

**McGladrey & Pullen**

Certified Public Accountants

# **Village of Inverness, Illinois**

Annual Financial Report

April 30, 2008

# Village of Inverness, Illinois

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**Village of Inverness, Illinois**

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**Village of Inverness, Illinois**

**Principal Officials**

**April 30, 2008**

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**President**

John A. Tatooles

**Trustees**

Janice M. Stremel

Richard C. Gallagher

Timothy W. Tiedje

Michelene Polk

John R. Willis

Patricia D. Ledvina

**Clerk**

Diane C. Haas

**Deputy Clerk**

Ellen Norden

**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, 2008, 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, 2008, 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 2-10), 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 26, 2008

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

# **VILLAGE OF INVERNESS, ILLINOIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED APRIL 30, 2008**

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 total net assets of governmental activities decreased by \$210,381 or 1.7% as a result of this year's operations. The Village does not conduct any business-type activities.

#### **Revenues**

The governmental activities revenues totaled \$3,697,383.

#### **Cost of Village Programs**

The governmental activities expenditures totaled \$3,907,764.

#### **General Fund**

The General Fund reported revenues of \$2,988,668 and expenditures of \$2,647,501, resulting in an operating deficit of \$38,833 after transfers out of \$380,000.

### **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, for the first time, 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 \$12,100,027 as of April 30, 2008. This is a decrease of \$210,381 or 1.7% over the prior year.

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
Current and other assets	\$ 8,468,887	\$ 8,820,138	\$ (351,251)
Capital assets	4,924,036	4,732,237	191,799
<b>Total assets</b>	<b>13,392,923</b>	<b>13,552,375</b>	<b>(159,452)</b>
Current liabilities	1,292,896	1,241,967	(50,929)
Net Assets:			
Invested in capital assets, net of debt	4,924,036	4,732,237	191,799
Restricted	34,971	465,649	(430,678)
Unrestricted	7,141,020	7,112,522	28,498
<b>Total net assets</b>	<b>\$ 12,100,027</b>	<b>\$ 12,310,408</b>	<b>\$ (210,381)</b>

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 decreased by \$210,381 or 1.7%.

The following table compares revenue and expenses for the current year:

**Statement of Activities**  
**As of April 30, 2008**

	<b>Governmental</b>		
	<b>Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for service	\$ 593,330	\$ 667,961	\$ (74,631)
Grants and contributions			
Operating	189,345	195,253	(5,908)
General Revenue			
Property	1,589,058	1,223,868	365,190
Other taxes	812,536	725,237	87,299
Annexation fees	48,000	66,000	(18,000)
Franchise fees	136,888	97,331	39,557
Donations	17,077	172,827	(155,750)
Investment income	293,271	347,027	(53,756)
Miscellaneous	17,878	71,728	(53,850)
<b>Total Revenue</b>	<b>3,697,383</b>	<b>3,567,232</b>	<b>130,151</b>
<b>Expenses</b>			
General Government	976,089	911,008	65,081
Public Safety	1,492,663	1,411,472	81,191
Public Works	1,439,012	716,550	722,462
<b>Total Expenses</b>	<b>3,907,764</b>	<b>3,039,030</b>	<b>868,734</b>
<b>Change in Net Assets</b>	<b>(210,381)</b>	<b>528,202</b>	<b>(738,583)</b>
<b>Net assets - beginning</b>	<b>12,310,408</b>	<b>11,782,206</b>	<b>528,202</b>
<b>Net assets - ending</b>	<b>\$ 12,100,027</b>	<b>\$ 12,310,408</b>	<b>\$ (210,381)</b>

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, 2008, revenues from all activities totaled \$3,697,383. This was 3.6% greater than the prior year amount of \$3,567,232. The \$130,151 difference is the result of an increase in the property tax levy approved by the Village Board offset by reductions in private donations for the Veterans Memorial Project, which was completed during the current fiscal year, and reduced investment income due to a decline in interest rates.

**Expenses**

Total expenses for all activities for the year ended April 30, 2008 were \$3,907,764. This was an increase of \$868,734 (28.6%) from the previous year. This increase was the result of several factors. These included the renewal of a road-resurfacing program during the current year, costs associated with the completion of the Veterans Memorial, increased expenses related to public safety and snow plowing operations.

**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, 2008, the governmental funds reported a combined fund balance of \$6,160,338. This is a 7.8% decrease from the previous year’s ending balance of \$6,681,819. Expenses exceeded revenues by \$521,481. While this reflects the Village’s continued reliance on unreserved fund balance to maintain current service levels, the amount of the deficit is significant. This is the first year where this policy has produced a reduction in fund balance of this magnitude. Continued reliance on such a policy without some modification in the revenue-expense relationship will not be sustainable.

Total revenues for governmental funds for fiscal year 2008 were \$3,578,082. This was a 20% increase over the prior year’s revenues of \$2,989,536. Property taxes totaled \$1,469,457 which was a 130% increase from last year. This significant

change was due to an increase in the 2006 tax levy for the General Fund (1.5 million) compared to the 2005 levy (.6 million). This adjustment tied the amount of property taxes to be collected to the cost of police services for the year. Franchise fee receipts totaled \$136,888, reflecting a 40.6% increase over the prior year. Private donations for the Veterans Memorial decreased by more than 90% or \$155,750 from last year as that project came to a close.

Total expenditures for governmental funds for the year ended April 30, 2008, were \$4,099,563. This was an increase of approximately 37% over the previous year's \$2,988,921. Total expenditures were \$24,837 less than the approved budgeted expenditures. Significant projects that were undertaken include: \$669,958 to maintain village streets, \$150,419 to replace/repair drainage facilities, \$245,034 for the construction of the Veterans Memorial project, \$205,675 for residential solid waste disposal and \$284,144 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 \$1,463,880 during the fiscal year and represent the largest single expenditure for the Village.

**General Fund Budgetary Highlights**  
**Year Ended April 30, 2008**

<b>General Fund</b>	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Over/ Under</b>
<b>Revenues</b>			
Property taxes	\$ 1,097,000	\$ 1,349,509	\$ 252,509
Other taxes	701,400	812,836	111,436
Licenses and permits	410,000	320,211	(89,789)
Fines and forfeitures	40,000	37,968	(2,032)
Annexation fees	60,000	48,000	(12,000)
Franchise fees	88,000	136,888	48,888
Interest	249,000	261,531	12,531
Miscellaneous	15,000	17,878	2,878
Transfers in	-	3,847	3,847
<b>Total</b>	<b>2,660,400</b>	<b>2,988,668</b>	<b>328,268</b>
<b>Expenditures and Transfers</b>			
Expenditures	2,745,400	2,647,501	97,899
Transfers out	380,000	380,000	-
<b>Total</b>	<b>3,125,400</b>	<b>3,027,501</b>	<b>97,899</b>
<b>Change in Fund Balance</b>	<b>\$ (465,000)</b>	<b>\$ (38,833)</b>	<b>\$ 426,167</b>

**General Fund Budgetary Highlights**

As of April 30, 2008, actual revenues were \$328,268 more than budgeted amounts. Actual expenditures were \$97,899 less than the approved budget. A budgeted transfer out of \$380,000 to the Street and Bridge Fund was made to finance a portion of the Village's road-resurfacing program during the year. While the General Fund experienced a decrease in fund balance of \$38,833, this compared favorably to a budgeted deficit of \$465,000.

The Village did not revise the total annual operating budget during the year. An amended Appropriation Ordinance was passed prior to the end of the fiscal year, but this did not affect fund totals. 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 2008, the Village had a combined total of capital assets (net of accumulated depreciation) of \$4,924,036 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net increase (including additions and deletions) of \$191,799 over fiscal year 2007. Most of this can be attributed to the construction of the Veterans Memorial.

**Capital Assets at Year End  
Net of Depreciation  
April 30, 2008 and 2007**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 3,597,208	\$ 3,597,208
Buildings	1,043,246	1,071,418
Improvements other than building	274,596	45,658
Vehicles and equipment	8,986	17,953
<b>Total</b>	<b>\$ 4,924,036</b>	<b>\$ 4,732,237</b>

**Outstanding Debt**

The Village of Inverness has no outstanding debt.

**Economic Factors and a Look to the Future**

As noted above, the Village experienced a decrease in overall available fund balance of \$521,481 in fiscal year 2008. This reflects an accelerated reliance on fund balance to finance operations, which has been a pattern the Village has engaged in since 2001. During the period from fiscal year 2001 through 2008, the Village has experienced a decrease in unreserved fund balance of 21.7% from a high of \$8,180,533 to finance annual operations. Next year, this trend is expected to accelerate even further. The Village Board has recognized that this pattern is not sustainable if they are to maintain compliance with the Village's Investment and Reserve Policy. In response they have begun to explore alternative financing mechanisms to improve and maintain Village streets.

In addition after considerable review, the Village has decided to create its own police department. The current contractual service arrangement will end on April 30, 2009. A study has indicated that this should be a more cost-effective method for meeting the public safety needs of the Village and provide greater control over service costs in the future. In fiscal year 2009 the Village will incur costs associated with the start up of the department, while continuing to pay for contractual services that are fixed for the year. These start-up costs will be funded from unreserved fund balance. The Village still faces the need to renovate the silos at Village Hall. These are a significant Village landmark. Initial expenses have been incurred over the last several years but no major expense has been undertaken 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.

In 2006 the Village began to adjust its property tax levy upward to coincide with police contractual expenses. Prior to that, the Village had not increased the property tax levy in terms of aggregate dollars collected since 1996. During this period, the property tax rate has declined from \$.274 per \$100 of assessed valuation to \$.133 for 2005. This was purposefully executed in an effort to reduce fund balance to a more publicly accepted level, recognizing the limitations of the Investment Policy of the Village. This policy requires a minimum fund balance in the General Fund equal to the prior year's approved budget and a minimum fund balance in the Street and Bridge Fund equal to one-third of the prior year's budget. By 2007, the Village's tax levy met 100% of the contractual costs for police services. This policy is expected to continue for the 2008 levy and into the future as the Village transitions from a contractual police service delivery model to an in-house model. The adjustment of the tax levy to reflect police costs and adopting an alternative financing method for street improvements should reduce the

reliance on fund balance as a revenue source for operations and allow the Village to maintain adequate financial reserves in accordance with the Investment Policy without implementing service reductions.

### **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, 2008**

	Governmental Activities
<b>Assets</b>	
Current	
Cash and investments	\$ 7,215,631
Receivables	
Property taxes	1,022,398
Accounts	15,592
Intergovernmental	203,205
Accrued interest	12,061
Total current assets	<u>8,468,887</u>
Noncurrent	
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,043,246
Improvements other than buildings	274,596
Vehicles and equipment	8,986
Total noncurrent assets	<u>4,924,036</u>
Total assets	<u>13,392,923</u>
<b>Liabilities</b>	
Current	
Accounts payable	475,119
Deposits payable	791,015
Other liabilities	26,762
Total current liabilities	<u>1,292,896</u>
<b>Net Assets</b>	
Invested in capital assets	4,924,036
Restricted for streets and bridges	34,971
Unrestricted	<u>7,141,020</u>
Total net assets	<u>\$ 12,100,027</u>

See Notes to Financial Statements.

**Village of Inverness, Illinois**

**Statement of Activities  
Year Ended April 30, 2008**

<b>Functions/Programs</b>	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 976,089	\$ 374,276	\$ -	\$ (601,813)
Public safety	1,492,663	37,968	-	(1,454,695)
Public works	1,439,012	181,086	189,345	(1,068,581)
Total	<u>\$ 3,907,764</u>	<u>\$ 593,330</u>	<u>\$ 189,345</u>	<u>(3,125,089)</u>

General revenues

Taxes

Property	1,589,058
Personal property replacement	5,345
Sales	171,325
Income and use	635,866
Annexation fees	48,000
Franchise fees	136,888
Donations	17,077
Investment income	293,271
Miscellaneous	17,878

    Total general revenues 2,914,708

Change in net assets (210,381)

Net assets - beginning 12,310,408

Net assets - ending \$ 12,100,027

See Notes to Financial Statements.

**Village of Inverness, Illinois**

**Balance Sheet - Governmental Funds  
April 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 6,596,990	\$ 618,641	\$ 7,215,631
Receivables			
Property taxes	971,614	50,784	1,022,398
Accounts	-	15,592	15,592
Intergovernmental	203,205	-	203,205
Accrued interest	12,061	-	12,061
Total assets	<u>\$ 7,783,870</u>	<u>\$ 685,017</u>	<u>\$ 8,468,887</u>
<b>Liabilities</b>			
Accounts payable	\$ 336,487	\$ 138,632	\$ 475,119
Deferred revenues - property tax	961,412	49,626	1,011,038
Deferred revenues - other tax	4,615	-	4,615
Deposits payable	791,015	-	791,015
Other liabilities	26,762	-	26,762
Total liabilities	<u>2,120,291</u>	<u>188,258</u>	<u>2,308,549</u>
<b>Fund Balances</b>			
Unreserved, reported in:			
General fund	5,663,579	-	5,663,579
Special revenue funds	-	496,759	496,759
Total fund balances	<u>5,663,579</u>	<u>496,759</u>	<u>6,160,338</u>
Total liabilities and fund balances	<u>\$ 7,783,870</u>	<u>\$ 685,017</u>	<u>\$ 8,468,887</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, 2008**

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Total fund balances-governmental funds	\$ 6,160,338
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.	4,924,036
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	<u>1,015,653</u>
Net assets of governmental activities	<u><u>\$ 12,100,027</u></u>

See Notes to Financial Statements.

**Village of Inverness Illinois**

**Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds  
Year Ended April 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 1,349,509	\$ 119,948	\$ 1,469,457
Other taxes	812,836	-	812,836
Charges for services	-	181,086	181,086
Licenses and permits	320,211	54,065	374,276
Fines and forfeitures	37,968	-	37,968
Intergovernmental	-	189,345	189,345
Annexation fees	48,000	-	48,000
Franchise fees	136,888	-	136,888
Donations	-	17,077	17,077
Interest	261,531	31,740	293,271
Miscellaneous	17,878	-	17,878
<b>Total revenues</b>	<b>2,984,821</b>	<b>593,261</b>	<b>3,578,082</b>
<b>Expenditures</b>			
Current			
General government	922,854	-	922,854
Public safety	1,492,663	-	1,492,663
Public works	231,984	1,207,028	1,439,012
Capital outlay	-	245,034	245,034
<b>Total expenditures</b>	<b>2,647,501</b>	<b>1,452,062</b>	<b>4,099,563</b>
Excess (deficiency) of revenues over expenditures	337,320	(858,801)	(521,481)
<b>Other financing sources (uses)</b>			
Transfers in	3,847	785,000	788,847
Transfers out	(380,000)	(408,847)	(788,847)
<b>Total other financing sources (uses)</b>	<b>(376,153)</b>	<b>376,153</b>	<b>-</b>
Net change in fund balances	(38,833)	(482,648)	(521,481)
Fund balances - beginning	5,702,412	979,407	6,681,819
Fund balances - ending	\$ 5,663,579	\$ 496,759	\$ 6,160,338

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, 2008**

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Net change in fund balances-total governmental funds	\$	(521,481)
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. (\$245,034 current additions less \$53,235 depreciation.)		
		191,799
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		119,301
		<hr/>
Change in net assets of governmental activities	\$	<u>(210,381)</u>

See Notes to Financial Statements.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### 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

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#### 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

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#### **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

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#### 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, 2008, the Village reported \$34,971 of net assets are restricted for street and bridge repairs and other improvements.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **Note 2. Legal Compliance and Accountability**

##### **Budgets**

An annual budget is prepared for all Village Funds, except the Dry Hydrant Fund, which was closed during FY2008. 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. As of April 30, 2008, the Solid Waste, Street and Bridge and Veteran's Memorial Funds' expenditures exceeded the final budget amounts by \$11,675, \$52,353 and \$10,034, respectively. Total expenditures for these funds, however, did not exceed the appropriated amounts.

#### **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

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#### Note 3. Deposits and Investments (Continued)

##### *Interest Rate Risk.*

As of April 30, 2008, the Village had the following investments and maturities.

Investment Type	Fair Value	Maturities Less Than One Year
Illinois Metropolitan Investment Fund	\$ 566,021	\$ 566,021
Illinois Funds	3,617,674	3,617,674
Total	<u>\$ 4,183,695</u>	<u>\$ 4,183,695</u>

The 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, 2008, the Illinois Metropolitan Investment Fund (IMET) and the Illinois Funds Investment Pool (IFIP) were both rated AAA by Standard and Poors.

#### Note 4. Receivables - Taxes

Property taxes for 2007 attach as an enforceable lien on January 1, 2007 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, 2008 and July 1, 2008, and are payable in two installments, on or about March 1, 2008 and August 1, 2008. The County collects such taxes and remits them periodically.

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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**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	245,034	-	504,430
Vehicles and equipment	74,881	-	-	74,881
	<u>1,742,875</u>	<u>245,034</u>	<u>-</u>	<u>1,987,909</u>
Less accumulated depreciation for:				
Buildings	337,180	28,172	-	365,352
Improvements other than buildings	213,738	16,096	-	229,834
Vehicles and equipment	56,928	8,967	-	65,895
	<u>607,846</u>	<u>53,235</u>	<u>-</u>	<u>661,081</u>
Total capital assets being depreciated, net	<u>1,135,029</u>	<u>191,799</u>	<u>-</u>	<u>1,326,828</u>
Governmental activities capital assets, net	<u>\$ 4,732,237</u>	<u>\$ 191,799</u>	<u>\$ -</u>	<u>\$ 4,924,036</u>

Depreciation of \$53,235 was related to the general government function.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 6. Interfund Activity

Individual interfund transfers for the Village at April 30, 2008, are shown as follows:

Fund	Detail	Transfers From Other Funds
Street and Bridge	Street repairs	\$ 785,000
General Fund	Closing Dry Hydrant Fund	3,847
Total		<u>\$ 788,847</u>

  

Fund		Transfers To Other Funds
General Fund	Street repairs	\$ 380,000
Motor Fuel Tax Fund	Street repairs	405,000
Dry Hydrant Fund	Closing Dry Hydrant Fund	3,847
Total		<u>\$ 788,847</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.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **Note 7. Risk Management (Continued)**

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.

#### **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 paid Barrington \$1,463,880 for services performed in fiscal year FY 2008 and will pay \$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 \$205,675 to SWANCC for the fiscal year.



## Village of Inverness, Illinois

### Notes to Financial Statements

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#### 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 2007, the rate was 11.38 percent. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

For fiscal year 2008, the Village's annual pension cost of \$39,856 was equal to the Village's required and actual contributions. The required contributions were determined as part of the December 31, 2005 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

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#### 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	25 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 10.00%
(d) Postretirement benefit increases	3.00%

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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**Note 10. Employee Retirement Systems (Continued)**

Illinois Municipal Retirement (Continued)

Three-Year Trend Information

	For Fiscal Year	Illinois Municipal Retirement
Annual pension cost (APC)	2006	\$ 29,727
	2007	35,732
	2008	39,856
Percent of APC contributed	2006	100.00 %
	2007	100.00
	2008	100.00
Net pension obligation	2006	\$ -
	2007	-
	2008	-

**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. 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.

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.

**Note 11. New Governmental Accounting Standards (Continued)**

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.

Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. This Statement will become effective 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, 2008**

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	\$ 1,097,000	\$ 1,349,509	\$ 252,509
Sales taxes	140,700	171,625	30,925
Income taxes	556,700	635,866	79,166
Replacement taxes	4,000	5,345	1,345
Licenses and permits	410,000	320,211	(89,789)
Fines and forfeitures	40,000	37,968	(2,032)
Annexation fees	60,000	48,000	(12,000)
Franchise fees	88,000	136,888	48,888
Interest	249,000	261,531	12,531
Miscellaneous	15,000	17,878	2,878
Total revenues	<u>2,660,400</u>	<u>2,984,821</u>	<u>324,421</u>
Expenditures			
General government	996,700	922,854	73,846
Public safety	1,493,700	1,492,663	1,037
Public works	255,000	231,984	23,016
Total expenditures	<u>2,745,400</u>	<u>2,647,501</u>	<u>97,899</u>
Excess (deficiency) of revenues over expenditures	<u>(85,000)</u>	337,320	422,320
Other financing sources (uses)			
Transfers in	-	3,847	3,847
Transfers out	(380,000)	(380,000)	-
Total other financing sources (uses)	<u>(380,000)</u>	<u>(376,153)</u>	<u>3,847</u>
Net change in fund balance	<u>\$ (465,000)</u>	(38,833)	<u>\$ 426,167</u>
Fund balance - beginning		<u>5,702,412</u>	
Fund balance - ending		<u>\$ 5,663,579</u>	

**Village of Inverness, Illinois**

**Analysis of Funding Progress - Illinois Municipal Retirement Fund  
April 30, 2008**

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)
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
2007	545,674	789,490	243,816	69.12	350,233	69.62

On a market value basis, the actuarial value of assets as of December 31, 2007 is \$584,263. On a market value basis, the funded ratio would be 74.01%.

**Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002-2004 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**

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**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, 2008**

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	\$ 320,000	\$ 303,123
Salaries, part-time staff	15,000	24,575
Salaries, elected officials	17,000	16,950
Bookkeeping, outside assistance	28,000	32,635
IMRF \ deferred compensation	65,000	67,431
Employee benefits and other personnel related	49,200	46,812
Dues	9,000	7,805
Legal services	100,000	89,904
Engineering services	50,000	56,386
Office supplies, postage and equipment	57,500	45,662
Insurance	36,200	33,152
Printing and publishing	3,000	4,659
Telephone	7,500	6,748
Expense and automobile allowance	-	5,862
Contract inspection	25,000	22,615
Village Hall maintenance	50,000	53,649
Conferences and training	5,000	2,405
Miscellaneous	63,300	51,719
Payroll taxes	29,000	25,392
Remodeling	50,000	8,370
Contributions	3,000	3,000
Audit	14,000	14,000
Total general government	<u>996,700</u>	<u>922,854</u>
Public safety		
Public safety and emergency 911 program	29,800	28,783
Police protection	1,463,900	1,463,880
Total public safety	<u>1,493,700</u>	<u>1,492,663</u>
Public works		
Engineering services	65,000	55,513
Forestry	40,000	26,052
Stormwater management	150,000	150,419
Total public works	<u>255,000</u>	<u>231,984</u>
Total expenditures	<u>\$ 2,745,400</u>	<u>\$ 2,647,501</u>

**Nonmajor Governmental Funds – Special Revenue Funds**

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2008

	Special Revenue Funds			Totals
	Solid Waste	Motor Fuel Tax	Street and Bridge	
<b>Assets</b>				
Cash and investments	\$ 238,276	\$ 19,379	\$ 360,986	\$ 618,641
Receivables				
Property taxes	-	-	50,784	50,784
Accounts	-	15,592	-	15,592
Total assets	<u>\$ 238,276</u>	<u>\$ 34,971</u>	<u>\$ 411,770</u>	<u>\$ 685,017</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 14,688	\$ -	\$ 123,944	\$ 138,632
Deferred revenues - property taxes	-	-	49,626	49,626
Total liabilities	<u>14,688</u>	<u>-</u>	<u>173,570</u>	<u>188,258</u>
Fund balances	<u>223,588</u>	<u>34,971</u>	<u>238,200</u>	<u>496,759</u>
Total liabilities and fund balances	<u>\$ 238,276</u>	<u>\$ 34,971</u>	<u>\$ 411,770</u>	<u>\$ 685,017</u>

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances

Year Ended April 30, 2008

	Special Revenue Funds					Totals
	Dry Hydrant	Solid Waste	Motor Fuel Tax	Street and Bridge	Veterans Memorial	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 119,948	\$ -	\$ 119,948
Charges for services	-	181,086	-	-	-	181,086
Licenses and permits	-	-	-	54,065	-	54,065
Intergovernmental	-	-	189,345	-	-	189,345
Donations	-	-	-	-	17,077	17,077
Interest	-	9,008	11,594	9,798	1,340	31,740
Total revenues	-	190,094	200,939	183,811	18,417	593,261
Expenditures						
Public works	-	205,675	-	1,001,353	-	1,207,028
Capital outlay	-	-	-	-	245,034	245,034
Total expenditures	-	205,675	-	1,001,353	245,034	1,452,062
Excess (deficiency) of revenues over expenditures	-	(15,581)	200,939	(817,542)	(226,617)	(858,801)
Other financing sources (uses)						
Transfers in	-	-	-	785,000	-	785,000
Transfers out	(3,847)	-	(405,000)	-	-	(408,847)
Total other financing sources (uses)	(3,847)	-	(405,000)	785,000	-	376,153
Net change in fund balances	(3,847)	(15,581)	(204,061)	(32,542)	(226,617)	(482,648)
Fund balances - beginning	3,847	239,169	239,032	270,742	226,617	979,407
Fund balances - ending	\$ -	\$ 223,588	\$ 34,971	\$ 238,200	\$ -	\$ 496,759

**Village of Inverness, Illinois**

**Solid Waste Fund**

**Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2008**

	Original and Final Budget	Actual
Revenues		
Charges for services		
SWANCC fees	\$ 198,800	\$ 181,086
Interest	15,000	9,008
Total revenues	<u>213,800</u>	<u>190,094</u>
Expenditures		
Public works		
Solid waste	<u>194,000</u>	<u>205,675</u>
Net change in fund balance	<u>\$ 19,800</u>	(15,581)
Fund balance - beginning		<u>239,169</u>
Fund balance - ending		<u>\$ 223,588</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, 2008**

	Original and Final Budget	Actual
Revenues		
Intergovernmental	\$ 192,300	\$ 189,345
Interest	5,000	11,594
Total revenues	<u>197,300</u>	<u>200,939</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	197,300	200,939
Other financing uses		
Transfers out	<u>(405,000)</u>	<u>(405,000)</u>
Net change in fund balance	<u>\$ (207,700)</u>	(204,061)
Fund balance - beginning		<u>239,032</u>
Fund balance - ending		<u>\$ 34,971</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, 2008

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 105,000	\$ 119,948
Licenses and permits	55,000	54,065
Interest	20,000	9,798
Total revenues	<u>180,000</u>	<u>183,811</u>
Expenditures		
Public works		
Street maintenance	<u>949,000</u>	<u>1,001,353</u>
Deficiency of revenues over expenditures	(769,000)	(817,542)
Other financing sources		
Transfers in	<u>785,000</u>	<u>785,000</u>
Net change in fund balance	<u>\$ 16,000</u>	(32,542)
Fund balance - beginning		<u>270,742</u>
Fund balance - ending		<u>\$ 238,200</u>

Village of Inverness, Illinois

Veterans Memorial Fund

Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2008

	Original and Final Budget	Actual
Revenues		
Private donations	\$ 5,000	\$ 17,077
Interest	1,000	1,340
Total revenues	<u>6,000</u>	<u>18,417</u>
Expenditures		
Veterans memorial	<u>235,000</u>	<u>245,034</u>
Net change in fund balance	<u>\$ (229,000)</u>	<u>(226,617)</u>
Fund balance - beginning		<u>226,617</u>
Fund balance - ending		<u>\$ -</u>

**Village of Inverness, Illinois**

**Property Tax Assessed Valuations, Rates,  
Extensions and Collections (Unaudited)  
April 30, 2008**

Year	2007**	2006**	2005	2004	2003
Assessed valuation	\$ 546,467,233	\$ 442,824,791	\$ 426,107,824	\$ 384,577,473	\$ 323,034,513
Tax rate per \$100 of assessed valuation	0.276	0.256	0.133	0.147	0.175
Extensions	1,507,796	1,133,604	566,723	565,329	565,310
Collections*	516,745	1,109,881	565,991	563,708	563,156

Year	2002	2001	2000	1999	1998
Assessed valuation	\$ 319,072,912	\$ 294,050,798	\$ 247,317,768	\$ 243,111,185	\$ 214,779,405
Tax rate per \$100 of assessed valuation	0.178	0.193	0.233	0.241	0.241
Extensions	567,950	567,518	566,715	585,897	565,668
Collections*	563,567	573,222	577,648	559,621	553,421

\* 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, 2008**

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The Village is a home-rule municipality. As of April 30, 2008, 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.