,897	14,515
Miscellaneous	13,119	40,509	13,250	7,935	26,369	48,444
Total revenues received	1,560,711	1,589,293	1,399,605	1,302,584	2,960,316	2,874,062
EXPENSES						
General government	476,452	497,185	—	—	476,452	497,185
Public safety	701,003	653,284	—	—	701,003	653,284
Highways and streets	270,651	290,313	—	—	270,651	290,313
Culture and recreation	49,741	85,741	—	—	49,741	85,741
Interest	—	—	—	—	—	—
Water and sewer	—	—	814,153	785,290	814,153	785,290
Total expenses disbursed	1,497,847	1,526,523	814,153	785,290	2,312,000	2,311,813
Excess of revenues						
over (under) expenses	62,864	62,770	585,452	517,294	648,316	580,064
Transfers	4,210	—	(4,210)	—	—	—
Special item	—	—	(6,535,965)	—	(6,535,965)	—
Changes in net position	67,074	62,770	(5,954,723)	517,294	(5,887,649)	580,064
Beginning net position	4,703,139	4,640,369	3,085,466	2,568,172	7,788,605	7,208,541
Ending net position	\$ 4,770,213	\$ 4,703,139	\$ (2,869,257)	\$ 3,085,466	\$ 1,900,956	\$ 7,788,605

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, 2018.

Expenses:

Changes in Programs – Within the functional expense categories (General Government, Public Safety, Highway and Streets, 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 less than 3% at December 31, 2018), 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 \$1,425,822. The largest source of revenue was \$434,149 from property taxes. Sales and use taxes were the next highest with revenue for the period of \$420,719. Income tax ranked third with \$299,134. The next highest source of income was utility tax with \$116,551. The revenues from these four sources represent 89% of the governmental activity revenues. Total revenue from all taxes was \$1,338,769 or 94%. The Village also recognized \$51,784 in charges for services or 4% of total revenue.

Expenses:

The Village's total governmental activity expenses were \$1,403,020. The three major functional areas were general government \$286,943 or 20% of the total; highway and streets \$399,628 or 28% of the total; and public safety of \$716,449 or 51% of the total expenses of the Village.

Personnel costs including wages, taxes, health and life insurance, and retirement benefits were \$882,113 or 63% of the total expenses.

Business-type Activities

Revenues:

Operating revenues from business-type activities total \$1,147,260. The largest source of revenue was \$443,030 or 39% from capital charges revenue. Charges for water were the next highest with revenue for the year of \$394,402 or 34%. Refuse and recycling income ranged third with \$189,858 or 17%.

Expenses:

The Village's total business-type activity expenses were \$814,153. The four major areas of operating expenses were wages and benefit expenses of \$206,840 or 25% of the total; refuse and recycling expenses of \$184,259 or 23% of the total; Utilities of \$30,807 or 4% of the total; Interest expense on loans was \$28,398 or 3.5% of the total; and depreciation of \$234,650 or 29% of the total. These four areas account for \$684,954 or 84.1% of the total business-type expenses of the Village.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At December 31, 2018, the governmental funds reported a combined fund balance of \$1,201,746, an increase of \$43,355 from the prior period, which is mainly attributed to a \$55,920 decrease in total revenues. The General Fund balance increased by \$17,800. All other funds netted an increase of \$25,555.

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

The Village's cash and equivalents increased by \$20,383 for all governmental funds during the year ended December 31, 2018.

General Fund Budgetary Highlights

General Fund	FY 18 Original Budget	FY 18 Final Budget	FY 18 Actual
Revenues:			
Taxes	\$ 1,338,385	1,338,385	1,338,769
Fines and other fees	41,000	41,000	51,784
Other	55,800	55,800	35,269
Total revenues	1,435,185	1,435,185	1,425,822
Expenditures:			
General government	362,674	362,674	286,943
Highways and streets	608,139	608,139	386,528
Public safety	895,678	895,677	716,449
Capital outlay	87,500	87,500	13,100
Total expenditures	1,953,991	1,953,990	1,403,020
Excess of revenues over (under) expenditures	(518,806)	(518,805)	22,802
Other financing sources (uses):			
Transfers in (out)	128,000	128,000	(5,002)
Total other financing sources	128,000	128,000	(5,002)
Net change in fund balance	\$ (390,806)	(390,805)	17,800

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 decreased by \$105,772. See Note 5 to the financial statements for more details.

	Governmental Activities		Business-type Activities		Total Government	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Land	\$ 73,884	73,884	68,264	68,264	142,148	142,148
Buildings and improvements	359,604	359,604	15,000	15,000	374,604	374,604
Equipment and vehicles	611,364	595,769	547,223	556,242	1,158,587	1,152,011
Software	21,564	21,564	10,782	10,781	32,346	32,345
Infrastructure	4,892,855	4,689,209	4,125,123	3,693,318	9,017,978	8,382,527
Construction in progress	—	8,280	—	14,026	—	22,306
Subtotals	5,959,271	5,748,310	4,766,392	4,357,631	10,725,663	10,105,941
Accumulated depreciation	(1,955,083)	(1,775,027)	(1,180,484)	(954,206)	(3,135,567)	(2,729,233)
Totals	\$ 4,004,188	3,973,283	3,585,908	3,403,425	7,590,096	7,376,708

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

ECONOMIC FACTORS

The Village's 2019 budget for the General Fund was developed based on forecasted increases in real estate taxes and other taxes being similar to the previous years.

The following are major assumptions used in developing the budget for the 2018 fiscal year:

- Assessed valuation, which impacts property tax revenues, will increase by 4.1%.
- The utility tax on electricity, which the Village enacted at the end of 2015, produced \$116,980 in revenue for 2018. Village Ordinance dedicates this revenue to be used to fund street lights and street projects in the General Fund Budget. It is expected to be about the same in 2019.
- The Village passed a Municipal Sales Tax of 1% by referendum in 2012. This 1% tax is dedicated by referendum to infrastructure improvements and is currently being used for water and sewer projects. This tax generates approximately \$220,000 in 2019.

In December of 2011, the Village signed an inter-governmental agreement (IGA) with the Rock River Water Reclamation District (RRWRD) transferring the Village's sewage collection and processing system and its operation to the District. This agreement became effective on December 21 2011. According to the agreement, the Village is responsible to pay for costs related to the extension of the Fuller Creek Trunk Sewer to Winnebago, the rehabilitation, conversion, and upgrading of the Village's current collection system, and a Plant-Buy-In (PBI) fee. Seven specific costs or cost estimates with a maximum of 10% above estimates are delineated in the agreement. As of the end of 2018, two of the seven items, the PBI of \$676,370, and the rehabilitation work for the current collection system, \$2,053,008, had been fully paid for in cash. The trunk line was completed at a cost to the Village of \$4,675,725, whereby the Village will repay RRWRD bi-annual payment of \$139,393 through 2038. Also, according to the contract the Village will owe approximately \$1,860,240 by December 2021 for parallel trunk upgrades.

In 2018, upon official annexation of the Village users to the District, the PILOT charges, Payments in Lieu of Taxes, will be dropped and the District's annual Levy/Extension will be added to the users Property Tax bills. This will happen after the Trunk Sewer line extension is connected to the Village's current collection system in late 2018. The current tax rate for the 2018 property tax bill is 0.1964. The District tax rate is subject to the Property Tax Extension Limitation Law (PTELL).

On November 6, 2018, 87% of the voters voting at the General Election voted "No" to continue to prohibit the selling and consumption at retail of alcoholic liquor in the Village of Winnebago, after a citizen referendum. The entire Village is now "wet", as opposed to just the area north of McNair Road, previously only property annexed in from Winnebago County. The

VILLAGE OF WINNEBAGO, ILLINOIS

Management's Discussion and Analysis

Village anticipates four additional liquor licenses from the current locations in the Benton Street downtown.

In December of 2018, the Village Board entered into a 3-year contract with Azavar Consulting Services. Azavar helps municipalities recover lost income through professional revenue reviews of utility, telecom, cable fees and taxes, including sales tax. Any money recovered by Azavar will be shared, with 60% going to the Village and 40% to Azavar for a three year period.

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, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,173,300	1,513,828	2,687,128
Receivables:			
Property taxes	432,200	–	432,200
Intergovernmental – State of Illinois	144,734	57,127	201,861
Other	24,816	–	24,816
Customers – utility users	–	75,988	75,988
Prepaid items	43,328	16,445	59,773
Due from other funds	–	5,002	5,002
Total current assets	1,818,378	1,668,390	3,486,768
Capital assets not being depreciated	73,884	68,264	142,148
Capital assets (net of accumulated depreciation)	3,930,304	3,517,644	7,447,948
Total assets	5,822,566	5,254,298	11,076,864
Deferred outflows of resources –			
Pension	278,097	65,233	343,330
Total assets and deferred outflows of resources	6,100,663	5,319,531	11,420,194
Liabilities and deferred inflows			
Accounts payable	104,329	105,287	209,616
Accrued payroll	23,684	6,372	30,056
Due to other funds	5,002	–	5,002
Equipment sinking funds	17,000	–	17,000
Current portion of long-term debt	94,195	276,373	370,568
Total current liabilities	244,210	388,032	632,242
Long-term liabilities –			
Long-term debt, net of current maturities	498,026	7,764,160	8,262,186
Deferred inflows of resources			
Property taxes	432,200	–	432,200
Pension	156,014	36,596	192,610
Total deferred inflows of resources	588,214	36,596	624,810
Total liabilities and deferred inflows of resources	1,330,450	8,188,788	9,519,238
Net position			
Net investment in capital assets, net of related debt	4,004,188	2,214,708	6,218,896
Restricted for:			
Highways and streets	27,369	–	27,369
Capital improvements	301,454	–	301,454
	328,823	–	328,823
Unrestricted :			
Undesignated (deficit)	358,802	(5,232,965)	(4,874,163)
Designated for long-term debt	78,400	149,000	227,400
Total unrestricted	437,202	(5,083,965)	(4,646,763)
Total net position	\$ 4,770,213	(2,869,257)	1,900,956

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Activities

For the Year Ended December 31, 2018

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Govern- mental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 476,452	95,158	—	—	(381,294)	—	(381,294)
Public safety	701,003	—	—	—	(701,003)	—	(701,003)
Highway and streets	270,651	—	—	—	(270,651)	—	(270,651)
Culture and recreation	49,741	—	4,221	—	(45,520)	—	(45,520)
Total governmental activities	<u>1,497,847</u>	<u>95,158</u>	<u>4,221</u>	<u>—</u>	<u>(1,398,468)</u>	<u>—</u>	<u>(1,398,468)</u>
Business-type activities							
Water and sewer	<u>814,153</u>	<u>1,077,929</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>263,776</u>	<u>263,776</u>
Total business-type activities	<u>814,153</u>	<u>1,077,929</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>263,776</u>	<u>263,776</u>
Total	\$ 2,312,000	1,173,087	4,221	—	(1,398,468)	263,776	(1,134,692)
General revenues							
Property taxes					\$ 434,149	—	434,149
Sales and use tax					423,736	223,615	647,351
Income tax					299,134	—	299,134
Telecommunications tax					57,197	—	57,197
Personal property replacement tax					20,052	—	20,052
Utility tax					116,551	—	116,551
Motor fuel tax					79,372	—	79,372
Intergovernmental revenue					—	59,936	59,936
Unrestricted investment earnings					18,022	24,875	42,897
Loss on sale of capital assets					—	(645)	(645)
Miscellaneous					13,119	13,895	27,014
Total general revenues					<u>1,461,332</u>	<u>321,676</u>	<u>1,783,008</u>
Operating transfers					<u>4,210</u>	<u>(4,210)</u>	<u>—</u>
Special item –							
Rock River Water Reclamation District – costs related to intergovernmental agreement for sanitary system					<u>—</u>	<u>(6,535,965)</u>	<u>(6,535,965)</u>
Change in net position					67,074	(5,954,723)	(5,887,649)
Net position							
Beginning					<u>4,703,139</u>	<u>3,085,466</u>	<u>7,788,605</u>
Ending					<u>\$ 4,770,213</u>	<u>(2,869,257)</u>	<u>1,900,956</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Balance Sheet

Governmental Funds

December 31, 2018

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 791,245	301,454	80,601	1,173,300
Receivables:				
Property taxes	432,200	—	—	432,200
Intergovernmental – State of Illinois	144,734	—	—	144,734
Other	9,690	—	15,126	24,816
Prepaid items	43,328	—	—	43,328
Total assets	\$ 1,421,197	301,454	95,727	1,818,378
Liabilities – current				
Accounts payable	101,201	—	3,128	104,329
Accrued payroll	23,684	—	—	23,684
Due to other funds	5,002	—	—	5,002
Equipment sinking funds	15,000	—	2,000	17,000
Deferred revenue	33,684	—	733	34,417
Total current liabilities	178,571	—	5,861	184,432
Deferred inflows of resources				
Property taxes	432,200	—	—	432,200
Total liabilities and deferred inflows of resources	610,771	—	5,861	616,632
Fund balances				
Nonspendable – prepaid items	43,328	—	—	43,328
Restricted for highways and streets	—	—	27,369	27,369
Restricted for capital improvements	—	301,454	—	301,454
Committed to community development	—	—	62,048	62,048
Committed to Fourth of July	—	—	449	449
Unassigned	767,098	—	—	767,098
Total fund balances	810,426	301,454	89,866	1,201,746
Total liabilities, deferred inflows of resources and fund balances	\$ 1,421,197	301,454	95,727	1,818,378

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, 2018

Fund balances of governmental funds	\$ 1,201,746
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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	5,959,271
Accumulated depreciation	(1,955,083)

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

Compensated absences	(28,160)
Pension liability	(720,075)

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

Pension asset	278,097
Telecommunication taxes	<u>34,417</u>

Net position of governmental activities	\$ <u>4,770,213</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, 2018

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,338,769	—	9,633	1,348,402
Intergovernmental	—	—	—	—
Licenses, fees and permits	51,784	—	38,869	90,653
Motor Fuel Tax allotment	—	—	79,372	79,372
Grants	3,721	—	—	3,721
Interest	14,829	1,548	1,645	18,022
Other	16,719	—	1,406	18,125
Total revenue	<u>1,425,822</u>	<u>1,548</u>	<u>130,925</u>	<u>1,558,295</u>
Expenditures				
Current:				
General government	286,943	—	—	286,943
Public safety	716,449	—	—	716,449
Highway and streets	386,528	—	—	386,528
Culture and recreation	—	—	49,742	49,742
Capital outlay	13,100	—	66,388	79,488
Total expenditures	<u>1,403,020</u>	<u>—</u>	<u>116,130</u>	<u>1,519,150</u>
Excess (deficiency) of revenues over (under) expenditures	22,802	1,548	14,795	39,145
Other financing sources (uses)				
Transfers in (out)	<u>(5,002)</u>	<u>9,212</u>	<u>—</u>	<u>4,210</u>
Net change in fund balances	17,800	10,760	14,795	43,355
Fund balances				
Beginning	792,626	290,694	75,071	1,158,391
Ending	<u>\$ 810,426</u>	<u>301,454</u>	<u>89,866</u>	<u>1,201,746</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, 2018

Net change in fund balances – total governmental funds **\$ 43,355**

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	219,241
Depreciation expense	(180,056)

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

Sales and use taxes	2,417
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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 pension liability and deferred inflows and outflows	(15,237)
Increase in compensated absences	<u>(2,646)</u>

Change in net position of governmental activities **\$ 67,074**

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Net Position

Proprietary Fund

December 31, 2018

	<u>Enterprise Fund – Water Fund</u>
Current assets	
Cash and cash equivalents	\$ 1,513,828
Receivables – utility users, net of allowance of \$10,000	75,988
Receivables – grants and sales taxes	57,127
Prepaid items	16,445
Due from other funds	<u>5,002</u>
Total current assets	1,668,390
Noncurrent assets	
Fixed assets, net of accumulated depreciation	<u>3,585,908</u>
Total assets	5,254,298
Deferred outflows of resources – pension	<u>65,233</u>
Total assets and deferred outflows of resources	\$ <u>5,319,531</u>
 Liabilities – current	
Accounts payable	105,287
Accrued payroll	6,372
Current portion of long-term debt	<u>276,373</u>
Total current liabilities	388,032
Long-term liabilities –	
Long-term debt, net of current maturities	7,764,160
Deferred inflows of resources – pension	<u>36,596</u>
Total liabilities and deferred inflows of resources	<u>8,188,788</u>
Net position	
Invested in capital assets	2,214,708
Unrestricted:	
Undesignated deficit	(5,232,965)
Designated for long-term debt	<u>149,000</u>
Total unrestricted	<u>(5,083,965)</u>
Total net position	<u>(2,869,257)</u>
Total liabilities and net position	\$ <u>5,319,531</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, 2018

	<u>Enterprise Fund – Water Fund</u>
Operating revenues	
Refuse and recycling revenue	\$ 201,060
Capital charge – sewer hook-up	449,614
Water revenue	425,881
Water deposit revenue	1,374
Intergovernmental revenue	59,936
Miscellaneous revenue	9,395
Total operating revenues	<u>1,147,260</u>
Operating expenses	
Water department	395,244
Refuse and recycling expenses	184,259
Depreciation	234,650
Total operating expenses	<u>814,153</u>
Operating income	<u>333,107</u>
Non-operating revenues (expenses)	
Interest income	24,875
Gain (loss) on sale of capital assets	(645)
Miscellaneous income	4,500
1% sales tax income	223,615
Total non-operating revenues (expenses)	<u>252,345</u>
Income before other financing sources (uses)	585,452
Other financing sources (uses) – operating transfers	<u>(4,210)</u>
Special item – Rock River Water Reclamation District –	
Costs related to intergovernmental agreement for sanitary system	<u>(6,535,965)</u>
Net decrease in net position	(5,954,723)
Net position	
Net position – beginning	<u>3,085,466</u>
Net position – ending	\$ <u>(2,869,257)</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2018

	Enterprise Fund – Water Fund
Cash flows from operating activities	
Receipts from customers	\$ 1,137,886
Payments to suppliers	(277,662)
Payments to employees	(210,655)
Payments for interest to IEPA loan	(28,398)
Net cash flows from operating activities	<u>621,171</u>
Cash flows from capital and related financing activities	
Payments to IEPA loan	(69,542)
Purchase of and construction of fixed assets	(417,778)
Net cash flows from capital financing activities	<u>(487,320)</u>
Cash flows from non-capital financing activities	
Payments from other funds	(5,002)
Receipts from 1% sales tax	228,377
Net cash flows from non-capital financing activities	<u>223,375</u>
Cash flows from investing activities	
Miscellaneous income	4,500
Interest on investments	24,875
Net cash flows from investing activities	<u>29,375</u>
Operating transfers	<u>(4,210)</u>
Net increase in cash and cash equivalents	382,391
Cash and cash equivalents, beginning of year	<u>1,131,437</u>
Cash and cash equivalents, end of year	\$ <u>1,513,828</u>
Reconciliation of operating loss to net cash provided by operating activities	
Net operating income	333,107
Depreciation expense	234,650
Increase (decrease) in cash flows due to changes in:	
Utility accounts receivable	(9,374)
Prepaid expenses	230
Deferred pension expense	(47,339)
Accounts payable	66,373
Accrued payroll	428
Compensated absences	(1,725)
Pension liability	44,821
Net cash flows from operating activities	\$ <u>621,171</u>

See accompanying notes to financial statements.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

December 31, 2018

(1) Summary of Significant Accounting Policies

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) Incorporation

The Village was incorporated in 1895. 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.

(b) Financial 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.

(c) 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

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

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 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.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

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

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

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

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

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

Proprietary Funds – The focus of the proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. The U.S. generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Village has elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

November 30, 1989 as permitted under Governmental Standards Board Statement No. 20 for its proprietary fund.

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges (c) establishes fees and charges based on pricing policy designed to recover similar costs.

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

The Village reports the following major governmental funds:

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

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

The major proprietary fund is:

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

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market accounts. As of December 31, 2018, 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

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

recognized as a receivable at the time they are levied. Revenue from property tax is recognized as the taxes are collected in the year intended to finance or when they become available to be used to pay liabilities of the current period, generally considered to be within sixty days after year-end. Revenue from those taxes, which are not considered available is deferred.

The property tax calendar for the 2017 tax levy to finance 2018 operations were as follows:

Lien Date	January 1, 2018
Levy Date	December 5, 2017
First Installment Due	June 8, 2018
Second Installment Due	September 7, 2018

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 Village's 2018 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	0.4135	0.4375
Police Protection	0.4939	0.6000
Chlorination	—	0.0200
IMRF	0.0005	None
Audit	0.0005	None
Liability Insurance	0.0005	None
Total Village	0.9089	

The 2018 tax levy, which attached as an enforceable lien on property as of January 1, 2018, has been recorded as a receivable as of December 31, 2018 as the tax had been levied by the Village and extended by the County but would not collect until fiscal year 2019.

(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

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

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

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:

Assets	Years
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) 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, ILLINOIS

Notes to Financial Statements

(h) Prepaid Items

Payments made to vendors for services, which will benefit periods beyond December 31, 2018 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.

(i) 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.

(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) Long-Term Obligations

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities financial statements.

(l) 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.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

The Village's deferred inflows relates to property taxes levied in 2018 which will be collected during 2019 and deferred amounts to be recognized as reductions in pension expense over the next five years.

(m) 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.

(n) Fund Balances / Net Position

In the fund financial statements GASB Statement No. 54 defined and requires the fund balance amounts to be reported within one of the following fund balance categories:

1. **Non-spendable** – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
2. **Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments. The Village does not have a policy in place when both restricted and unrestricted resources are available for use.
3. **Committed** – amounts that can be used only for specified purposes determined by a formal action of the Village Board. The Village Board is the highest level of decision-making authority for the Village. Commitments may be modified, or rescinded only through the same type of action it employed to previously commit those amounts.
4. **Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Village does not have a policy, to assign amounts for specific purposes.
5. **Unassigned** – all other spendable amounts

In the Government-Wide Financial Statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt represents the book value of capital assets less any long-term debt issued to acquire or construct the capital assets. All other net assets that do not meet the

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

definition of “restricted” or “invested in capital assets, net of related debt” are classified as unrestricted net assets.

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

(n) Subsequent Events

The Village has assessed events that have occurred subsequent to December 31, 2018 through August 12, 2019 the date the financial statements were available to be issued for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

(2) Deposits

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. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

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, 2018, none of the Village's deposits were exposed to custodial credit risk or uninsured and uncollateralized.

The Village investment policy does not specifically address concentration of credit risk.

(3) Property Tax Receivables

Property taxes for 2017 attached as an enforceable lien on January 1, 2017, 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, 2018, and were payable in two installments on or about June 2, 2018 and September 1, 2018. Winnebago County collects such taxes and remits them to the Village periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues with the fiscal year that the tax levy is intended to finance. Therefore the entire 2018 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 inflows, revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable –			
General Fund	\$ 432,200	–	432,200
Other governmental units:			
General Fund	33,684	–	33,684
Other governmental funds	733	–	733
Total deferred revenue	<u>\$ 466,617</u>	<u>–</u>	<u>466,617</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

(5) Capital Assets

The governmental activities capital asset activity for year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land	\$ 73,884	–	–	73,884
Construction in progress	8,280	–	8,280	–
	<u>82,164</u>	<u>–</u>	<u>8,280</u>	<u>73,884</u>
Capital assets being depreciated –				
Buildings and improvements	359,604	–	–	359,604
Equipment and vehicles	595,769	15,595		611,364
Software	21,564	–	–	21,564
Infrastructure	4,689,209	203,646	–	4,892,855
Total capital assets being depreciated	<u>5,666,146</u>	<u>219,241</u>	<u>–</u>	<u>5,885,387</u>
Accumulated depreciation	<u>(1,775,027)</u>	<u>(180,056)</u>		<u>(1,955,083)</u>
Total capital assets being depreciated, net	<u>3,891,119</u>	<u>39,185</u>	<u>–</u>	<u>3,930,304</u>
Governmental activities capital assets, net	<u>\$ 3,973,283</u>	<u>39,185</u>	<u>8,280</u>	<u>4,004,188</u>

The business-type activities capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated –				
Land	\$ 68,264	–	–	68,264
Construction in progress	14,026	–	14,026	–
	<u>82,290</u>	<u>–</u>	<u>14,026</u>	<u>68,264</u>
Capital assets being depreciated:				
Buildings and improvements	15,000	–	–	15,000
Equipment and vehicles	556,241	–	(9,018)	547,223
Software	10,782	–	–	10,782
Infrastructure	3,693,318	431,805	–	4,125,123
Total capital assets being depreciated	<u>4,275,341</u>	<u>431,805</u>	<u>(9,018)</u>	<u>4,698,128</u>
Accumulated depreciation	<u>(954,207)</u>	<u>(234,650)</u>	<u>8,373</u>	<u>(1,180,484)</u>
Total capital assets being depreciated, net	<u>3,321,134</u>	<u>197,155</u>	<u>(645)</u>	<u>3,517,644</u>
Business-type activities capital assets, net	<u>\$ 3,403,424</u>	<u>197,155</u>	<u>13,381</u>	<u>3,585,908</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

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

Governmental activities:

General government	\$	14,027
Public safety		22,465
Highway and streets		<u>143,564</u>
Total governmental activities, depreciation expense	\$	<u>180,056</u>

Business-type activities – Water operations	\$	<u>234,650</u>
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(6) Inter-Fund Transfers

Transfers between funds for the year ended December 31, 2018 are as follows:

		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Water and Sewer Fund	* \$	5,002	9,212	<u>(4,210)</u>
General Fund	*	–	5,002	
Special Revenue Funds:				
Debt Service Fund		9,212	–	<u>4,210</u>
Community Development		–	6,000	
Fourth of July		<u>6,000</u>	<u>–</u>	<u>–</u>
	\$	<u>20,214</u>	<u>20,214</u>	

* Denotes major fund

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. Transfers were made to correct the recording from the sale of equipment (\$5,002), assign funds from the Community Development to pay Fourth of July expenses (\$6,000), and to provide contingency funding for expected intergovernmental expenses (\$9,212). At December 31, 2018 the General Fund owed the Water Fund \$5,002.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

(7) Illinois Municipal Retirement Fund

Plan Description

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

Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of (a) 3% of the original pension amount, or (b) 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	14
Total	<u>26</u>

Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees; The Village's annual contribution rate for calendar year 2018 was 12.88%. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2018:

- The actuarial cost method used was Entry Age Normal.
- The asset valuation method used was Market Value of Assets.
- The inflation rate was assumed to be 2.50%.
- Salary increases were expected to be 3.39% to 14.25%, including inflation.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

- The investment rate of return was assumed to be 7.25%.
- Projected retirement age was from the Experience-based Table of Rates, specific to the type of eligibility condition. Last updated for the 2017 valuation according to an experience study of the period 2014-2016.
- For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives.
- For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target	Long-Term Expected
	Percentage	Real Rate of Return
Domestic equity	38.00%	6.85%
International equity	17.00%	6.75%
Fixed income	27.00%	3.00%
Real estate	8.00%	5.75%
Alternative investments	9.00%	2.65-7.35%
Cash equivalents	1.00%	2.25%
Total	100.00%	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine the Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Changes in the Net Pension Liability

		Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2017	\$	2,597,736	2,224,589	373,147
Changes for the year:				
Service cost		75,969	—	75,969
Interest on the total pension liability		194,396	—	194,396
Differences between expected and actual experience of the total pension liability		10,711	—	10,711
Changes of assumptions		93,812	—	93,812
Contributions – employer		—	92,529	(92,529)
Contributions – employees		—	33,525	(33,525)
Net investment income (loss)		—	(104,038)	104,038
Benefit payments, including refunds of employee contributions		(87,553)	(87,553)	—
Other (net transfer)		—	29,647	(29,647)
Net changes		287,335	(35,890)	323,225
Balances at December 31, 2018	\$	2,885,071	2,188,699	696,372

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower of 1% higher:

		Single Discount Rate Assumption		
		1% Decrease	Current	1% Increase
		6.25%	7.25%	8.25%
Total pension liability	\$	3,310,672	2,885,071	2,534,662
Plan fiduciary net position		2,188,699	2,188,699	2,188,699
Net pension liability	\$	<u>1,121,973</u>	<u>696,372</u>	<u>345,963</u>

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

For the year ended December 31, 2018, the Village recognized pension expense of \$90,432. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts to be recognized in pension expense in future periods:			
Differences between expected and actual experience	\$	11,799	22,509
Changes of assumptions		84,888	60,135
Net difference between projected and actual earnings on pension plan investments		<u>246,643</u>	<u>109,966</u>
Total deferred amounts to be recognized in pension expense in future periods		<u>343,330</u>	<u>192,610</u>
Pension contributions made subsequent to the measurement date		<u>—</u>	<u>—</u>
	\$	<u>343,330</u>	<u>192,610</u>

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 50,850
2020	15,989
2021	14,663
2022	62,585
2023	6,633
	<u>\$ 150,720</u>

(8) 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.

(9) 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, ILLINOIS

Notes to Financial Statements

(10) Long-term Obligations

The outstanding obligations as of December 31, 2018 consist of the following:

	<u>2018</u>	<u>Current Portion</u>
Governmental activities:		
Compensated absences – Governmental activities	\$ 28,160	15,488
Pension liability – IMRF	<u>564,061</u>	<u>78,707</u>
	592,221	<u>94,195</u>
less current portion	<u>(94,195)</u>	
	<u>\$ 498,026</u>	
	<u>2018</u>	<u>Current Portion</u>
Business-type activities:		
Note payable – Illinois Environmental Protection Agency (IEPA), original debt of \$2,265,000 to upgrade potable water system. semi-Annual principal and interest payments of \$48.970, due January 21, 2035, interest rate is 1.995%	\$ 1,371,199	70,936
Intergovernmental agreement – Rock River Water Reclamation District (RRWRD), original debt of \$4,675,725, for sewer system, Total principal and interest payments of \$541,246, due Jan. 20 and July 20, maturing July 20, 2038. Interest rate is 1.75%	4,675,725	185,917
Intergovernmental agreement – Rock River Water Reclamation District. The Village owes RRWRD an amount between \$1,860,240 and \$2,046,264, due December 21, 2021, based upon a 2012 contract.	1,860,240	-
Compensated absences – Business-type activities	1,058	1,058
Pension liability – IMRF	<u>132,311</u>	<u>18,462</u>
	8,040,533	<u>276,373</u>
less current portion	<u>(276,373)</u>	
	<u>\$ 7,764,160</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

Future debt obligations at December 31, 2018 under IEPA notes payable are due as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2019	70,936	27,003	97,939
2020	72,359	25,581	97,940
2021	73,809	24,130	97,939
2022	75,289	22,651	97,940
2023	76,799	21,141	97,940
2024-2028	407,717	81,982	489,699
2029-2033	450,262	39,437	489,699
2034-2036	144,027	2,883	146,910
Total	\$ <u>1,371,199</u>	<u>244,808</u>	<u>1,616,007</u>

Future debt obligations at December 31, 2018 under the RRWRD intergovernmental agreement are due as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2019	\$ 185,918	\$ 76,291	\$ 262,209
2020	201,059	77,683	278,742
2021	204,593	74,149	278,742
2022	208,189	70,553	278,742
2023	211,848	66,894	278,742
2024-2028	1,116,419	277,289	1,393,708
2029-2033	1,218,043	175,665	1,393,708
2034-2036	1,329,656	64,790	1,394,446
Total	\$ <u>\$ 4,675,725</u>	<u>\$ 883,314</u>	<u>\$ 5,559,039</u>

The compensated absences and pension liabilities are paid from general fund revenues. Notes payables are paid from utility revenues.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

Long-term liability activities for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>New Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental activities:					
Compensated absences	\$ 25,514	28,160	25,514	28,160	15,488
Pension liability – IMRF	302,249	261,812	–	564,061	78,707
	<u>\$ 327,763</u>	<u>289,972</u>	<u>25,514</u>	<u>592,221</u>	<u>94,195</u>
Business-type activities:					
Notes payable – IEPA	\$ 1,440,741	–	69,542	1,371,199	70,935
Due to RRWRD	–	4,675,725	–	4,675,725	185,918
Due to RRWRD	–	1,860,240	–	1,860,240	–
Compensated absences	2,783	1,058	2,783	1,058	1,058
Pension liability – IMRF	70,898	61,413	–	132,311	18,462
	<u>\$ 1,514,422</u>	<u>6,598,436</u>	<u>72,325</u>	<u>8,040,533</u>	<u>276,373</u>

(11) Legal Debt Margin

The Village's aggregated indebtedness is subject to a statutory limitation by the State of Illinois 8.625% of its equalized assessed value. At December 31 2018, the statutory limit of the Village was \$4,101,091. The long-term obligations discussed above (Note 10) are not subject to the statutory limitation. Thus, the Village's legal debt margin is also \$4,101,091.

(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 2018 were \$11,853.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

(13) Intergovernmental Agreement with Rock River Water Reclamation District

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

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

In addition the Village must pay the District a one-time plant buy in fee of \$676,371 covering 1415 properties currently "served" by the Village's system. This fee was paid during fiscal year 2016 when the construction contract for extension of the Fuller Creek trunkline west of Meridian Road was awarded. Total costs to complete this project, including plant buy in fee, as indicated in the IGA is approximately \$10.6 million with a maximum cost not to exceed \$11.4 million. During 2018, the trunkline (\$4,675,725) and parallel trunk upgrades (\$1,860,240) were completed and recognized as a special item in the accompanying financial statements. 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.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Financial Statements

(14) Fund Deficit

There are no individual governmental funds with a deficit fund balance as of December 31, 2018. However, with the accrual of the estimated amounts due to Rock River Water Reclamation District under the intergovernmental agreement as discussed in Note 13, the Village's Water Fund has a deficit balance of \$2,869,257.

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Taxes	\$ 1,338,385	1,338,385	1,338,769	384
Fines and other fees	41,000	41,000	51,784	10,784
Other	<u>55,800</u>	<u>55,800</u>	<u>35,269</u>	<u>(20,531)</u>
Total revenues	<u>1,435,185</u>	<u>1,435,185</u>	<u>1,425,822</u>	<u>(9,363)</u>
Expenditures				
Current:				
General government	362,674	362,674	286,943	(75,731)
Highways and streets	608,139	608,139	386,528	(221,611)
Public safety	895,677	895,677	716,449	(179,228)
Capital outlay	<u>87,500</u>	<u>87,500</u>	<u>13,100</u>	<u>(74,400)</u>
Total expenditures	<u>1,953,990</u>	<u>1,953,990</u>	<u>1,403,020</u>	<u>(550,970)</u>
Excess (deficiency) of revenues over (under) expenditures	(518,805)	(518,805)	22,802	541,607
Other financing sources (uses)				
Transfer in (out)	<u>128,000</u>	<u>128,000</u>	<u>(5,002)</u>	<u>(133,002)</u>
Net change in fund balance	\$ <u>(390,805)</u>	<u>(390,805)</u>	17,800	<u>408,605</u>
Fund balance				
Beginning			<u>792,626</u>	
Ending		\$	<u><u>810,426</u></u>	

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

Debt Service Fund
For the Year Ended December 31, 2018

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues					
Property taxes	\$	–	–	–	–
Interest		<u>780</u>	<u>780</u>	<u>1,548</u>	<u>768</u>
Total revenues		<u>780</u>	<u>780</u>	<u>1,548</u>	<u>768</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		780	780	1,548	768
Other financing sources (uses)					
Transfer in (out)		<u>–</u>	<u>–</u>	<u>9,212</u>	<u>9,212</u>
Net change in fund balance	\$	<u>780</u>	<u>780</u>	10,760	<u>9,980</u>
Fund balance					
Beginning				<u>290,694</u>	
Ending			\$	<u>301,454</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Required Supplementary Information

December 31, 2018

Legal Compliance and Accountability

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

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

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

VILLAGE OF WINNEBAGO, ILLINOIS

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios

Illinois Municipal Retirement Fund

December 31, 2018

		<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability				
Service cost	\$	75,969	80,704	80,998
Interest on the total pension liability		194,396	188,832	176,387
Differences between expected and actual experience of the total pension liability		10,711	(26,989)	(10,793)
Changes of assumptions		93,812	(82,895)	(14,353)
Benefit payments, including refunds of employee contributions		<u>(87,553)</u>	<u>(78,654)</u>	<u>(78,867)</u>
Net change in total pension liability		287,335	80,998	153,372
Total pension liability – beginning		<u>2,597,736</u>	<u>2,516,738</u>	<u>2,363,366</u>
Total pension liability – ending (a)		<u>2,885,071</u>	<u>2,597,736</u>	<u>2,516,738</u>
Plan fiduciary net position				
Contributions – employer		92,529	89,741	91,570
Contributions – employee		33,525	32,127	31,845
Net investment income (loss)		(104,038)	325,276	119,387
Benefit payments, including refunds of employee contributions		<u>(87,553)</u>	<u>(78,654)</u>	<u>(78,867)</u>
Other (net transfer)		<u>29,647</u>	<u>(31,247)</u>	<u>7,547</u>
Net change in plan fiduciary net position		<u>(35,890)</u>	337,243	171,482
Plan fiduciary net position – beginning		<u>2,224,589</u>	<u>1,887,346</u>	<u>1,715,864</u>
Plan fiduciary net position – ending (b)		<u>2,188,699</u>	<u>2,224,589</u>	<u>1,887,346</u>
Net pension liability – ending (a)-(b)	\$	<u>696,372</u>	<u>373,147</u>	<u>629,392</u>
Plan fiduciary net position as a percentage of the total pension liability		75.86%	85.64%	74.99%
 Covered valuation payroll	\$	<u>745,007</u>	<u>713,938</u>	<u>707,659</u>
 Net pension liability as a percentage of covered valuation payroll		93.47%	52.27%	88.94%

Notes to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF WINNEBAGO, ILLINOIS**Required Supplementary Information****Multiyear Schedule of Contributions****Illinois Municipal Retirement Fund****December 31, 2018**

Calendar Year Ending December 31,		Actuarially	Actual	Contribution	Covered	Actual
		Determined		Deficiency	Valuation	Contribution
		Contribution	Contribution	(Excess)	Payroll	as a % of
		(a)	(b)	(a-b)	(c)	Covered
						Payroll
						(b/c)
12/31/18	\$	92,530	92,529	1	745,007	12.42%
12/31/17		89,742	89,741	1	713,938	12.57%
12/31/16		91,571	91,570	1	707,659	12.94%
12/31/15		91,904	91,903	1	694,662	13.23%
12/31/14		81,851	79,505	2,346	681,523	11.67%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Schedule of Contributions

Illinois Municipal Retirement Fund

December 31, 2018

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate *

Valuation Date –

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2018 Contribution Rates:

Actuarial cost method	Aggregate Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	Non-taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 25-year closed period. Early retirement incentive plan liabilities – a period up to 10 years selected by the employer upon adoption of early retirement incentive. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 20 years for most employers (three employers were financed over 29 years).
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75% – approximate; No explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.50% including inflation
Investment rate of return	7.50%

VILLAGE OF WINNEBAGO, ILLINOIS

Notes to Schedule of Contributions

Illinois Municipal Retirement Fund

December 31, 2018

Retirement age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

Mortality For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information –
Notes

There were no benefit changes during the year.

* Based on valuation assumptions used in the December 31, 2016 actuarial valuation

VILLAGE OF WINNEBAGO, ILLINOIS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

		Special Revenue Funds			Total
		Community Development Fund	Fourth of July Fund	Motor Fuel Tax Fund	Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$	59,501	449	20,651	80,601
Accounts receivable		8,391	—	6,735	15,126
Total assets	\$	<u>67,892</u>	<u>449</u>	<u>27,386</u>	<u>95,727</u>
Liabilities					
Accounts payable		3,111	—	17	3,128
Equipment sinking funds		2,000	—	—	2,000
Deferred revenue – taxes		733	—	—	733
Total liabilities		<u>5,844</u>	<u>—</u>	<u>17</u>	<u>5,861</u>
Fund balances					
Restricted for highways streets and bridges		—	—	27,369	27,369
Committed to community development		62,048	—	—	62,048
Committed to Fourth of July		—	449	—	449
Total fund balances		<u>62,048</u>	<u>449</u>	<u>27,369</u>	<u>89,866</u>
Total liabilities and fund balances	\$	<u>67,892</u>	<u>449</u>	<u>27,386</u>	<u>95,727</u>

VILLAGE OF WINNEBAGO, ILLINOIS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Community Development Fund</u>	<u>Fourth of July Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues				
Taxes	\$ 9,633	—	—	9,633
Motor fuel tax allotment			79,372	79,372
Grants	—	—	—	—
Fees and charges	38,869	—	—	38,869
Interest	901	57	687	1,645
Other	906	500	—	1,406
Total revenue	<u>50,309</u>	<u>557</u>	<u>80,059</u>	<u>130,925</u>
Expenditures				
Culture and recreation –				
Current	37,540	12,202	—	49,742
Capital outlay	—	—	66,388	66,388
Total expenditures	<u>37,540</u>	<u>12,202</u>	<u>66,388</u>	<u>116,130</u>
Excess (deficiency) of revenues over (under) expenditures	12,769	(11,645)	13,671	14,795
Other financing sources (uses)				
Transfer in (out)	<u>(6,000)</u>	<u>6,000</u>	<u>—</u>	<u>—</u>
Net change in fund balances	6,769	(5,645)	13,671	14,795
Fund balances				
Beginning	<u>55,279</u>	<u>6,094</u>	<u>13,698</u>	<u>75,071</u>
Ending	\$ <u>62,048</u>	<u>449</u>	<u>27,369</u>	<u>89,866</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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Telecommunications taxes	\$ 10,000	10,000	9,633	(367)
Fees and charges	56,100	56,100	38,869	(17,231)
Interest	200	200	901	701
Other	500	500	906	406
Total revenues	<u>66,800</u>	<u>66,800</u>	<u>50,309</u>	<u>(16,491)</u>
Expenditures				
Culture and recreation:				
Contractual services:				
Presidential project	1,250	1,250	1,151	(99)
Code enforcement officer	14,438	14,438	11,520	(2,918)
Legal expenses	12,500	18,500	15,584	3,084
Dues	2,500	2,500	135	(2,365)
Development escrow refund	25,000	25,000	–	(25,000)
Park equipment sinking fund	2,500	2,500	2,000	(500)
Engineering	3,750	3,750	1,607	(2,143)
Electricity	2,500	2,500	815	(1,685)
Community projects	18,750	12,750	3,060	(15,690)
Supplies – community expenses	2,500	2,500	1,668	(832)
Capital outlay	–	–	–	–
Total expenditures	<u>85,688</u>	<u>85,688</u>	<u>37,540</u>	<u>(48,148)</u>
Excess (deficiency) of revenues over (under) expenditures	(18,888)	(18,888)	12,769	31,657
Other financing sources (uses)				
Transfer in (out)	(6,375)	(6,375)	(6,000)	375
Net change in fund balance	\$ <u>(25,263)</u>	<u>(25,263)</u>	6,769	<u>32,032</u>
Fund balance				
Beginning			55,279	
Ending		\$	<u>62,048</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, 2018

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues					
Donations and other	\$	500	500	500	–
Interest		<u>40</u>	<u>40</u>	<u>57</u>	<u>17</u>
Total revenues		<u>540</u>	<u>540</u>	<u>557</u>	<u>17</u>
Expenditures					
Culture and recreation –					
Fourth of July expenses		<u>15,125</u>	<u>15,125</u>	<u>12,202</u>	<u>(2,923)</u>
Total expenditures		<u>15,125</u>	<u>15,125</u>	<u>12,202</u>	<u>(2,923)</u>
Excess (deficiency) of revenues over (under) expenditures					
		(14,585)	(14,585)	(11,645)	2,940
Other financing sources (uses)					
Transfer in (out)		<u>12,000</u>	<u>12,000</u>	<u>6,000</u>	<u>(6,000)</u>
Net change in fund balance					
	\$	<u>(2,585)</u>	<u>(2,585)</u>	(5,645)	<u>(3,060)</u>
Fund balance					
Beginning				<u>6,094</u>	
Ending			\$	<u>449</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Intergovernmental –				
Motor fuel taxes	\$ 79,000	79,000	79,372	372
Grants	–	–	–	–
Interest	<u>300</u>	<u>300</u>	<u>687</u>	<u>387</u>
Total revenues	<u>79,300</u>	<u>79,300</u>	<u>80,059</u>	<u>759</u>
Expenditures				
Highways and streets:				
Highways, street and bridges	93,784	93,784	–	(93,784)
Engineering	11,591	11,591	–	(11,591)
Capital outlay	<u>–</u>	<u>–</u>	<u>66,388</u>	<u>66,388</u>
Total expenditures	<u>105,375</u>	<u>105,375</u>	<u>66,388</u>	<u>(38,987)</u>
Excess (deficiency) of revenues over (under) expenditures	(26,075)	(26,075)	13,671	39,746
Other financing sources (uses)				
Transfer in (out)	<u>5,000</u>	<u>5,000</u>	<u>–</u>	<u>(5,000)</u>
Net change in fund balance	\$ <u>(21,075)</u>	<u>(21,075)</u>	13,671	<u>34,746</u>
Fund balance				
Beginning			<u>13,698</u>	
Ending		\$	<u>27,369</u>	

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2018

		2018			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues					
Taxes:					
Property taxes	\$	433,385	433,385	434,149	764
Sales taxes		330,000	330,000	338,909	8,909
State income tax		300,000	300,000	299,134	(866)
Telecommunications tax		54,000	54,000	48,164	(5,836)
Local use tax		77,000	77,000	81,810	4,810
Utility tax		122,000	122,000	116,551	(5,449)
Replacement tax		22,000	22,000	20,052	(1,948)
Total taxes		1,338,385	1,338,385	1,338,769	384
Licenses, fees and permits		8,000	8,000	12,075	4,075
Police fines		33,000	33,000	39,709	6,709
Total fines and other fees		41,000	41,000	51,784	10,784
Other revenue:					
Grants		10,000	10,000	3,721	(6,279)
Interest		5,200	5,200	14,829	9,629
Miscellaneous		40,600	40,600	16,719	(23,881)
Total other revenue		55,800	55,800	35,269	(20,531)
Total revenues	\$	1,435,185	1,435,185	1,425,822	(9,363)
Expenditures					
General government:					
Office salaries		52,835	52,835	43,942	(8,893)
Treasurer		43,957	43,957	35,262	(8,695)
Salaries – elected officials		33,750	33,750	26,350	(7,400)
Payroll taxes		10,845	10,845	9,090	(1,755)
Employee benefits		31,659	31,659	25,119	(6,540)
Employee welfare		2,813	2,813	2,267	(546)
Office equipment		10,563	9,798	5,166	(4,632)
Professional services		18,006	18,006	16,403	(1,603)
Engineering		11,250	6,800	4,548	(2,252)
Legal services		31,250	31,250	28,928	(2,322)
Inspection fees		7,500	10,000	9,100	(900)
Postage		1,250	1,550	1,611	61
Telephone		2,506	2,506	2,018	(488)
Publishing		1,094	1,094	1,056	(38)
Printing		5,000	4,900	3,369	(1,531)
Dues		1,938	1,938	1,415	(523)
Travel		938	1,638	1,769	131

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2018

		2018			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)					
General government (continued):					
Training	\$	938	2,153	1,561	(592)
Conferences		—	500	75	(425)
Office maintenance		5,000	5,000	4,224	(776)
Audit and accounting services		17,000	17,000	13,600	(3,400)
Liability insurance		6,600	6,600	5,401	(1,199)
Office supplies		3,125	3,125	3,042	(83)
Foreign fire insurance		7,500	7,500	—	(7,500)
Building water usage		500	500	235	(265)
Miscellaneous expense		500	600	527	(73)
Sullivan's payback agreement		43,388	43,388	34,308	(9,080)
Property tax refunds		988	988	801	(187)
Equipment sinking fund		6,250	6,250	5,000	(1,250)
WINGIS		900	900	606	(294)
Capital outlay – equipment		—	—	150	150
Contingency		2,831	2,831	—	(2,831)
Total general government		362,674	362,674	286,943	(75,731)
Highways and streets:					
Salaries		130,201	130,201	100,727	(29,474)
Employee benefits		43,628	43,628	38,737	(4,891)
Payroll taxes		9,722	9,722	7,644	(2,078)
Maintenance – buildings		6,875	6,875	1,729	(5,146)
Maintenance – vehicles		7,500	7,500	5,558	(1,942)
Maintenance – streets and sidewalks		95,000	95,000	73,010	(21,990)
Maintenance – equipment		7,500	7,500	6,027	(1,473)
Maintenance – service		3,125	3,125	194	(2,931)
Professional fees		188	188	—	(188)
Engineering		25,000	25,000	13,027	(11,973)
Telephone		1,625	1,625	1,303	(322)
Electricity		48,125	48,125	37,148	(10,977)
Supplies		5,000	5,000	3,162	(1,838)
Gas and oil		12,500	12,500	7,779	(4,721)
Tree removal		12,500	12,500	2,930	(9,570)
Liability insurance		15,000	15,000	11,399	(3,601)
WINGIS		900	900	606	(294)
MS4 upgrades and repairs		1,250	1,250	850	(400)
MS4 permits		—	—	450	450
Street projects		182,500	182,500	74,248	(108,252)
Capital outlay – equipment		87,500	87,500	13,100	(74,400)
Total highways and streets		695,639	695,639	399,628	(296,011)

(Continued)

VILLAGE OF WINNEBAGO, ILLINOIS

Schedule of Detailed Revenues and Expenditures – Budget and Actual

General Fund

For the Year Ended December 31, 2018

		2018			
		Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)					
Public safety:					
Office salaries	\$	7,800	7,800	6,859	(941)
Police chief		105,829	105,829	84,894	(20,935)
Full time officers		356,626	356,626	294,802	(61,824)
Part time officers		18,750	14,266	7,053	(7,213)
Police overtime		22,500	19,173	14,840	(4,333)
Payroll taxes		39,137	39,137	31,670	(7,467)
Employee benefits		161,353	161,353	135,721	(25,632)
Uniforms		5,000	5,938	4,895	(1,043)
Computers and equipment		1,875	1,875	515	(1,360)
Professional services		19,943	19,943	12,513	(7,430)
Vehicle maintenance		8,250	9,250	5,863	(3,387)
911 dispatch service		52,250	52,250	33,268	(18,982)
Legal		13,124	16,452	15,450	(1,002)
Postage		313	313	241	(72)
Telephone		5,976	5,976	3,445	(2,531)
Publishing and printing		938	938	129	(809)
Dues		813	813	625	(188)
Travel		250	920	870	(50)
Liability insurance		28,750	28,750	27,190	(1,560)
Water		375	375	145	(230)
Gas and oil		11,875	11,875	10,789	(1,086)
Grants		3,125	3,125	–	(3,125)
Miscellaneous		2,250	2,250	1,187	(1,063)
Alert-leads user fee		2,500	2,500	–	(2,500)
Police garage maintenance		1,875	1,875	1,603	(272)
Pre-employment physical		1,250	1,250	727	(523)
Small equipment		5,000	5,875	5,561	(314)
WINGIS		450	450	303	(147)
Equipment sinking fund		12,500	12,500	10,000	(2,500)
Training		5,000	6,000	5,291	(709)
Total public safety		<u>895,677</u>	<u>895,677</u>	<u>716,449</u>	<u>(179,228)</u>
Total expenditures	\$	<u>1,953,990</u>	<u>1,953,990</u>	<u>1,403,020</u>	<u>(550,970)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating revenues				
Water service income	\$ 366,000	366,000	394,402	28,402
Capital charge – sewer hook-up	434,000	434,000	443,030	9,030
Water hook-up fees	3,900	3,900	31,479	27,579
Sewer hook-up fees	6,600	6,600	6,584	(16)
Water deposit revenue	1,000	1,000	1,374	374
Garbage charges	183,210	183,210	189,858	6,648
Recapture and impact fees	7,000	7,000	11,202	4,202
Intergovernmental income	64,400	64,400	59,936	(4,464)
Miscellaneous revenue	10,500	10,500	9,395	(1,105)
Total operating revenues	<u>1,076,610</u>	<u>1,076,610</u>	<u>1,147,260</u>	<u>70,650</u>
Operating expenses				
Office salary	49,659	49,659	42,135	(7,524)
Rock 39 salary	–	–	(684)	(684)
Part-time wages	6,250	6,250	–	(6,250)
Meter reader	25,636	25,636	18,697	(6,939)
Plant operator	71,791	71,791	57,591	(14,200)
Public works wages	38,769	38,769	29,549	(9,220)
Health insurance	36,910	36,910	32,005	(4,905)
Payroll taxes	17,635	17,635	11,611	(6,024)
Employee benefits	23,083	23,083	18,454	(4,629)
IMRF – GASB 68	–	–	(2,518)	(2,518)
Building water usage	1,250	1,250	409	(841)
Alarm system	4,000	4,000	3,153	(847)
Chemicals	6,250	6,250	3,707	(2,543)
Engineering	18,750	18,750	3,663	(15,087)
Garbage expense	225,000	225,000	184,259	(40,741)
Liability insurance	20,375	20,375	12,729	(7,646)
Equipment maintenance	10,000	10,000	8,381	(1,619)
Office and computer equipment	1,250	1,250	1,338	88
Operating supplies	43,750	43,750	16,575	(27,175)
Postage	5,000	5,000	4,525	(475)
Pre-employment physical	750	750	–	(750)
Printing	1,875	1,875	1,198	(677)
Professional fees	2,900	2,900	330	(2,570)

(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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating expenses (continued)				
Publishing/advertising	\$ 1,250	1,250	123	(1,127)
WINGIS	2,250	2,250	1,515	(735)
Rental and small equipment	8,125	8,125	3,240	(4,885)
Telephone	3,375	3,375	2,826	(549)
Travel and training	2,500	2,500	856	(1,644)
Utilities	42,000	42,000	30,807	(11,193)
Water analysis	3,750	3,750	3,463	(287)
EPA permit fees	625	625	–	(625)
Fuel, grease and oil	12,500	12,500	7,735	(4,765)
Recapture fees	4,375	4,375	–	(4,375)
Impact fees	4,375	4,375	4,292	(83)
Water sewer upgrade	562,500	562,500	–	(562,500)
Sullivan's payback agreement	15,000	15,000	11,853	(3,147)
IEPA – interest expense	122,425	122,425	28,398	(94,027)
Depreciation	275,000	275,000	234,650	(40,350)
Contingency	66,500	66,500	37,288	(29,212)
Capital outlay	87,500	87,500	–	(87,500)
Total operating expenses	<u>1,824,933</u>	<u>1,824,933</u>	<u>814,153</u>	<u>(1,010,780)</u>
Operating income	<u>(748,323)</u>	<u>(748,323)</u>	<u>333,107</u>	<u>1,081,430</u>
Nonoperating income (expense)				
Interest income	6,000	6,000	24,875	18,875
Gain (loss) on disposal of assets	–	–	(645)	(645)
Miscellaneous income	5,000	5,000	4,500	(500)
1% sales tax income	<u>205,000</u>	<u>205,000</u>	<u>223,615</u>	<u>18,615</u>
Total nonoperating income (expenses)	<u>216,000</u>	<u>216,000</u>	<u>252,345</u>	<u>36,345</u>
Income before other financing sources	<u>(532,323)</u>	<u>(532,323)</u>	<u>585,452</u>	<u>1,117,775</u>
Operating financing sources –				
Operating transfers	<u>167,337</u>	<u>167,337</u>	<u>(4,210)</u>	<u>(171,547)</u>
Total other financing sources (uses)	<u>167,337</u>	<u>167,337</u>	<u>(4,210)</u>	<u>(171,547)</u>
Special item –				
Rock River Water Reclamation District				
costs related to intergovernmental				
agreement for sanitary system	<u>(275,000)</u>	<u>(275,000)</u>	<u>(6,535,965)</u>	<u>(6,260,965)</u>
Change in net assets	\$ <u>(639,986)</u>	<u>(639,986)</u>	<u>(5,954,723)</u>	<u>(5,314,737)</u>
Net position				
Beginning			<u>3,085,466</u>	
Ending		\$ <u>(2,869,257)</u>		

VILLAGE OF WINNEBAGO, ILLINOIS
Assessed Valuations, Property Tax Rates, Extensions and Collections
December 31, 2018

	Tax Years			
	2018	2017	2016	2015
Assessed valuations	\$ <u>47,548,879</u>	<u>45,667,251</u>	<u>44,384,130</u>	<u>44,048,532</u>
Property tax rates (per \$100 of assessed valuation):	Max	Actual	Actual	Actual
General	0.4375	0.4135	0.4214	0.4241
General – Audit	–	0.0005	0.0006	0.0005
General – Liability	–	0.0005	0.0006	0.0005
Police	0.6000	0.4939	0.5034	0.5065
IMRF	–	0.0005	0.0006	0.0005
Total tax rate		<u>0.9089</u>	<u>0.9266</u>	<u>0.9321</u>
Property tax extensions:				
General		196,615	192,442	188,233
General – Audit		238	274	222
General – Liability		238	274	222
Police		234,844	229,889	224,806
IMRF		238	274	222
	\$	<u>432,173</u>	<u>423,153</u>	<u>413,705</u>
Property tax collections:**				
General		–	192,197	187,150
General – Audit		–	274	220
General – Liability		–	274	220
Police		–	229,598	223,512
IMRF		–	274	220
	\$	<u>–</u>	<u>422,617</u>	<u>411,322</u>
Percentage of extensions collected		<u>–</u>	<u>99.87</u>	<u>99.42</u>
				<u>99.54</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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assessed Valuation	\$ <u>47,548,879</u>	<u>45,667,251</u>	<u>44,384,130</u>
Statutory Debt Limitation (8.625 % of Assessed Valuation)	4,101,091	3,938,800	3,828,131
Outstanding debt ssubject to debt limitation – None	<u>–</u>	<u>–</u>	<u>–</u>
Legal Debt Margin	\$ <u>4,101,091</u>	<u>3,938,800</u>	<u>3,828,131</u>