

McGladrey & Pullen

Certified Public Accountants

Village of Inverness, Illinois

Annual Financial Report

April 30, 2007

Village of Inverness, Illinois

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Village of Inverness, Illinois

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Village of Inverness, Illinois

Principal Officials

April 30, 2007

President

John A. Tatooles

Trustees

Janice M. Stremel

Richard C. Gallagher

Timothy W. Tiedje

Michelene Polk

Linda L. Post

Patricia D. Ledvina

Clerk

Diane C. Steichen

Deputy Clerk

Mary A. Bavier

Treasurer

Kenneth A. Klein

Administrator

Curt Carver

Independent Auditor's Report

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Village President
and Board of Trustees
Village of Inverness, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Inverness, Illinois, as of and for the year ended April 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Inverness, Illinois. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Inverness, Illinois, as of April 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information which includes Management's Discussion and Analysis (pages 3-11), budgetary comparison information (page 30) and pension related information (page 31) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Inverness, Illinois. The accompanying supplemental data as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
September 27, 2007

Management's Discussion and Analysis

VILLAGE OF INVERNESS, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED APRIL 30, 2007

The Village of Inverness' Management's Discussion and Analysis is designed to explain significant financial issues, provide an overview of Village financial activity, identify changes in the Village's financial position, identify material deviations from budget, and identify individual issues and concerns.

This document should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

Net Assets

The Village's net assets of governmental activities increased by \$528,202 or 4.5% as a result of this year's operations. The Village does not conduct any business-type activities.

Revenues

The governmental activities revenues totaled \$3,567,232.

Cost of Village Programs

The governmental activities expenditures totaled \$3,039,030.

General Fund

The General Fund reported revenues of \$2,224,079 and expenditures of \$2,515,497, resulting in an operating deficit of \$196,818 after transfers in of \$94,600.

USING THIS ANNUAL REPORT

In the past, the primary focus of local government financial statements was summarized by fund type and presented on a current financial resource basis. Now, financial statements are presented from two perspectives: government-wide and major fund. These perspectives allow the user to address relevant questions, broaden a basis for comparison and enhance the Village's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to emulate the corporate sector in that all government and business-type activities are consolidated into columns, which add to a total for the Primary Government. In the case of the Village, there are currently no activities that are classified as business-type. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental-type activities.

This statement combines and consolidates the governmental funds' 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 governmental activities, 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.

The Governmental Activities reflect the Village's basic services, including general government, public safety and public works. Property taxes, investment income, shared state income taxes and sales taxes finance the majority of these services.

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 the previous model's fund types.

The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the budget or financial plan is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

Infrastructure Assets

The Village has decided to implement the infrastructure portions of GASB 34 prospectively and depreciate assets over their useful lives.

GOVERNMENT-WIDE STATEMENT

Net Assets

Net assets are defined as the amount by which assets exceed liabilities. Net assets can be a useful indicator of a government's financial condition. Assets exceeded liabilities by \$12,310,408 as of April 30, 2007. This is an increase of \$528,202 or 4.5% over the prior year.

Statement of Net Assets

As of April 30, 2007

	Governmental Activities		
	2007	2006	Change
Current and other assets	\$ 8,820,138	\$ 8,076,303	\$ 743,835
Capital assets	4,732,237	4,782,346	(50,109)
Total assets	13,552,375	12,858,649	693,726
Current liabilities	1,241,967	1,076,443	(165,524)
Net Assets:			
Invested in capital assets, net of debt	4,732,237	4,782,346	(50,109)
Restricted	465,649	89,244	376,405
Unrestricted	7,112,522	6,910,616	201,906
Total net assets	\$ 12,310,408	\$ 11,782,206	\$ 528,202

A portion of total net assets constitutes investment in capital assets net of accumulated depreciation. For governmental activities, capital assets include land, buildings, improvements other than buildings, vehicles and equipment.

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

- 1) Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net assets.
- 2) Borrowing of Capital – which will increase current assets and long-term debt.
- 3) Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

- 4) Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 5) Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 6) Reduction of Capital Assets through Depreciation – which will reduce capital assets and investment in capital assets, net of debt.

As indicated above, governmental net assets increased by \$528,202 or 4.5%. The following table compares revenue and expenses for the current year.

Statement of Activities
As of April 30, 2007

	Governmental		
	Activities		
	2007	2006	Change
Revenues			
Program Revenues			
Charges for service	\$ 667,961	\$ 802,598	\$ (134,637)
Grants and contributions			
Operating	195,253	277,640	(82,387)
General Revenue			
Property	1,223,868	683,504	540,364
Other taxes	725,237	670,052	55,185
Annexation fees	66,000	787,500	(721,500)
Franchise fees	97,331	87,049	10,282
Donations	172,827	-	172,827
Investment income	347,027	259,479	87,548
Miscellaneous	71,728	28,902	42,826
Total Revenue	3,567,232	3,596,724	(29,492)
Expenses			
General Government	911,008	906,775	4,233
Public Safety	1,411,472	1,341,442	70,030
Public Works	716,550	1,146,220	(429,670)
Total Expenses	3,039,030	3,394,437	(355,407)
Change in Net Assets	528,202	202,287	325,915
Net assets - beginning	11,782,206	11,579,919	202,287
Net assets - ending	\$ 12,310,408	\$ 11,782,206	\$ 528,202

There are eight basic impacts on revenues and expenses as reflected below:

Revenues:

- 1) Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.
- 2) Increase/Decrease in Village Board Approved Rates – while certain tax rates are set by State statute, the Village Board has significant authority to impose and periodically increase/decrease rates (property taxes, telecommunications taxes, impact fees, building permit fees, home rule sales tax, etc.)
- 3) Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues (state share 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.
- 4) Market Impacts on Investment Income – the Village's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses:

- 5) Introduction of New Programs – within the functional expense categories (General Government, Public Safety and Public Works) individual programs may be added or deleted to meet changing community needs.
- 6) Increase in Authorized Personnel – changes in service demand may cause the Village Board to increase/decrease staffing. Staffing costs represent approximately 14% of the Village's operating costs.
- 7) Increases in contractual services – the Village relies heavily on contractual agreements for the delivery of services. Scheduled increases for police and certain public works activities will have an impact on overall expenses based on their significance to basic operational programming.
- 8) Inflation – while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity specific increases. In addition, inflationary factors will impact costs associated with contractual service agreements.

For the fiscal year ended April 30, 2007, revenues from all activities totaled \$3,567,232. This was slightly less than the prior year amount of \$3,596,724. This difference is the result of a combination of two major factors, which were the loss of impact fees related to the Maison du Comte development, which was a one-time event last year, and the increase in the Village's property tax levy for the current year to cover increasing police service costs.

Expenses

Total expenses for all activities for the year ended April 30, 2007 were \$3,039,030. This was a decrease of \$355,407 (10.5%) from the prior year, and compared favorably to the approved budgeted expenses across all funds of \$4,180,700. This decrease resulted from several factors, which included the absence of a road resurfacing program during the current year because of unresolved issues related to the prior year program, a delay in the construction of the Veterans Memorial and reduced activity related to the silo renovation project.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At April 30, 2007, the governmental funds reported a combined fund balance of \$6,681,819, a .009% increase from the previous year's balance of \$6,681,204. Revenues exceeded expenditures in fiscal year 2007 by \$615. While this amount is insignificant, this situation is not consistent with broader financial trends. Overall, the Village has and continues to expect a decrease in its combined fund balance. This trend reflects the fiscal policy of the Village Board to maintain current service levels by using unreserved fund balance to finance annual operations. While surpluses were realized this year and last year, these years are contrary to the larger trend created by this policy decision.

Total revenues for governmental funds for fiscal year 2007 were \$2,989,536. This was a 17.3% decrease over the prior year revenues of \$3,613,598, but more in-line with past prior year trends. Sales tax receipts totaled \$144,723, which was a .7% increase from last year. Income tax receipts totaled \$582,104, which was an 11.5% increase from the prior year. Income from impact/annexation fees of \$66,000 represented a decrease of \$721,500 from the previous year's total of \$787,500 due to the loss of the aforementioned Maison du Comte impact fees.

Total expenditures for governmental funds for the year ended April 30, 2007, were \$2,988,921. This was a decrease of approximately 11% over the previous year's \$3,361,230. As noted above, total expenditures were \$1,191,779 less than the approved budgeted expenditures. This decrease was the result of the Village not expending funds on its annual road resurfacing program, the delay in the start of construction for the Veterans Memorial project and the fact that the Village incurred limited expenses related to the silo renovation project. Overall these projects were budgeted at \$1,120,000. Additional expenditures will be incurred in the future for these later two projects. Significant projects that were undertaken include: \$165,933 to replace/repair drainage facilities, \$192,000 for residential solid waste disposal and \$228,700 for snow removal/ice control efforts. Finally, the Village contracts with the Village of Barrington for police services. This is a multi-year agreement with stated annual costs. Expenditures associated with this contract were \$1,394,160 during the fiscal year and represent the largest single expenditure for the Village.

General Fund Budgetary Highlights
Year Ended April 30, 2007

General Fund	Original and Final Budget	Actual	Over/ Under
Revenues			
Property taxes	\$ 548,500	\$ 535,254	\$ (13,246)
Other taxes	667,700	731,513	63,813
Licenses and permits	410,000	382,029	(27,971)
Annexation fees	45,000	66,000	21,000
Franchise fees	84,000	97,331	13,331
Interest	200,000	302,391	102,391
Other	140,500	109,561	(30,939)
Total	2,095,700	2,224,079	128,379
Expenditures and Transfers			
Expenditures	2,963,700	2,515,497	448,203
Transfers	430,000	(94,600)	524,600
Total	3,393,700	2,420,897	972,803
Change in Fund Balance	\$ (1,298,000)	\$ (196,818)	\$ 1,101,182

General Fund Budgetary Highlights

As of April 30, 2007, actual revenues were \$128,379 more than budgeted amounts. Actual expenditures were \$448,202 less than the approved budget. A budgeted transfer of \$430,000 to the Street and Bridge fund was not made due to the absence of the road resurfacing program during the year. While the General Fund experienced a decrease in fund balance of \$196,818, this compared favorably to a budgeted deficit of \$1,298,000 as described earlier.

The Village did not revise the total annual operating budget during the year. During the course of the year, the Village made budgeted transfers from the Solid Waste Fund to the General Fund. This transfer reflected the reimbursement of prior years subsidies of the solid waste program from the General Fund. A schedule showing the budget amounts compared to the Village's actual financial activity is presented as required supplementary information in the financial statements.

Capital Assets

At the end of fiscal year 2007, the Village had a combined total of capital assets (net of accumulated depreciation) of \$4,732,237 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net decrease (including additions and deletions) of \$50,109 over fiscal year 2006.

**Capital Assets at Year End
Net of Depreciation
April 30, 2007 and 2006**

	Governmental Activities	
	2007	2006
Land	\$ 3,597,208	\$ 3,597,208
Buildings	1,071,418	1,099,590
Improvements other than building	45,658	58,628
Vehicles and equipment	17,953	26,920
Total	\$ 4,732,237	\$ 4,782,346

Outstanding Debt

The Village of Inverness has no outstanding debt.

Economic Factors and a Look to the Future

As noted above, the Village experienced an increase in overall available fund balance of \$615 in fiscal year 2007. As described above this is inconsistent with current broader financial trends. It does not reflect any significant change in direction for the Village in terms of the relationship between revenues and expenses, which has produced ongoing and increasing deficits. Prior to this year, the Village experienced decreases in overall fund balance for four out of five years. During the period from fiscal year 2001 through 2005, the Village experienced a decrease in available fund balance of 21% from a high of \$8,180,533 to finance annual operations. During this same period, the level of deficit spending has increased. Next year, this trend is expected to return and thereby accelerate the reduction in available fund balance.

In addition, the Village's largest expenditure for police services is contractually established until the end of fiscal year 2009. During this period, program costs will increase approximately 5% per year. Future costs beyond 2009 are subject to negotiations, which are now underway. Initial proposals received by the Village far exceed normal inflationary levels. The current agreement and service levels are not open to material changes or likely cost reduction. The Village still faces the need to renovate the silos at Village Hall. These are a significant Village landmark of historical and community-wide importance. Initial expenses have been incurred over the last several years but no major expenses have been incurred to date. If debt financing is not considered for this project, the impact on available fund reserves could be significant. Both of these factors will exacerbate current financial trends.

From 1996 to 2005, the Village did not increase the property tax levy in terms of aggregate dollars collected. During this period, the property tax rate had declined from \$.274 per \$100 of assessed valuation to \$.133 for 2005. This action had been purposefully executed in an effort to reduce overall fund balance to reflect the Investment Policy of the Village, which requires an available fund balance in the General Fund equal to the prior year's approved budget and an available fund balance in the Street and Bridge Fund equal to one-third of the prior year's budget. This policy and the current financial trends related to revenues and expenses will require changes to the current revenue generation policy of the Village in order to maintain existing levels of services. Recognizing this fact, the Village Board developed a five-year financial forecast. As a result of this financial planning effort, the Village increased the tax levy for 2006 to \$1,097,000 as a first step in addressing this issue. Furthermore, policy linkage between the property tax levy and police services costs was established as part of this process.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 may be directed to Curt Carver, Village Administrator, Village of Inverness, 1400 Baldwin Road, Inverness, Illinois 60067.

Basic Financial Statements

Village of Inverness, Illinois

Statement of Net Assets

April 30, 2007

	Governmental Activities
Assets	
Current	
Cash and investments	\$ 7,675,059
Receivables	
Property taxes	894,842
Accounts	16,666
Intergovernmental	209,466
Accrued interest	24,105
Total current assets	<u>8,820,138</u>
Noncurrent	
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,071,418
Improvements other than buildings	45,658
Vehicles and equipment	17,953
Total noncurrent assets	<u>4,732,237</u>
Total assets	<u>13,552,375</u>
Liabilities	
Current	
Accounts payable	397,213
Deposits payable	822,534
Other liabilities	22,220
Total current liabilities	<u>1,241,967</u>
Net Assets	
Invested in capital assets	4,732,237
Restricted for memorial	226,617
Restricted for streets and bridges	239,032
Unrestricted	<u>7,112,522</u>
Total net assets	<u>\$ 12,310,408</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

**Statement of Activities
Year Ended April 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 911,008	\$ 382,029	\$ -	\$ (528,979)
Public safety	1,411,472	37,833	-	(1,373,639)
Public works	716,550	248,099	195,253	(273,198)
Total	<u>\$ 3,039,030</u>	<u>\$ 667,961</u>	<u>\$ 195,253</u>	<u>(2,175,816)</u>

General revenues

Taxes

Property	1,223,868
Personal property replacement	4,686
Sales	144,723
Income and use	575,828
Annexation fees	66,000
Franchise fees	97,331
Donations	172,827
Investment income	347,027
Miscellaneous	71,728

 Total general revenues 2,704,018

Change in net assets 528,202

Net assets - beginning 11,782,206

Net assets - ending \$ 12,310,408

See Notes to Financial Statements.

Village of Inverness, Illinois

Balance Sheet - Governmental Funds
April 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 6,715,191	\$ 959,868	\$ 7,675,059
Receivables			
Property taxes	845,205	49,637	894,842
Accounts	-	16,666	16,666
Intergovernmental	193,874	15,592	209,466
Accrued interest	24,105	-	24,105
Total assets	<u>\$ 7,778,375</u>	<u>\$ 1,041,763</u>	<u>\$ 8,820,138</u>
Liabilities			
Accounts payable	\$ 383,998	\$ 13,215	\$ 397,213
Deferred revenues - property tax	842,296	49,141	891,437
Deferred revenues - other tax	4,915	-	4,915
Deposits payable	822,534	-	822,534
Other liabilities	22,220	-	22,220
Total liabilities	<u>2,075,963</u>	<u>62,356</u>	<u>2,138,319</u>
Fund Balances			
Unreserved, reported in:			
General fund	5,702,412	-	5,702,412
Special revenue funds	-	979,407	979,407
Total fund balances	<u>5,702,412</u>	<u>979,407</u>	<u>6,681,819</u>
Total liabilities and fund balances	<u>\$ 7,778,375</u>	<u>\$ 1,041,763</u>	<u>\$ 8,820,138</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
April 30, 2007**

Total fund balances-governmental funds	\$ 6,681,819
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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 funds.	4,732,237
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Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	896,352
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Net assets of governmental activities	<u>\$ 12,310,408</u>
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See Notes to Financial Statements.

Village of Inverness Illinois

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended April 30, 2007**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 535,254	\$ 104,642	\$ 639,896
Other taxes	731,513	-	731,513
Charges for services	-	193,702	193,702
Licenses and permits	382,029	54,397	436,426
Fines and forfeitures	37,833	-	37,833
Intergovernmental	-	195,253	195,253
Annexation fees	66,000	-	66,000
Franchise fees	97,331	-	97,331
SSES reimbursements	35,477	-	35,477
Donations	-	172,827	172,827
Interest	302,391	44,636	347,027
Miscellaneous	36,251	-	36,251
Total revenues	2,224,079	765,457	2,989,536
Expenditures			
Current			
General government	860,899	-	860,899
Public safety	1,411,472	-	1,411,472
Public works	243,126	473,424	716,550
Total expenditures	2,515,497	473,424	2,988,921
Excess (deficiency) of revenues over expenditures	(291,418)	292,033	615
Other financing sources (uses)			
Transfers in	94,600	-	94,600
Transfers out	-	(94,600)	(94,600)
Total other financing sources (uses)	94,600	(94,600)	-
Net change in fund balances	(196,818)	197,433	615
Fund balances - beginning	5,899,230	781,974	6,681,204
Fund balances - ending	\$ 5,702,412	\$ 979,407	\$ 6,681,819

See Notes to Financial Statements.

Village of Inverness Illinois

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended April 30, 2007**

Net change in fund balances-total governmental funds	\$	615
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period. (\$0 current additions less \$50,109 depreciation.)		
		(50,109)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenues		<u>577,696</u>
Change in net assets of governmental activities	\$	<u><u>528,202</u></u>

See Notes to Financial Statements.

Village of Inverness, Illinois

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Village is a municipal corporation governed by an elected seven-member board. The financial statements of the Village of Inverness, Illinois (Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity

Accounting principles generally accepted in the United States of America require the reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria there are no potential component units which should be included with the Village's financial statements nor is the Village considered to be a potential component unit of any other government.

Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the Village. Eliminations have been made to minimize the double counting of internal activities of the Village. The financial activities of the Village consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The Statement of Net Assets presents the Village's non-fiduciary assets and liabilities with the difference reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets, if any.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e. general government, public safety and public works) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Village of Inverness, Illinois

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: Separate financial statements are provided for governmental funds. The fund financial statements provide information about the Village's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Village's General Fund is its only major fund. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The Village has no enterprise funds.

The Village administers the following major governmental funds:

General Fund – This is the Village's primary operating fund. It accounts for all financial resources of the general government. The services which are administered by the Village and accounted for in the general fund include general government, public safety, and public works.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, State shared revenues and various State, Federal and local grants. On an accrual basis, revenues from taxes are recognized when the Village has a legal claim to the resources. Grants, entitlements, State shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants, charges for services, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due (upon employee retirement or termination). General capital asset acquisitions are reported as expenditures in governmental funds.

Village of Inverness, Illinois

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Joint Venture - Solid Waste Agency Of Northern Cook County (SWANCC)

SWANCC is a municipal corporation empowered to plan, finance, construct and operate a solid waste disposal system to serve its member municipalities. Management consists of a Board of Directors comprised of one appointed representative from each member. The Village does not exercise any control over the activities of SWANCC beyond its representation on the Board of Directors.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Investments

Investments are reported at fair value based on quoted market prices.

Capital Assets

Capital assets which include land, streets, storm sewers, bridges, improvements other than buildings, machinery and equipment, and buildings are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000, and an estimated useful life of two years or greater. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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

Infrastructure assets acquired prior to May 1, 2004 are not capitalized as allowed for "Level 3" governments by GASB Statement No. 34.

Village of Inverness, Illinois

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements other than buildings	15 – 50
Vehicles and equipment	2 – 10

Gains or losses from sales or retirements of capital assets are included in the operations on the Statement of Activities.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are classified as "interfund receivables/payables."

Interfund Receivables/Payables

The Village has the following types of transactions between funds:

Loans and Advances—amounts provided with a requirement for repayment. In the fund financial statements, interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as due to/from other funds in the fund balance sheets or fund statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Restricted Net Assets

As of April 30, 2007, the Village reported \$226,617 of net assets restricted for a veteran's memorial which will be constructed during fiscal year 2007. In addition, \$239,032 of net assets are restricted for street and bridge repairs and other improvements.

Village of Inverness, Illinois

Notes to Financial Statements

Note 2. Legal Compliance and Accountability

Budgets

An annual budget is prepared for all Village Funds. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested funding for the next fiscal year.

The proposed budget is presented to the governing body for review. On the basis of the approved budget, the appropriation ordinance is prepared. The governing body holds public hearings and may add to, subtract from or change appropriations.

The appropriation ordinance may be amended by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, there were no amendments to the appropriation ordinance.

The budget amounts in these financial statements reflect the Village's financial plan. These budget amounts are less than the legally enacted appropriation ordinance.

Note 3. Deposits and Investments

The Village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet – governmental funds and the statement of net assets as "cash and investments." In addition, investments are separately held by several of the Village's funds.

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds. The Village does not have a policy that further limits its permitted deposits and investments. The Village adheres to the State statutes identified above and has not adopted any policies for cash and/or investments addressing custodial risk, interest rate risk or credit risk.

Village of Inverness, Illinois

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Interest Rate Risk.

As of April 30, 2007, the Village had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More Than 5
US Treasury Notes	\$ 437,894	\$ 437,894	\$ -	\$ -
Money market fund	3,786	3,786	-	-
Illinois Metropolitan Investment Fund	542,128	542,128	-	-
Illinois Funds	3,710,561	3,710,561	-	-
Total	<u>\$ 4,694,369</u>	<u>\$ 4,694,369</u>	<u>\$ -</u>	<u>\$ -</u>

The money market fund, Illinois Metropolitan Investment Fund and Illinois Funds are displayed as maturing in less than one year because the weighted average maturities of the individual pools are each less than one year.

The Illinois Metropolitan Investment Fund (IMET) and The Illinois Funds Investment Pool (IFIP) are not registered with the SEC. Oversight for IMET is provided by the IMET Board. The Board is responsible for policy formulation, as well as policy and administration oversight. IFIP is managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. IFIP is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. For both pools, the fair value of the positions in the pool is the same as the value of the pool shares.

Credit Risk.

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Village does not have an investment policy that further limits its investment options. As of April 30, 2007, the Illinois Metropolitan Investment Fund (IMET) and the Illinois Funds Investment Pool (IFIP) were both rated AAA by Standard and Poors. The money market fund was not rated.

Note 4. Receivables - Taxes

Property taxes for 2006 attach as an enforceable lien on January 1, 2006, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2007 and July 1, 2007, and are payable in two installments, on or about March 1, 2007 and August 1, 2007. The County collects such taxes and remits them periodically.

Village of Inverness, Illinois**Notes to Financial Statements**

Note 5. Capital Assets

A summary of changes in capital assets for governmental activities of the Village is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Capital assets not being depreciated:				
Land	\$ 3,597,208	\$ -	\$ -	\$ 3,597,208
Capital assets being depreciated:				
Buildings	1,408,598	-	-	1,408,598
Improvements other than buildings	259,396	-	-	259,396
Vehicles and equipment	74,881	-	-	74,881
	<u>1,742,875</u>	<u>-</u>	<u>-</u>	<u>1,742,875</u>
Less accumulated depreciation for:				
Buildings	309,008	28,172	-	337,180
Improvements other than buildings	200,768	12,970	-	213,738
Vehicles and equipment	47,961	8,967	-	56,928
	<u>557,737</u>	<u>50,109</u>	<u>-</u>	<u>607,846</u>
Total capital assets being depreciated, net	<u>1,185,138</u>	<u>(50,109)</u>	<u>-</u>	<u>1,135,029</u>
Governmental activities capital assets, net	<u>\$ 4,782,346</u>	<u>\$ (50,109)</u>	<u>\$ -</u>	<u>\$ 4,732,237</u>

Depreciation of \$50,109 was related to the general government function.

Village of Inverness, Illinois

Notes to Financial Statements

Note 6. Interfund Activity

Individual interfund transfers for the Village at April 30, 2007, are shown as follows:

Fund	Detail	Transfers To Other Funds
Solid Waste Fund	Reimbursement for solid waste expenses paid out of the General Fund	\$ 94,600
Total		<u>\$ 94,600</u>

Fund		Transfers From Other Funds
General Fund	Reimbursement for solid waste expenses paid out of the General Fund	\$ 94,600
Total		<u>\$ 94,600</u>

Note 7. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. These risks, along with medical claims for employees and retirees, are provided for through a limited self-insurance program. The Village currently reports all its risk management activities in its General Fund.

The Village has joined together with other local governments in Illinois to form the Municipal Insurance Cooperative Association (MICA). MICA is a public entity risk pool operating a common risk management and insurance program for its member governments. MICA maintains \$1,000,000 specific reinsurance contracts for a \$100,000 limit on property claims, \$150,000 limit on liability claims, \$350,000 limit on workers' compensation claims and a \$50,000 limit on crime claims. MICA also maintains a \$1,000,000 reinsurance contract for total loss aggregate of \$6,550,000. The Village pays an annual premium to MICA based upon a risk exposure formula and the Village's prior experience within the pool to cover potential claims to the total loss aggregate of \$6,550,000. In addition, the Village pays the first \$1,000 for property, liability and crime claims. Amounts paid into the pool in excess of claims for any coverage year are rebated back to members in subsequent periods. The Village records such rebates as miscellaneous revenue in the General Fund in the year in which they are received.

Risks for medical and death benefits for employees are provided through insurance purchased from private insurance companies.

There have been no reductions in the Village's insurance coverage for any of its programs since the prior fiscal year. Settlements have not exceeded insurance coverage during the current year or prior three fiscal years.

Village of Inverness, Illinois

Notes to Financial Statements

Note 8. Commitments and Contingencies

Solid Waste Agency of Northern Cook County (SWANCC)

The Village has committed to pay its share of the annual operating costs and fixed costs of SWANCC. The Village's share of dual costs is expected to be funded through tipping fees paid by refuse haulers.

SWANCC has entered into Solid Waste Disposal Contracts with member municipalities. The Contracts are irrevocable and may not be terminated or amended except as provided in the Contract. Each member is obligated, on a "take or pay" basis, to purchase or in any event to pay for a minimum annual cost of the system.

The obligation of the Village to make all payments as required by this Contract is unconditional and irrevocable, without regard to performance or nonperformance by SWANCC of its obligations under this Contract.

The Village's contract with the Solid Waste Agency of Northern Cook County provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

Intergovernmental Agreement

The Village of Inverness (Village) entered into an intergovernmental agreement with the Village of Barrington (Barrington) whereby Barrington will provide cooperative police services to the Village through the end of fiscal year 2009.. Under the terms of the agreement the Village will pay Barrington \$1,463,880 for services performed in fiscal year FY 2008 and \$1,541,660 for services performed in FY 2009.

Note 9. Joint Ventures - Solid Waste Agency of Northern Cook County (SWANCC)

Description of Joint Venture

The Village is a member of the Solid Waste Agency of Northern Cook County (SWANCC) which consists of 23 municipalities. SWANCC is a municipal corporate and public body politic and corporate established pursuant to the Constitution of the State of Illinois and the Intergovernmental Cooperation Act of the State of Illinois, as amended (the Act). SWANCC is empowered under the Act to plan, construct, finance, operate and maintain a solid waste disposal system to serve its members. SWANCC is reported as a nonequity governmental joint venture.

Complete financial statements can be obtained from the Solid Waste Agency of Northern Cook County, 1616 East Golf Road, Des Plaines, Illinois 60016.

In accordance with the joint venture agreement, the Village made payments of \$179,119 to SWANCC for the fiscal year.

Village of Inverness, Illinois

Notes to Financial Statements

Note 10. Employee Retirement Systems

Illinois Municipal Retirement

Plan Description

The Village contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois State Statute and may only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Funding Policy

Participating employees are required to contribute 4.5 percent of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund the benefits of its own employees in IMRF using the actuarial basis specified by state statute (entry age normal); for calendar year 2006, the rate was 10.57 percent. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

For fiscal year 2007, the Village's annual pension cost of \$35,732 was equal to the Village's required and actual contributions. The required contributions were determined as part of the December 31, 2004 actuarial valuation.

There was no net pension obligation for the plan at transition or at year-end.

Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows on the next page:

Village of Inverness, Illinois

Notes to Financial Statements

Note 10. Employee Retirement Systems (Continued)

Illinois Municipal Retirement (Continued)

Significant Actuarial Assumptions (Continued)

	Illinois Municipal Retirement
Actuarial valuation date	December 31, 2005
Actuarial cost method	Entry age Normal
Method used to determine actuarial value of assets	Five-year smoothed market value with a 15% corridor
Amortization period	26 years
Amortization method	Level percentage of projected payroll-closed basis
Significant actuarial assumptions	
(a) Inflation rate	4.00%
(b) Rate of return on investments	7.50% compounded annually
(c) Projected salary increases	0.40% to 11.60%
(d) Postretirement benefit increases	3.00%

Village of Inverness, Illinois

Notes to Financial Statements

Note 10. Employee Retirement Systems (Continued)

Illinois Municipal Retirement (Continued)

Three-Year Trend Information

	For Fiscal Year	Illinois Municipal Retirement	
Annual pension cost (APC)	2005	\$ 27,275	
	2006	29,727	
	2007	35,732	
Percent of APC contributed	2005	100.00	%
	2006	100.00	
	2007	100.00	
Net pension obligation	2005	\$ -	
	2006	-	
	2007	-	

Note 11. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The Village is required to implement this Statement for the year ending April 30, 2009.

Statement No. 48 – *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments – generally, a single lump sum. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability and provides guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues. In addition, this Statement requires disclosures pertaining to future revenues that have been pledged or sold, along with information about which revenues will be unavailable and for how long. This Statement will become effective for the year ending April 30, 2008.

Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addressed accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This Statement will become effective for the year ending April 30, 2009.

Village of Inverness, Illinois

Notes to Financial Statements

Note 11. New Governmental Accounting Standards (Continued)

Statement No. 50 – *Pension Disclosures – an amendment to GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The Village will implement Statement No. 50 beginning with the year ending April 30, 2009.

Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Village is required to implement this Statement for the year ending April 30, 2011.

Management has not currently determined what impact, if any, these Statements may have on its financial statements.

Required Supplementary Information

Village of Inverness, Illinois

General Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2007**

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	\$ 548,500	\$ 535,254	\$ (13,246)
Sales taxes	129,600	144,723	15,123
Income taxes	534,500	582,104	47,604
Replacement taxes	3,600	4,686	1,086
Licenses and permits	410,000	382,029	(27,971)
Fines and forfeitures	37,000	37,833	833
Annexation fees	45,000	66,000	21,000
Franchise fees	84,000	97,331	13,331
SSES Reimbursements	51,500	35,477	(16,023)
Interest	200,000	302,391	102,391
Miscellaneous	52,000	36,251	(15,749)
Total revenues	<u>2,095,700</u>	<u>2,224,079</u>	<u>128,379</u>
Expenditures			
General government	1,332,700	860,899	471,801
Public safety	1,419,000	1,411,472	7,528
Public works	212,000	243,126	(31,126)
Total expenditures	<u>2,963,700</u>	<u>2,515,497</u>	<u>448,203</u>
Excess of expenditures over revenues	(868,000)	(291,418)	576,582
Other financing sources (uses)			
Operating transfers in (out)	(430,000)	94,600	524,600
Net change in fund balance	<u>\$ (1,298,000)</u>	(196,818)	<u>\$ 1,101,182</u>
Fund balance - beginning		<u>5,899,230</u>	
Fund balance - ending		<u>\$ 5,702,412</u>	

Village of Inverness, Illinois

**Analysis of Funding Progress - Illinois Municipal Retirement Fund
April 30, 2007**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	AAL Liability as a Percentage of Annual Covered Payroll ((b-a)/c)
2004	\$ 558,874	\$ 659,465	\$ 100,591	84.75	% \$ 285,901	35.18 %
2005	591,356	756,323	164,967	78.19	297,868	55.38
2006	686,224	864,146	177,922	79.41	338,054	52.63

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$727,754. On a market value basis, the funded ratio would be 84.22%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2003-2005 experience study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For regular members, fewer normal and more early retirements are expected to occur.

Village of Inverness, Illinois

Note to Required Supplementary Information

Note 1. Budgetary Basis of Accounting

The General Fund's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Supplemental Data

Governmental Funds

General Fund

Village of Inverness, Illinois

General Fund

**Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2007**

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	\$ 314,500	\$ 309,800
Salaries, part-time staff	15,000	11,006
Salaries, elected officials	16,800	16,800
Bookkeeping, outside assistance	26,000	26,710
IMRF \ deferred compensation	47,800	58,797
Employee benefits and other personnel related	72,400	38,100
Dues	8,000	8,101
Legal services	103,000	70,818
Engineering services	50,000	50,000
Office supplies, postage and equipment	66,000	39,317
Insurance	31,600	31,478
Printing and publishing	3,000	2,620
Telephone	6,600	7,945
Expense and automobile allowance	-	3,953
Contract inspection	25,000	25,310
Village Hall maintenance	30,000	30,530
Conferences and training	4,500	2,427
Miscellaneous	63,200	31,612
Payroll taxes	26,800	23,253
Remodeling	350,000	16,439
Contributions	5,000	2,000
Audit	16,000	14,000
SSES	51,500	39,883
Total general government	<u>1,332,700</u>	<u>860,899</u>
Public safety		
Public safety and emergency 911 program	24,800	17,312
Police protection	1,394,200	1,394,160
Total public safety	<u>1,419,000</u>	<u>1,411,472</u>
Public works		
Engineering services	57,000	52,032
Forestry	30,000	25,161
Stormwater management	125,000	165,933
Total public works	<u>212,000</u>	<u>243,126</u>
Total expenditures	<u>\$ 2,963,700</u>	<u>\$ 2,515,497</u>

Nonmajor Governmental Funds – Special Revenue Funds

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2007

	Special Revenue Funds					Totals
	Dry Hydrant	Solid Waste	Motor Fuel Tax	Street and Bridge	Veterans Memorial	
Assets						
Cash and investments	\$ 3,847	\$ 222,503	\$ 223,440	\$ 283,461	\$ 226,617	\$ 959,868
Receivables						
Property taxes	-	-	-	49,637	-	49,637
Accounts	-	16,666	-	-	-	16,666
Intergovernmental	-	-	15,592	-	-	15,592
Total assets	\$ 3,847	\$ 239,169	\$ 239,032	\$ 333,098	\$ 226,617	\$ 1,041,763
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 13,215	\$ -	\$ 13,215
Deferred revenues - property taxes	-	-	-	49,141	-	49,141
Total liabilities	-	-	-	62,356	-	62,356
Fund balances	3,847	239,169	239,032	270,742	226,617	979,407
Total liabilities and fund balances	\$ 3,847	\$ 239,169	\$ 239,032	\$ 333,098	\$ 226,617	\$ 1,041,763

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended April 30, 2007

	Special Revenue Funds					Totals
	Dry Hydrant	Solid Waste	Motor Fuel Tax	Street and Bridge	Veterans Memorial	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 104,642	\$ -	\$ 104,642
Charges for services	-	193,702	-	-	-	193,702
Licenses and permits	-	-	-	54,397	-	54,397
Intergovernmental	-	-	195,253	-	-	195,253
Donations	-	-	-	-	172,827	172,827
Interest	32	15,450	6,436	20,829	1,889	44,636
Total revenues	32	209,152	201,689	179,868	174,716	765,457
Expenditures						
Public works	-	179,119	-	294,305	-	473,424
Excess (deficiency) of revenues over expenditures	32	30,033	201,689	(114,437)	174,716	292,033
Other financing uses						
Transfers out	-	(94,600)	-	-	-	(94,600)
Net change in fund balances	32	(64,567)	201,689	(114,437)	174,716	197,433
Fund balances - beginning	3,815	303,736	37,343	385,179	51,901	781,974
Fund balances - ending	\$ 3,847	\$ 239,169	\$ 239,032	\$ 270,742	\$ 226,617	\$ 979,407

Village of Inverness, Illinois

Solid Waste Fund

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2007**

	Original and Final Budget	Actual
Revenues		
Charges for services		
SWANCC fees	\$ 200,000	\$ 193,702
Interest	7,500	15,450
Total revenues	<u>207,500</u>	<u>209,152</u>
Expenditures		
Public works		
Solid waste	<u>192,000</u>	<u>179,119</u>
Excess of revenues over expenditures	15,500	30,033
Other financing uses		
Transfers out	<u>(94,600)</u>	<u>(94,600)</u>
Net change in fund balance	<u>\$ (79,100)</u>	(64,567)
Fund balance - beginning		<u>303,736</u>
Fund balance - ending		<u>\$ 239,169</u>

Village of Inverness, Illinois

Motor Fuel Tax Fund

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2007**

	Original and Final Budget	Actual
Revenues		
Intergovernmental	\$ 192,300	\$ 195,253
Interest	2,500	6,436
Total revenues	<u>194,800</u>	<u>201,689</u>
Expenditures		
Public works		
Street maintenance	-	-
Excess of revenues over expenditures	194,800	201,689
Other financing uses		
Transfers out	<u>(200,000)</u>	-
Net change in fund balance	<u>\$ (5,200)</u>	201,689
Fund balance - beginning		<u>37,343</u>
Fund balance - ending		<u>\$ 239,032</u>

Village of Inverness, Illinois

Street and Bridge Fund

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2007**

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 100,000	\$ 104,642
Licenses and permits	55,000	54,397
Interest	7,500	20,829
Total revenues	<u>162,500</u>	<u>179,868</u>
Expenditures		
Public works		
Street maintenance	<u>875,000</u>	<u>294,305</u>
Deficiency of revenues over expenditures	(712,500)	(114,437)
Other financing sources		
Transfers in	<u>630,000</u>	-
Net change in fund balance	<u>\$ (82,500)</u>	(114,437)
Fund balance - beginning		<u>385,179</u>
Fund balance - ending		<u>\$ 270,742</u>

Village of Inverness, Illinois

Veterans Memorial Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2007

	Original and Final Budget	Actual
Revenues		
Private donations	\$ 93,500	\$ 172,827
Interest	1,000	1,889
Total revenues	<u>94,500</u>	<u>174,716</u>
Expenditures		
Veterans memorial	<u>150,000</u>	<u>-</u>
Excess of revenues over expenditures	(55,500)	174,716
Other financing sources		
Transfers in	<u>55,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	174,716
Fund balance - beginning		<u>51,901</u>
Fund balance - ending		<u>\$ 226,617</u>

Village of Inverness, Illinois

**Property Tax Assessed Valuations, Rates,
Extensions and Collections (Unaudited)
April 30, 2007**

Year	2005**	2004	2003	2002	2001
Assessed valuation	\$ 402,692,680	\$ 384,577,473	\$ 323,034,513	\$ 319,072,912	\$ 294,050,798
Tax rate per \$100 of assessed valuation	0.133	0.147	0.175	0.178	0.193
Extensions	566,723	565,329	565,310	567,950	567,518
Collections*	565,991	563,708	563,156	563,567	573,222

Year	2000	1999	1998	1997	1996
Assessed valuation	\$ 247,317,768	\$ 243,111,185	\$ 214,779,405	\$ 210,881,732	\$ 206,183,639
Tax rate per \$100 of assessed valuation	0.233	0.241	0.241	0.268	0.274
Extensions	566,715	585,897	565,668	565,163	564,955
Collections*	577,648	559,621	553,421	551,242	554,577

* May be more than 100% of extensions due to collections of prior year's taxes not segregated.

** Most recent information available.

Village of Inverness, Illinois

Schedule of Legal Debt Margin

April 30, 2007

The Village is a home-rule municipality. As of April 30, 2007, the Village had no outstanding debt.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property....(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent:.... indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts."

To date, the General Assembly has set no limits for home-rule municipalities.