

McGladrey & Pullen

Certified Public Accountants

Village of Inverness, Illinois

Annual Financial Report

April 30, 2009

Village of Inverness, Illinois

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Village of Inverness, Illinois

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Village of Inverness, Illinois

Principal Officials

April 30, 2009

President

John A. Tatooles

Trustees

Janice M. Stremel

Richard C. Gallagher

Timothy W. Tiedje

Russell P. Fitton

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, 2009, 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, 2009, 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 31) and pension related information (page 32) 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 25, 2009

Management's Discussion and Analysis

VILLAGE OF INVERNESS, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED APRIL 30, 2009

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 \$284,346 or 2.3% as a result of this year's operations. The Village does not conduct any business-type activities.

Revenues

The governmental activities revenues totaled \$4,287,211.

Cost of Village Programs

The governmental activities expenditures totaled \$4,571,557.

General Fund

The General Fund reported revenues of \$2,963,190 and expenditures of \$3,061,732, resulting in an operating deficit of \$927,109 after transfers out of \$850,000, and capital lease proceeds of \$21,433.

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 \$11,815,681 as of April 30, 2009. This is a decrease of \$284,346 or 2.3% over the prior year.

Statement of Net Assets

As of April 30, 2009

	Governmental Activities		
	2009	2008	Change
Current and other assets	\$ 17,549,142	\$ 8,468,887	\$ 9,080,255
Capital assets	5,044,160	4,924,036	120,124
Total assets	22,593,302	13,392,923	9,200,379
Current liabilities	1,721,625	1,292,896	428,729
Noncurrent liabilities	9,055,996	-	(9,055,996)
Total liabilities	10,777,621	1,292,896	(8,627,267)
Net Assets:			
Invested in capital assets, net of debt	5,013,227	4,924,036	89,191
Restricted	9,284,087	34,971	9,249,116
Unrestricted	(2,481,633)	7,141,020	(9,622,653)
Total net assets	\$ 11,815,681	\$ 12,100,027	\$ (284,346)

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 \$284,346 or 2.3%.

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

Statement of Activities
Year Ended April 30, 2009

	Governmental		
	Activities		
	2009	2008	Change
Revenues			
Program Revenues			
Charges for service	\$ 542,690	\$ 593,330	\$ (50,640)
Grants and contributions			
Operating	195,633	189,345	6,288
General Revenue			
Property	2,499,749	1,589,058	910,691
Other taxes	759,400	812,536	(53,136)
Annexation fees	3,000	48,000	(45,000)
Franchise fees	96,628	136,888	(40,260)
Donations	-	17,077	(17,077)
Investment income	136,808	293,271	(156,463)
Miscellaneous	53,303	17,878	35,425
Total Revenue	4,287,211	3,697,383	589,828
Expenses			
General Government	882,039	976,089	(94,050)
Public Safety	1,904,473	1,492,663	411,810
Public Works	1,639,408	1,439,012	200,396
Interest	145,637	-	145,637
Total Expenses	4,571,557	3,907,764	663,793
Change in Net Assets	(284,346)	(210,381)	(73,965)
Net assets - beginning	12,100,027	12,310,408	(210,381)
Net assets - ending	\$ 11,815,681	\$ 12,100,027	\$ (284,346)

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 11% 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, 2009, revenues from all activities totaled \$4,287,211. This was 16% greater than the prior year amount of \$3,697,383. The \$589,828 difference is mostly the result of accrued property tax revenues related to debt service for the 2008 General Obligation Bond issue approved by the Village Board for street improvements and offset by reductions in interest income and certain state share revenues.

Expenses

Total expenses for all activities for the year ended April 30, 2009 were \$4,571,557. This was an increase of \$663,793 (17%) from the previous year. This increase was the result of several factors. The Village incurred start-up expenses related to the creation of a police department during this period in addition to the annual contractual service costs with the Village of Barrington. Expenses related to snow plowing operations also increased significantly due to the extremely high cost of road salt because of the short supply of this commodity across the northern part of the state. Also, the Village incurred interest costs in connection with the issuance of the 2008 bonds.

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, 2009, the governmental funds reported a combined fund balance of \$14,538,933. This is a 136.0% increase from the previous year's ending balance of \$6,160,338. It should be noted that this significant increase is the result of net bond proceeds from the 2008 GO Bond issue of \$9,267,501. These bond proceeds will be utilized to fund street improvements over the next several years. Without these bond proceeds, the Village's combined fund balance is \$5,271,432, which is a decrease of 14.9% over the previous year. Expenses exceeded revenues by \$1,157,692 across all Governmental Funds. With respect to the General Fund and Nonmajor Governmental Funds, expenses exceeded revenues by \$910,339. This reflects the Village's reliance on unreserved fund balance to maintain current service levels. It was this trend and the recognition by the Village Board that continued reliance on such a policy without some modification in the revenue-expense relationship was not sustainable, that resulted in the decision to issue the GO Bonds referenced above.

Total revenues for Governmental Funds for fiscal year 2009 were \$3,562,037. This was a slight decrease over the prior year's revenues of \$3,578,082. The Village had a 20.7% increase in property taxes which was offset by declines in investment income, which was down 53.4%, franchise fees, which were down 29.4% and state shared revenues, which were down 6.5% from the previous year.

Total expenditures for governmental funds for the year ended April 30, 2009, were \$4,719,729. This was an increase of approximately 15% over the previous year's \$4,099,563. Total expenditures across all operating funds (General and Nonmajor Governmental Funds) however, were \$251,554 less than the approved budget. Significant projects that were undertaken include: \$425,198 for start-up costs associated with staffing and equipping a new Village police department, \$713,294 to resurface Village streets, \$65,594 to maintain storm sewers, \$166,988 for residential solid waste disposal, \$112,116 to construct improvements to the Village Hall Annex and \$462,012 for snow removal/ice control efforts. Additionally, the Village incurred \$166,079 in issuance costs pertaining to the issuance of its 2008 bonds. Finally, the Village contracted with the Village of Barrington for police services during the fiscal year at a cost of \$1,541,660, which represents the largest single expenditure for the Village.

General Fund Budgetary Highlights
Year Ended April 30, 2009

General Fund	Original and Final Budget	Actual	Over/ Under
Revenues			
Property taxes	\$ 1,463,800	\$ 1,641,469	\$ 177,669
Other taxes	793,400	759,844	(33,556)
Licenses and permits	285,000	239,138	(45,862)
Fines and forfeitures	40,000	40,253	253
Annexation fees	30,000	3,000	(27,000)
Franchise fees	93,000	96,628	3,628
Donations	-	20,000	20,000
Interest	200,000	109,555	(90,445)
Miscellaneous	15,000	53,303	38,303
Debt issuance proceeds	-	21,433	21,433
Total	2,920,200	2,984,623	64,423
Expenditures and Transfers			
Expenditures	3,446,400	3,061,732	384,668
Transfers out	850,000	850,000	-
Total	4,296,400	3,911,732	384,668
Change in Fund Balance	\$ (1,376,200)	\$ (927,109)	\$ 449,091

General Fund Budgetary Highlights

As of April 30, 2009, actual revenues and other financing sources were \$64,423 more than budgeted amounts. Actual expenditures were \$384,668 less than the approved budget. A budgeted transfer out of \$850,000 to the Street and Bridge Fund was made to finance a portion of the Village's road-resurfacing program and snow removal operations during the year. While the General Fund experienced a decrease in fund balance of \$927,109, this compared favorably to a budgeted deficit of \$1,376,200.

The Village did not revise the total annual operating budget during the year. Two amended Appropriation Ordinances were passed prior to the end of the fiscal year to reflect the unprecedented costs for road salt experienced last winter in the region. 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 2009, the Village had a combined total of capital assets (net of accumulated depreciation) of \$5,044,160 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net increase (including additions and deletions) of \$120,124 over fiscal year 2008. Most of this can be attributed to improvements to the Village Hall Annex to accommodate the new police department and the acquisition of vehicles and equipment for police operations.

**Capital Assets at Year End
Net of Depreciation
April 30, 2009 and 2008**

	Governmental Activities	
	2009	2008
Land	\$ 3,597,208	\$ 3,597,208
Buildings	1,124,948	1,043,246
Improvements other than building	249,374	274,596
Vehicles and equipment	72,630	8,986
Total	\$ 5,044,160	\$ 4,924,036

Outstanding Debt

In December 2008, the Village issued \$9,500,000 in GO Bonds to pay the costs of a system wide improvement to the Village's street network. These bonds received a rating of AAA from Standard & Poor's. The True Interest Cost of the issue was 4.0231% over the 15-year debt service schedule. The debt service requirements associated with this issue are outlined in Note 8 of these Financial Statements. Property taxes have been pledged to pay principal and interest on these bonds. The Village also purchased one police vehicle using a capital lease.

Economic Factors and a Look to the Future

This year the Village continued to experience a decrease in General Fund reserves. This has been a trend since 2001; however the reliance on fund balance to maintain service levels, primarily infrastructure maintenance, has accelerated over the last two fiscal years. Recognizing that this pattern was not sustainable, the Village Board decided to issue debt in the form of GO Bonds for the first time in the history of the Village. In December, the Village issued \$9.5 million in bonds to fund a system wide improvement to the Village's street network over the next 2 to 3 years. Debt service on these bonds will be paid for through property taxes. This alternative financing mechanism will allow the Village to improve and maintain its infrastructure without draining the reserves of the General Fund in the short term. This will improve the Village's ability to remain in compliance with the Investment Policy provision that it maintain reserves equal to the prior year's approved expenditures.

During the year the Village took steps to create a municipal police department and terminate the contractual service arrangement with the Village of Barrington scheduled to end on April 30, 2009. A study previously commissioned by the Village indicated that its own police department could be more cost-effective and offer the Village greater control over costs in the future. The police department became fully operational on May 1, 2009. The staffing model initially employed by the Village provided cost controls for personnel related expenses not typically experienced by Illinois municipalities. In addition, the Village entered into several intergovernmental agreements to efficiently out-source operational components of the police function to reduce overall operating costs and maintain the capacity to serve the public safety needs of Village residents. Actual start-up costs for the police department were \$198,102 less than budgeted. FY10 costs are projected to be approximately \$300,000 less than the proposed contractual service cost for this same period.

The Village has been impacted by the broader down-turn in the economy. As noted above, there has been a decrease in state shared revenues such as income tax payments and Motor Fuel Taxes receipts. In addition, local revenues from building permit and development impact fees have declined significantly. Income from investments have also declined due to lower interest rates and decreasing reserves available for investment. These conditions are expected to continue through at least the next fiscal year. If this trend continues, the Village will need to rely more heavily on property taxes to maintain and fund current service levels in the future.

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, 2009

	Governmental Activities
Assets	
Current	
Cash and investments	\$ 15,425,983
Receivables	
Property taxes	1,749,445
Intergovernmental	207,248
Accrued interest	4,044
Other assets	7,415
Total current assets	<u>17,394,135</u>
Noncurrent	
Bond issuance costs, net of amortization of \$11,072	155,007
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,124,948
Improvements other than buildings	249,374
Vehicles and equipment	72,630
Total noncurrent assets	<u>5,199,167</u>
Total assets	<u>22,593,302</u>
Liabilities	
Current	
Accounts payable	662,471
Deposits payable	440,354
Interest payable	135,555
Other liabilities	11,550
Capital lease payable	6,695
Bonds payable	465,000
Total current liabilities	<u>1,721,625</u>
Noncurrent	
Capital lease payable	7,132
Bonds payable	9,048,864
Total noncurrent liabilities	<u>9,055,996</u>
Total liabilities	<u>10,777,621</u>
Net Assets	
Invested in capital assets, net of related debt	5,013,227
Restricted for streets and bridges	16,586
Restricted for capital projects	9,267,501
Unrestricted	<u>(2,481,633)</u>
Total net assets	<u>\$ 11,815,681</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

Statement of Activities

Year Ended April 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 882,039	\$ 239,138	\$ -	\$ (642,901)
Public safety	1,904,473	40,253	20,000	(1,844,220)
Public works	1,639,408	263,299	175,633	(1,200,476)
Interest	145,637	-	-	(145,637)
Total	<u>\$ 4,571,557</u>	<u>\$ 542,690</u>	<u>\$ 195,633</u>	<u>(3,833,234)</u>
		General revenues		
		Taxes		
			Property	2,499,749
			Personal property replacement	4,894
			Sales	160,596
			Income and use	593,910
			Annexation fees	3,000
			Franchise fees	96,628
			Investment income	136,808
			Miscellaneous	53,303
			Total general revenues	<u>3,548,888</u>
			Change in net assets	(284,346)
			Net assets - beginning	<u>12,100,027</u>
			Net assets - ending	<u>\$ 11,815,681</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

Balance Sheet - Governmental Funds

April 30, 2009

	General Fund	2008 Bond Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,515,640	\$ -	\$ 9,341,751	\$ 568,592	\$ 15,425,983
Receivables					
Property taxes	894,487	804,051	-	50,907	1,749,445
Intergovernmental	193,771	-	-	13,477	207,248
Accrued interest	4,044	-	-	-	4,044
Due from other funds	750	-	-	-	750
Other assets	7,415	-	-	-	7,415
Total assets	\$ 6,616,107	\$ 804,051	\$ 9,341,751	\$ 632,976	\$ 17,394,885
Liabilities					
Accounts payable	\$ 540,795	\$ -	\$ 73,500	\$ 48,176	\$ 662,471
Deferred revenues - property tax	882,767	804,051	-	49,838	1,736,656
Deferred revenues - other tax	4,171	-	-	-	4,171
Due to other funds	-	-	750	-	750
Deposits payable	440,354	-	-	-	440,354
Other liabilities	11,550	-	-	-	11,550
Total liabilities	1,879,637	804,051	74,250	98,014	2,855,952
Fund Balances					
Reserved for capital projects	-	-	9,267,501	-	9,267,501
Unreserved, reported in:					
General fund	4,736,470	-	-	-	4,736,470
Special revenue funds	-	-	-	534,962	534,962
Total fund balances	4,736,470	-	9,267,501	534,962	14,538,933
Total liabilities and fund balances	\$ 6,616,107	\$ 804,051	\$ 9,341,751	\$ 632,976	\$ 17,394,885

See Notes to Financial Statements.

Village of Inverness, Illinois

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
April 30, 2009**

Total fund balances-governmental funds	\$ 14,538,933
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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.	5,044,160
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Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	1,740,827
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Some assets and liabilities reported in the Statement of Net Assets do not
provide current financial resources or require the use of current financial resources
and, therefore, are not reported as assets or liabilities in governmental funds.

These amounts consist of:

Interest payable	(135,555)
Capital lease payable	(13,827)
Unamortized bond issuance costs	155,007
Unamortized bond premium	(13,864)
Bonds payable	(9,500,000)

Net assets of governmental activities	<u><u>\$ 11,815,681</u></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, 2009**

	General Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,641,469	\$ -	\$ 132,662	\$ 1,774,131
Other taxes	759,844	-	-	759,844
Charges for services	-	-	210,304	210,304
Licenses and permits	239,138	-	52,995	292,133
Fines and forfeitures	40,253	-	-	40,253
Intergovernmental	-	-	175,633	175,633
Annexation fees	3,000	-	-	3,000
Franchise fees	96,628	-	-	96,628
Donations	20,000	-	-	20,000
Interest	109,555	20,130	7,123	136,808
Miscellaneous	53,303	-	-	53,303
Total revenues	2,963,190	20,130	578,717	3,562,037
Expenditures				
Current				
General government	791,327	-	-	791,327
Public safety	1,808,617	-	-	1,808,617
Public works	147,490	101,404	1,390,514	1,639,408
Debt service				
Principal retirement	7,606	-	-	7,606
Issuance costs	-	166,079	-	166,079
Capital outlay	306,692	-	-	306,692
Total expenditures	3,061,732	267,483	1,390,514	4,719,729
Excess (deficiency) of revenues over expenditures	(98,542)	(247,353)	(811,797)	(1,157,692)
Other financing sources (uses)				
Bond issuance	-	9,500,000	-	9,500,000
Bond premium	-	14,854	-	14,854
Capital lease issuance	21,433	-	-	21,433
Transfers in	-	-	1,045,000	1,045,000
Transfers out	(850,000)	-	(195,000)	(1,045,000)
Total other financing sources (uses)	(828,567)	9,514,854	850,000	9,536,287
Net change in fund balances	(927,109)	9,267,501	38,203	8,378,595
Fund balances - beginning	5,663,579	-	496,759	6,160,338
Fund balances - ending	\$ 4,736,470	\$ 9,267,501	\$ 534,962	\$ 14,538,933

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, 2009**

Net change in fund balances-total governmental funds	\$ 8,378,595
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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. (\$197,379 current additions less \$77,255 depreciation)	120,124
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. These transactions however, have no effect on net assets.

Capital lease issuance	(21,433)
Issuance of bonds including premiums	(9,514,854)
Bond issuance costs	166,079
Principal retirement - capital lease	7,606

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	725,174
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Amortization of bond premium and issuance costs	(10,082)
Increase in interest payable	(135,555)

Change in net assets of governmental activities	<u>\$ (284,346)</u>
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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, net of related debt 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. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

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 major funds include the General Fund, the 2008 Bond Fund and the 2008 Project 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.

2008 Bond Fund – This is the Village's debt service fund and will be used to retire the principal and interest payments on the Series 2008 General Obligation Bonds. Financing will be provided by a property tax levy.

2008 Project Fund – This is the Village's capital projects fund and will be used to record construction and road improvement related activities for various street projects. Financing was provided by issuance of \$9.5 million General Obligation Bonds, Series 2008.

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, buildings, improvements other than buildings, machinery and equipment 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.

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.

Village of Inverness, Illinois

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

The Village defers revenue recognition in connection with resources that have been received, but not yet earned.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Debt service funds are specifically established to account for and service the long-term obligations for the governmental funds debt. Long-term debt is recognized as a liability in a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed with available financial resources (if any) is reported as a fund liability of a governmental fund.

Restricted Net Assets

As of April 30, 2009, the Village reported \$16,586 of net assets that are restricted for street and bridge repairs and other improvements, and \$9,267,501 for various street improvements in connection with the 2008 bond issuance.

Village of Inverness, Illinois

Notes to Financial Statements

Note 2. Legal Compliance and Accountability

Budgets

An annual budget is prepared for all Village Funds, except the 2008 Bond Fund and 2008 Projects Fund, which were first created during FY2009. 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 two 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, 2009, the Street and Bridge expenditures exceeded the final budget amounts by \$151,125. Total expenditures, 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

Note 3. Deposits and Investments (Continued)

Interest Rate Risk.

As of April 30, 2009, the Village had the following investments and maturities.

Investment Type	Fair Value	Maturities Less Than One Year
Illinois Metropolitan Investment Fund	\$ 572,820	\$ 572,820
Illinois Funds	13,189,924	13,189,924
Total	<u>\$ 13,762,744</u>	<u>\$ 13,762,744</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, 2009, 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 2008 attach as an enforceable lien on January 1, 2008 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, 2009 and July 1, 2009, and are payable in two installments, on or about March 1, 2009 and August 1, 2009. 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	112,116	-	1,520,714
Improvements other than buildings	504,430	-	-	504,430
Vehicles and equipment	74,881	85,263	-	160,144
	<u>1,987,909</u>	<u>197,379</u>	<u>-</u>	<u>2,185,288</u>
Less accumulated depreciation for:				
Buildings	365,352	30,414	-	395,766
Improvements other than buildings	229,834	25,222	-	255,056
Vehicles and equipment	65,895	21,619	-	87,514
	<u>661,081</u>	<u>77,255</u>	<u>-</u>	<u>738,336</u>
Total capital assets being depreciated, net	<u>1,326,828</u>	<u>120,124</u>	<u>-</u>	<u>1,446,952</u>
Governmental activities capital assets, net	<u>\$ 4,924,036</u>	<u>\$ 120,124</u>	<u>\$ -</u>	<u>\$ 5,044,160</u>

Total depreciation of \$77,255 was allocated as follows:

General government	\$ 71,571
Public safety	<u>5,684</u>
	<u>\$ 77,255</u>

Village of Inverness, Illinois

Notes to Financial Statements

Note 6. Interfund Activity

Individual interfund transfers for the Village at April 30, 2009, are shown as follows:

Fund	Detail	Transfers From Other Funds
Street and Bridge	Street repairs	\$ 850,000
Street and Bridge	Street repairs	195,000
Total		<u>\$ 1,045,000</u>

Fund		Transfers To Other Funds
General	Street repairs	\$ 850,000
Motor Fuel Tax	Street repairs	195,000
Total		<u>\$ 1,045,000</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 of 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 \$9,000,000 reinsurance contract for total loss aggregate of \$10,000,000. 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 current employees are provided through insurance purchased from private insurance companies. Retired employees are not eligible to participate.

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. Long-Term Obligations

The following is a summary of long-term obligation activity associated with governmental activities for the year ended April 30, 2009:

	Balance May 1, 2008			Balance April 30, 2009			Due Within One Year
		Additions	Retirements				
Capital Lease Payable	\$ -	\$ 21,433	\$ 7,606	\$ 13,827	\$ -	\$ 6,695	
General Obligation Bonds Payable*	-	9,500,000	-	9,500,000	-	465,000	
	<u>\$ -</u>	<u>\$ 9,521,433</u>	<u>\$ 7,606</u>	<u>\$ 9,513,827</u>	<u>\$ -</u>	<u>\$ 471,695</u>	

* Amount reported in the statement of net assets for governmental activities, is net of an unamortized premium of \$13,864.

The following is a summary of debt transactions of the Village for the year ended April 30, 2009:

General Obligation Bonds – On December 15, 2008, the Village issued \$9.5 million general obligation bonds, series 2008, due in annual installments of \$465,000 to \$860,000 plus interest at variable rates ranging from 3.00% to 4.35% through December 1, 2023. The bonds were issued to provide funds for the improvement and construction of infrastructure.

Capital Lease – On October 1, 2008, the Village entered into a capital lease agreement for the purchase of a police vehicle. The lease requires 3 annual consecutive payments of \$7,606 (includes interest at 6.65%), through October 15, 2010. The General Fund will be used to liquidate the capital lease. The book value of the leased police vehicle is \$20,004 (cost of \$21,433 less \$1,429 in accumulated depreciation).

As of April 30, 2009, debt service requirements to maturity on the outstanding debt, including interest, are as follows:

Year Ending April 30	Governmental Activities					
	Bonds			Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 465,000	\$ 339,051	\$ 804,051	\$ 6,695	\$ 911	\$ 7,606
2011	470,000	338,820	808,820	7,132	474	7,606
2012	490,000	324,720	814,720	-	-	-
2013	515,000	310,020	825,020	-	-	-
2014	540,000	294,570	834,570	-	-	-
2015-2019	3,105,000	1,182,040	4,287,040	-	-	-
2020-2024	3,915,000	515,860	4,430,860	-	-	-
Total	<u>\$ 9,500,000</u>	<u>\$ 3,305,081</u>	<u>\$ 12,805,081</u>	<u>\$ 13,827</u>	<u>\$ 1,385</u>	<u>\$ 15,212</u>

Village of Inverness, Illinois

Notes to Financial Statements

Note 9. 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 \$1,541,660 for services performed in FY 2009.

Note 10. 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 \$166,989 to SWANCC for the fiscal year.

Village of Inverness, Illinois

Notes to Financial Statements

Note 11. Employee Retirement Systems

Illinois Municipal Retirement

Plan Description

The Village contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer public retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees, except those covered by the police and fire pension plans, hired in positions that meet or exceed the prescribed annual hourly standard, must be enrolled in IMRF as participating members. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Funding Policy

As set by statute, employer regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 11.34 percent of annual covered payroll. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The Village's annual pension cost of \$36,084 for the regular plan was equal to the Village's required and actual contributions.

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 35,732	100 %	\$ -
12/31/07	39,856	100	-
12/31/08	36,084	100	-

Village of Inverness, Illinois

Notes to Financial Statements

Note 11. Employee Retirement Systems (Continued)

Illinois Municipal Retirement (Continued)

Trend Information (Continued)

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Village's regular plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The unfunded actuarially accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 24 years.

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation, the regular plan was 60.06 percent funded. The actuarial liability for benefits was \$933,354 and the actuarial value of assets was \$560,545 resulting in an underfunded actuarial accrued liability (UAAL) of \$372,809. The covered payroll (annual payroll of active employees covered by the plan) was \$318,200 and the ratio of the UAAL to the covered payroll was 117 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12. Other Employee Benefits

During fiscal year 2009, in conjunction with establishing a new police department, the Village established a section 401(a) savings plan (Plan) for its qualified police officers. The Plan is a defined contribution retirement savings plan established to provide benefits at retirement to police officers employed by the Village. Full-time police officers hired by the Village that do not make application to participate in the police pension fund of the Village and subsequently become ineligible for participation may participate in the Village's 401(a) Plan.

As of April 30, 2009, eight officers were participating in the Plan. The Plan requires an initial and irrevocable election as to mandatory employee contributions (from 0% - 20% of covered payroll) and the Village contributes 10% of covered payroll. Plan provisions and contribution requirements of the Village were established, and may only be amended by the Village Board. Total Village contributions for the year ended April 30, 2009 were \$8,259.

Other than IMRF and the 401(a) savings plan, the Village offers no other post employment benefits (such as retiree health insurance) to its employees.

Note 13. New Governmental Accounting Standards

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

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. This Statement will become effective 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.

Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* enhances the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. This Statement will become effective for the year ending April 30, 2012.

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, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	\$ 1,463,800	\$ 1,641,469	\$ 177,669
Sales taxes	151,700	160,596	8,896
Income taxes	637,700	594,354	(43,346)
Replacement taxes	4,000	4,894	894
Licenses and permits	285,000	239,138	(45,862)
Fines and forfeitures	40,000	40,253	253
Annexation fees	30,000	3,000	(27,000)
Franchise fees	93,000	96,628	3,628
Donations	-	20,000	20,000
Interest	200,000	109,555	(90,445)
Miscellaneous	15,000	53,303	38,303
Total revenues	<u>2,920,200</u>	<u>2,963,190</u>	<u>42,990</u>
Expenditures			
Current			
General government	911,800	791,327	120,473
Public safety	2,012,700	1,808,617	204,083
Public works	223,800	147,490	76,310
Debt service			
Principal retirement	-	7,606	(7,606)
Capital outlay	298,100	306,692	(8,592)
Total expenditures	<u>3,446,400</u>	<u>3,061,732</u>	<u>384,668</u>
Excess (deficiency) of revenues over expenditures	<u>(526,200)</u>	<u>(98,542)</u>	<u>427,658</u>
Other financing sources (uses)			
Capital lease issuance	-	21,433	21,433
Transfers out	(850,000)	(850,000)	-
Total other financing sources (uses)	<u>(850,000)</u>	<u>(828,567)</u>	<u>21,433</u>
Net change in fund balance	<u>\$ (1,376,200)</u>	<u>(927,109)</u>	<u>\$ 449,091</u>
Fund balance - beginning		<u>5,663,579</u>	
Fund balance - ending		<u>\$ 4,736,470</u>	

Village of Inverness, Illinois

**Analysis of Funding Progress - Illinois Municipal Retirement Fund
April 30, 2009**

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)
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
2008	560,545	933,354	372,809	60.06	318,200	117.16

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, 2009**

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	\$ 288,800	\$ 286,850
Salaries, part-time staff	37,800	31,486
Salaries, elected officials	16,800	16,800
Bookkeeping, outside assistance	26,400	25,061
IMRF \ deferred compensation	60,300	61,517
Employee benefits and other personnel related	44,500	38,492
Dues	9,000	8,429
Legal services	100,000	84,162
Engineering services	55,000	14,079
Office supplies and postage	33,000	52,849
Insurance	33,000	13,952
Printing and publishing	3,000	1,973
Telephone	7,500	6,405
Expense and automobile allowance	19,200	18,535
Contract inspection	25,000	14,390
Village Hall maintenance	40,000	35,290
Conferences and training	5,000	2,447
Miscellaneous	63,200	34,053
Payroll taxes	26,300	26,557
Contributions	3,000	3,000
Audit	15,000	15,000
Total general government	911,800	791,327
Public safety		
Public safety and emergency 911 program	40,800	26,902
Police protection	1,541,700	1,541,952
Police salaries, full-time	190,700	87,188
Police health insurance	33,500	8,177
Police training	12,100	589
Police dues	1,000	-
Police payroll tax	2,900	6,636
Police pension	34,000	8,259
Police unemployment tax	1,000	-
Police office supplies	1,500	3,608
Police uniforms	39,200	26,852
Police printing	1,500	-
Police lab supplies	2,000	-
Police materials	2,000	-

(Continued)

Village of Inverness, Illinois

General Fund

**Schedule of Expenditures - Budget and Actual (Continued)
Year Ended April 30, 2009**

	Original and Final Budget	Actual
Public safety (Continued)		
Police contracts	\$ 80,900	\$ 73,557
Police vehicle maintenance	1,000	1,440
Police telephone	2,200	3,708
Police other supplies and services	24,700	19,749
Total public safety	<u>2,012,700</u>	<u>1,808,617</u>
Public works		
Engineering services	58,800	56,219
Forestry	40,000	25,677
Stormwater management	125,000	65,594
Total public works	<u>223,800</u>	<u>147,490</u>
Debt service		
Principal retirement	-	7,606
Capital outlay		
General governmental		
Office equipment	25,000	19,141
Remodeling	100,000	112,116
Public Safety		
Police vehicles	70,000	87,334
Police radios	47,100	25,327
Police office equipment	12,000	13,063
Police operating equipment	10,100	-
Police other capital	33,900	49,711
	<u>298,100</u>	<u>306,692</u>
Total expenditures	<u>\$ 3,446,400</u>	<u>\$ 3,061,732</u>

Nonmajor Governmental Funds – Special Revenue Funds

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2009

	Special Revenue Funds			Totals
	Solid Waste	Motor Fuel Tax	Street and Bridge	
Assets				
Cash and investments	\$ 269,779	\$ 3,109	\$ 295,704	\$ 568,592
Receivables				
Property taxes	-	-	50,907	50,907
Intergovernmental	-	13,477	-	13,477
Total assets	<u>\$ 269,779</u>	<u>\$ 16,586</u>	<u>\$ 346,611</u>	<u>\$ 632,976</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 48,176	\$ 48,176
Deferred revenues - property taxes	-	-	49,838	49,838
Total liabilities	-	-	98,014	98,014
Fund balances	269,779	16,586	248,597	534,962
Total liabilities and fund balances	<u>\$ 269,779</u>	<u>\$ 16,586</u>	<u>\$ 346,611</u>	<u>\$ 632,976</u>

Village of Inverness, Illinois

Nonmajor Governmental Funds

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**

Year Ended April 30, 2009

	Special Revenue Funds			Totals
	Solid Waste	Motor Fuel Tax	Street and Bridge	
Revenues				
Property taxes	\$ -	\$ -	\$ 132,662	\$ 132,662
Charges for services	210,304	-	-	210,304
Licenses and permits	-	-	52,995	52,995
Intergovernmental	-	175,633	-	175,633
Interest	2,876	982	3,265	7,123
Total revenues	213,180	176,615	188,922	578,717
Expenditures				
Public works	166,989	-	1,223,525	1,390,514
Excess (deficiency) of revenues over expenditures	46,191	176,615	(1,034,603)	(811,797)
Other financing sources (uses)				
Transfers in	-	-	1,045,000	1,045,000
Transfers out	-	(195,000)	-	(195,000)
Total other financing sources (uses)	-	(195,000)	1,045,000	850,000
Net change in fund balances	46,191	(18,385)	10,397	38,203
Fund balances - beginning	223,588	34,971	238,200	496,759
Fund balances - ending	\$ 269,779	\$ 16,586	\$ 248,597	\$ 534,962

Village of Inverness, Illinois

Solid Waste Fund

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2009**

	Original and Final Budget	Actual
Revenues		
Charges for services		
SWANCC fees	\$ 185,000	\$ 210,304
Interest	10,000	2,876
Total revenues	<u>195,000</u>	<u>213,180</u>
Expenditures		
Public works		
Solid waste	185,000	166,989
Net change in fund balance	<u>\$ 10,000</u>	46,191
Fund balance - beginning		<u>223,588</u>
Fund balance - ending		<u>\$ 269,779</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, 2009**

	Original and Final Budget	Actual
Revenues		
Intergovernmental	\$ 187,200	\$ 175,633
Interest	5,000	982
Total revenues	<u>192,200</u>	<u>176,615</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	192,200	176,615
Other financing uses		
Transfers out	<u>(192,200)</u>	<u>(195,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(18,385)</u>
Fund balance - beginning		<u>34,971</u>
Fund balance - ending		<u><u>\$ 16,586</u></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, 2009**

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 105,000	\$ 132,662
Licenses and permits	55,000	52,995
Interest	10,000	3,265
Total revenues	<u>170,000</u>	<u>188,922</u>
Expenditures		
Public works		
Street maintenance	<u>1,072,400</u>	<u>1,223,525</u>
Deficiency of revenues over expenditures	(902,400)	(1,034,603)
Other financing sources		
Transfers in	<u>1,042,200</u>	<u>1,045,000</u>
Net change in fund balance	<u>\$ 139,800</u>	10,397
Fund balance - beginning		<u>238,200</u>
Fund balance - ending		<u>\$ 248,597</u>

Statistical Section (Unaudited)

Village of Inverness, Illinois

**Property Tax Assessed Valuations, Rates,
Extensions and Collections (Unaudited)
April 30, 2009**

Year	2008**	2007	2006	2005	2004
Assessed valuation	\$ 592,409,976	\$ 546,467,233	\$ 442,824,791	\$ 426,107,824	\$ 384,577,473
Tax rate per \$100 of assessed valuation					
Corporate	0.268	0.276	0.256	0.133	0.147
Bonds	0.143	-	-	-	-
	<u>0.411</u>	<u>0.276</u>	<u>0.256</u>	<u>0.133</u>	<u>0.147</u>
Extensions					
Corporate	1,587,910	1,507,796	1,133,604	566,723	565,329
Bonds	844,254	-	-	-	-
	<u>2,432,164</u>	<u>1,507,796</u>	<u>1,133,604</u>	<u>566,723</u>	<u>565,329</u>
Collections*					
Corporate	-	1,494,464	1,109,881	565,991	563,708
Bonds	-	-	-	-	-
	<u>-</u>	<u>1,494,464</u>	<u>1,109,881</u>	<u>565,991</u>	<u>563,708</u>
Year	2003	2002	2001	2000	1999
Assessed valuation	\$ 323,034,513	\$ 319,072,912	\$ 294,050,798	\$ 247,317,768	\$ 243,111,185
Tax rate per \$100 of assessed valuation					
Corporate	0.175	0.178	0.193	0.233	0.241
Bonds	-	-	-	-	-
	<u>0.175</u>	<u>0.178</u>	<u>0.193</u>	<u>0.233</u>	<u>0.241</u>
Extensions					
Corporate	565,310	567,950	567,518	566,715	585,897
Bonds	-	-	-	-	-
	<u>565,310</u>	<u>567,950</u>	<u>567,518</u>	<u>566,715</u>	<u>585,897</u>
Collections*					
Corporate	563,156	563,567	573,222	577,648	559,621
Bonds	-	-	-	-	-
	<u>563,156</u>	<u>563,567</u>	<u>573,222</u>	<u>577,648</u>	<u>559,621</u>

* 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, 2009

The Village is a home-rule municipality.

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.