

# **Village of Inverness, Illinois**

Annual Financial Report

April 30, 2011

# Village of Inverness, Illinois

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**Village of Inverness, Illinois**

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**Village of Inverness, Illinois**

**Principal Officials**  
**April 30, 2011**

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**President**

John A. Tatooles

**Trustees**

Janice M. Stremel

Timothy W. Tiedje

John R. Willis

Richard C. Gallagher

Russell P. Fitton

Patricia D. Ledvina

**Clerk**

Diane C. Haas

**Deputy Clerk**

Ellen Norden

**Treasurer**

Kenneth A. Klein

**Administrator**

Curt Carver

**Police Chief**

Robert R. Haas, Jr.

## **Independent Auditor's Report**



## 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, 2011, 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, 2011, 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 2-9), budgetary comparison information (page 29), pension related information (page 30) and note to required supplementary 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 21, 2011

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

## **Village of Inverness, Illinois**

### **Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2011**

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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 \$1,247,686 or 16% as a result of this year's operations. The Village does not conduct any business-type activities.

##### **Revenues**

The governmental activities revenues totaled \$3,942,695.

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

The governmental activities expenditures totaled \$5,190,381.

##### **General Fund**

The General Fund reported revenues of \$2,560,605 and expenditures of \$2,403,471, resulting in an operating surplus of \$157,134.

#### **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.



## Village of Inverness, Illinois

### Management's Discussion and Analysis (Continued)

For the Fiscal Year Ended April 30, 2011

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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 implemented the infrastructure portions of GASB 34 prospectively and depreciates 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 \$6,531,485 as of April 30, 2011. This is a decrease of \$1,247,686 or 16% over the prior year.

#### Statement of Net Assets

As of April 30, 2011 and 2010

	Governmental Activities		
	2011	2010	Change
Current and other assets	\$ 10,764,745	\$ 12,558,588	\$ (1,793,843)
Capital assets	4,931,430	5,004,648	(73,218)
<b>Total assets</b>	<b>15,696,175</b>	<b>17,563,236</b>	<b>(1,867,061)</b>
Current liabilities	1,071,913	1,194,793	122,880
Noncurrent liabilities	8,092,777	8,589,272	496,495
<b>Total liabilities</b>	<b>9,164,690</b>	<b>9,784,065</b>	<b>619,375</b>
Net Assets:			
Invested in capital			
assets, net of debt	4,920,031	4,980,978	(60,947)
Restricted	2,879,594	4,685,356	(1,805,762)
Unrestricted	(1,268,140)	(1,887,163)	619,023
<b>Total net assets</b>	<b>\$ 6,531,485</b>	<b>\$ 7,779,171</b>	<b>\$ (1,247,686)</b>

**Village of Inverness, Illinois**

**Management's Discussion and Analysis (Continued)**

**For the Fiscal Year Ended April 30, 2011**

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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 \$1,247,686 or 16%.

Village of Inverness, Illinois

Management's Discussion and Analysis (Continued)

For the Fiscal Year Ended April 30, 2011

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

**Statement of Activities  
Years Ended April 30, 2011 and 2010**

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for service	\$ 397,210	\$ 393,964	\$ 3,246
Grants and contributions			
Operating	205,546	170,325	35,221
General Revenue			
Property	2,469,792	2,524,506	(54,714)
Other taxes	682,804	662,669	20,135
Annexation fees	4,500	1,500	3,000
Franchise fees	130,623	123,238	7,385
Investment income	24,275	38,305	(14,030)
Miscellaneous	27,945	30,720	(2,775)
<b>Total Revenue</b>	<b>3,942,695</b>	<b>3,945,227</b>	<b>(2,532)</b>
<b>Expenses</b>			
General Government	910,747	936,934	(26,187)
Public Safety	1,477,997	1,416,729	61,268
Public Works	2,456,963	5,272,411	(2,815,448)
Interest	344,674	355,663	(10,989)
<b>Total Expenses</b>	<b>5,190,381</b>	<b>7,981,737</b>	<b>(2,791,356)</b>
<b>Change in Net Assets</b>	<b>(1,247,686)</b>	<b>(4,036,510)</b>	<b>2,788,824</b>
<b>Net assets - beginning</b>	<b>7,779,171</b>	<b>11,815,681</b>	<b>(4,036,510)</b>
<b>Net assets - ending</b>	<b>\$ 6,531,485</b>	<b>\$ 7,779,171</b>	<b>\$ (1,247,686)</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, impact fees, building permit fees, telecommunication taxes and home rule sales tax, etc.).

## Village of Inverness, Illinois

### Management's Discussion and Analysis (Continued)

#### For the Fiscal Year Ended April 30, 2011

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- 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 31% of all governmental activities.
- 7) Increases in Contractual Services – the Village relies heavily on contractual agreements for the delivery of services. Scheduled increases for certain public works activities may 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, 2011, revenues from all governmental activities totaled \$3,942,695. The trend in revenues is flat from the prior year and continues to be the result of reduced fees from development activity, lower interest income on cash assets and decreased intergovernmental revenues from the State of Illinois than the Village has experienced in the past. The Village continues to be impacted by the economic conditions facing the region.

#### Expenses

Total expenses for all governmental activities for the year ended April 30, 2011 were \$5,190,381. This was a decrease of \$2,791,356 or 35% from the previous year. This decrease was due to a planned reduction in the scope of the Village's road rehabilitation efforts from the prior year. This program is being funded by proceeds from the 2008 GO Bond issue. Total project expenses related to this program decreased from approximately \$4.6 million in 2010 to \$1.8 million in 2011. Other operating expenses remained relatively flat.

### 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.

**Village of Inverness, Illinois**

**Management's Discussion and Analysis (Continued)**

**For the Fiscal Year Ended April 30, 2011**

At April 30, 2011, the governmental funds reported a combined fund balance of \$9,064,532. This is a 15% decrease from the previous year's ending balance of \$10,613,614. This decrease was primarily the result of expenses related to the on-going Village road rehabilitation program referred to above. The 2008 Project Fund began the year with over \$4.6 million, which reflected the remaining balance of the 2008 GO Bond proceeds. During the year, the Village resurfaced approximately 7.8 miles of streets and related improvements at a cost of \$1.8 million. The "spending down" of bond proceeds accounts for the decline in combined fund balance. The remaining Governmental Funds experienced slight increases in fund balance at year end resulting in a decrease in fund balance across all Governmental Funds of \$1,549,082.

Total revenues for Governmental Funds for fiscal year 2011 were \$4,012,378. This was a decrease of \$443,984 over the prior year's revenues of \$4,456,362. This reflects the fact that the Village received \$840,276 in property taxes to pay principal and interest on the debt service for the 2008 GO Bonds compared to \$1,222,938 in fiscal year 2010, which represented one and half years of property tax collections due to the methodology used by Cook County for new tax extensions. General Fund revenues were down \$65,926 or 3% based primarily on the timing of property tax payments to the Village. Revenues for Nonmajor Governmental Funds in fiscal year 2011 were up slightly over fiscal year 2010 by approximately \$8,882. Both of these latter two issues are not reflective of any trends and simply demonstrate some stability between these two fiscal years.

Total expenditures for Governmental Funds for the year ended April 30, 2011, were \$5,561,460, which was a decrease of approximately 34% over the previous year's \$8,404,532. As was discussed above, this decrease represents a reduction in the scope and costs associated with the Village's road rehabilitation program. When you take out this factor, differences in expenditures across all other Governmental Funds between fiscal year 2011 and 2010 were less than 2% or \$5,217. In fiscal year 2011, actual expenses in the General Fund were \$341,329 less than the approved budget. All other Governmental Funds, with the exception of the MFT Fund, realized actual expenditures below budgeted. Significant program costs, aside from the road rehabilitation project, that were undertaken include: \$1,424,914 for police operations, \$142,548 for residential solid waste disposal and \$334,438 for snow removal/ice control.

**General Fund Budgetary Highlights  
Year Ended April 30, 2011**

<b>General Fund</b>	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Over/ Under</b>
<b>Revenues</b>			
Property taxes	\$ 1,541,000	\$ 1,567,832	\$ 26,832
Other taxes	657,300	676,093	18,793
Grants	80,500	5,498	(75,002)
Licenses and permits	110,000	113,396	3,396
Fines and forfeitures	30,000	17,023	(12,977)
Annexation fees	4,500	4,500	-
Franchise fees	115,000	130,623	15,623
Interest	28,500	17,695	(10,805)
Miscellaneous	30,000	27,945	(2,055)
<b>Total</b>	<b>2,596,800</b>	<b>2,560,605</b>	<b>(36,195)</b>
<b>Expenditures</b>	<b>2,744,800</b>	<b>2,403,471</b>	<b>341,329</b>
<b>Change in Fund Balance</b>	<b>\$ (148,000)</b>	<b>\$ 157,134</b>	<b>\$ 305,134</b>

## Village of Inverness, Illinois

### Management's Discussion and Analysis (Continued)

For the Fiscal Year Ended April 30, 2011

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#### General Fund Budgetary Highlights

As of April 30, 2011, actual revenues and other financing sources were \$36,195 less than budgeted amounts. As was noted above, actual expenditures were \$341,329 less than the approved budget. Of this amount, \$108,386 is due to actual expenses for the Police Department being less than budget. The General Fund experienced an increase in fund balance of \$157,134, which compared favorably to a budgeted deficit of \$148,000.

The Village did not revise the total annual operating budget or Appropriation Ordinance during the year. A schedule showing actual expenses compared to budget is presented by fund as supplemental data later in this financial report.

#### Capital Assets

At the end of fiscal year 2011, the Village had a combined total of capital assets (net of accumulated depreciation) of \$4,931,430 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net decrease (including additions and deletions) of \$73,218 over fiscal year 2010, which is attributed to the depreciation of capital assets held in the prior year. There were no additions or deletions of capital assets during the year.

#### Capital Assets at Year-End Net of Depreciation April 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Land	\$ 3,597,208	\$ 3,597,208
Buildings	1,065,241	1,094,534
Improvements other than building	213,731	224,152
Vehicles and equipment	55,250	88,754
<b>Total</b>	<b>\$ 4,931,430</b>	<b>\$ 5,004,648</b>

#### 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 this financial report. Property taxes have been pledged to pay principal and interest on these bonds. The Village also has two long-term obligations regarding vehicle capital leases.

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

The Village's reliance on the GO bond proceeds to fund a street and drainage programs for one more year. As noted last year however, not all streets will be resurfaced. As these proceeds are depleted, the Village will need to access future maintenance requirements and the funding mechanism to be used. The Village's Home Rule powers will provide it with the flexibility to address this issue through either property taxes or future debt financing.

## **Village of Inverness, Illinois**

### **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended April 30, 2011**

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The Police Department continues to provide a cost-effective alternative to contract services. As noted above, Department expenses at year end were \$108,386 below budget. If this trend continues, the Village could realize a five-year savings of over \$2,000,000 compared to contract service alternatives. As has been noted in the past, the current staffing model has allowed the Village to control personnel related expenses, especially pensions. Intergovernmental agreements to efficiently out-source operational components of the police function have also been beneficial in controlling costs, while maintaining the capacity to serve the public safety needs of Village residents. In the future, the Village will need to address vehicle and equipment replacement needs and staffing.

The Village has not been immune to the larger economic issues facing the region. The number of home foreclosures is increasing. This condition is not expected to change in the near future. Operational and/or structural changes may be needed to address a declining revenue base. Related to this is the financial crisis surrounding the State of Illinois' budget. There is still an element of uncertainty with respect to income tax revenues, which could have a significant impact on the Village finances in the future. At the present time existing reserves are sufficient to cover operational deficits. However, as those reserves decline, new revenue sources or operational cuts may be necessary.

#### **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, 2011

	Governmental Activities
<b>Assets</b>	
Current	
Cash and investments	\$ 9,160,931
Receivables	
Property taxes	1,225,300
Intergovernmental	245,457
Accrued interest	194
Total current assets	<u>10,631,882</u>
Noncurrent	
Bond issuance costs, net of accumulated amortization of \$33,216	132,863
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,065,241
Improvements other than buildings	213,731
Vehicles and equipment	55,250
Total noncurrent assets	<u>5,064,293</u>
Total assets	<u>15,696,175</u>
<b>Liabilities</b>	
Current	
Accounts payable	217,327
Compensated absences	33,768
Deposits payable	190,014
Interest payable	135,300
Capital lease payable	5,504
Bonds payable	490,000
Total current liabilities	<u>1,071,913</u>
Noncurrent	
Capital lease payable	5,895
Bonds payable, net of unamortized premium of \$11,882	8,086,882
Total noncurrent liabilities	<u>8,092,777</u>
Total liabilities	<u>9,164,690</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,920,031
Restricted for streets and bridges	65,621
Restricted for capital projects	2,813,973
Unrestricted	<u>(1,268,140)</u>
Total net assets	<u>\$ 6,531,485</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

Statement of Activities  
Year Ended April 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 910,747	\$ 113,396	\$ 5,498	\$ (791,853)
Public safety	1,477,997	17,023	-	(1,460,974)
Public works	2,456,963	266,791	200,048	(1,990,124)
Interest	344,674	-	-	(344,674)
Total	<u>\$ 5,190,381</u>	<u>\$ 397,210</u>	<u>\$ 205,546</u>	<u>(4,587,625)</u>

General revenues

Taxes

Property	2,469,792
Personal property replacement	4,814
Sales	49,766
Income and use	628,224
Annexation fees	4,500
Franchise fees	130,623
Investment income	24,275
Miscellaneous	27,945
Total general revenues	<u>3,339,939</u>

Change in net assets (1,247,686)

Net assets - beginning 7,779,171

Net assets - ending \$ 6,531,485

See Notes to Financial Statements.

**Village of Inverness, Illinois**

**Balance Sheet - Governmental Funds**

**April 30, 2011**

	General Fund	2008 Bond Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 5,162,970	\$ 424,933	\$ 2,886,423	\$ 686,605	\$ 9,160,931
Receivables					
Property taxes	773,272	403,356	-	48,672	1,225,300
Intergovernmental	231,526	-	-	13,931	245,457
Accrued interest	194	-	-	-	194
Total assets	<u>\$ 6,167,962</u>	<u>\$ 828,289</u>	<u>\$ 2,886,423</u>	<u>\$ 749,208</u>	<u>\$ 10,631,882</u>
<b>Liabilities</b>					
Accounts payable	\$ 138,528	\$ -	\$ 72,450	\$ 6,349	\$ 217,327
Deferred revenues - property tax	725,880	378,161	-	44,446	1,148,487
Deferred revenues - other tax	11,522	-	-	-	11,522
Deposits payable	190,014	-	-	-	190,014
Total liabilities	<u>1,065,944</u>	<u>378,161</u>	<u>72,450</u>	<u>50,795</u>	<u>1,567,350</u>
<b>Fund Balances</b>					
Reserved for debt service	-	450,128	-	-	450,128
Reserved for capital projects	-	-	2,813,973	-	2,813,973
Unreserved, reported in:					
General fund	5,102,018	-	-	-	5,102,018
Special revenue funds	-	-	-	698,413	698,413
Total fund balances	<u>5,102,018</u>	<u>450,128</u>	<u>2,813,973</u>	<u>698,413</u>	<u>9,064,532</u>
Total liabilities and fund balances	<u>\$ 6,167,962</u>	<u>\$ 828,289</u>	<u>\$ 2,886,423</u>	<u>\$ 749,208</u>	<u>\$ 10,631,882</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, 2011**

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Total fund balances-governmental funds	\$ 9,064,532
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,931,430
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Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	1,160,009
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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	(135,300)
Compensated absences	(33,768)
Capital lease payable	(11,399)
Unamortized bond issuance costs	132,863
Unamortized bond premium	(11,882)
Bonds payable	<u>(8,565,000)</u>

Net assets of governmental activities	<u><u>\$ 6,531,485</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, 2011

	General Fund	2008 Bond Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 1,567,832	\$ 840,276	\$ -	\$ 138,078	\$ 2,546,186
Other taxes	676,093	-	-	-	676,093
Grants	5,498	-	-	-	5,498
Charges for services	-	-	-	203,401	203,401
Licenses and permits	113,396	-	-	63,390	176,786
Fines and forfeitures	17,023	-	-	-	17,023
Intergovernmental	-	-	-	200,048	200,048
Annexation fees	4,500	-	-	-	4,500
Franchise fees	130,623	-	-	-	130,623
Interest	17,695	406	5,185	989	24,275
Miscellaneous	27,945	-	-	-	27,945
<b>Total revenues</b>	<b>2,560,605</b>	<b>840,682</b>	<b>5,185</b>	<b>605,906</b>	<b>4,012,378</b>
<b>Expenditures</b>					
Current					
General government	835,805	350	-	-	836,155
Public safety	1,413,148	-	-	-	1,413,148
Public works	108,144	-	189,812	508,495	806,451
Debt service					
Principal retirement	12,271	470,000	-	-	482,271
Interest expense	1,648	338,820	-	-	340,468
Capital outlay	32,455	-	1,650,512	-	1,682,967
<b>Total expenditures</b>	<b>2,403,471</b>	<b>809,170</b>	<b>1,840,324</b>	<b>508,495</b>	<b>5,561,460</b>
Excess (deficiency) of revenues over expenditures	157,134	31,512	(1,835,139)	97,411	(1,549,082)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	170,800	170,800
Transfers out	-	-	-	(170,800)	(170,800)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>157,134</b>	<b>31,512</b>	<b>(1,835,139)</b>	<b>97,411</b>	<b>(1,549,082)</b>
Fund balances - beginning	4,944,884	418,616	4,649,112	601,002	10,613,614
Fund balances - ending	\$ 5,102,018	\$ 450,128	\$ 2,813,973	\$ 698,413	\$ 9,064,532

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, 2011**

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Net change in fund balances-total governmental funds	\$ (1,549,082)
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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 depreciation exceeded capital outlay in the current period. (\$73,218 depreciation) (73,218)

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.

Principal retirement - capital lease	12,271
Principal retirement - bonds	470,000

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	(69,683)
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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:

Increase in compensated absences payable	(33,768)
Amortization of bond premium and issuance costs	(10,081)
Decrease in interest payable	5,875

Change in net assets of governmental activities	<u>\$ (1,247,686)</u>
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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, 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

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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 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**

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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.

#### **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 all 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

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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.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **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, 2011, the Village reported \$65,621 of net assets that are restricted for street and bridge repairs and other improvements, and \$2,813,973 for various street improvements in connection with the 2008 bond issuance.

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

##### **Budgets**

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

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

The appropriation ordinance may be amended by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, there was one amendment 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, 2011, expenditures in the 2008 Bond Fund exceeded the final budget amounts by \$270. Total expenditures, however, did not exceed the appropriated amounts.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### 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.

#### *Interest Rate Risk.*

As of April 30, 2011, the Village had the following investments and maturities.

Investment Type	Fair Value	Maturities Less Than One Year
Illinois Metropolitan Investment Trust	\$ 577,733	\$ 577,733
Illinois Funds	6,848,688	6,848,688
Total	\$ 7,426,421	\$ 7,426,421

The Illinois Metropolitan Investment Trust 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, 2011, the Illinois Metropolitan Investment Fund (IMET) and the Illinois Funds Investment Pool (IFIP) were both rated AAA by Standard and Poor's.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 4. Receivables - Taxes

Property taxes for 2010 attach as an enforceable lien on January 1, 2010 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, 2011 and July 1, 2011, and are payable in two installments, on or about March 1, 2011 and August 1, 2011. The County collects such taxes and remits them periodically.

#### 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	1,520,714	-	-	1,520,714
Improvements other than buildings	504,430	-	-	504,430
Vehicles and equipment	204,153	-	-	204,153
	<u>2,229,297</u>	<u>-</u>	<u>-</u>	<u>2,229,297</u>
Less accumulated depreciation for:				
Buildings	426,180	29,293	-	455,473
Improvements other than buildings	280,278	10,421	-	290,699
Vehicles and equipment	115,399	33,504	-	148,903
	<u>821,857</u>	<u>73,218</u>	<u>-</u>	<u>895,075</u>
Total capital assets being depreciated, net	<u>1,407,440</u>	<u>(73,218)</u>	<u>-</u>	<u>1,334,222</u>
Governmental activities capital assets, net	<u>\$ 5,004,648</u>	<u>\$ (73,218)</u>	<u>\$ -</u>	<u>\$ 4,931,430</u>

Total depreciation of \$73,218 was allocated as follows:

General government	\$ 44,683
Public safety	<u>28,535</u>
	<u>\$ 73,218</u>

**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, 2011, are shown as follows:

Fund	Detail	Transfers From Other Funds
Street and Bridge	Street repairs	<u>\$ 170,800</u>

Fund		Transfers To Other Funds
Motor Fuel Tax	Street repairs	<u>\$ 170,800</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 combination of purchased coverage and participation in public entity risk pool. 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 \$150,000 limit on property claims, \$200,000 limit on liability claims, \$400,000 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 \$8,002,000. 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, 2011:

	Balance May 1, 2010	Additions	Retirements	Balance April 30, 2011	Due Within One Year
Capital Lease Payable	\$ 23,670	\$ -	\$ 12,271	\$ 11,399	\$ 5,504
General Obligation Bonds Payable*	9,035,000	-	470,000	8,565,000	490,000
Compensated Absences Payable	-	60,898	27,130	33,768	33,768
	<u>\$ 9,058,670</u>	<u>\$ 60,898</u>	<u>\$ 509,401</u>	<u>\$ 8,610,167</u>	<u>\$ 529,272</u>

\* Amount reported in the statement of net assets for governmental activities includes an unamortized premium of \$11,882.

The following is a summary of debt transactions of the Village for the year ended April 30, 2011:

*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 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 three 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 \$3,803 (cost of \$22,818 less \$19,015 in accumulated depreciation).

*Capital Lease* – On June 23, 2009, the Village entered into a capital lease agreement for the purchase of a multi-purpose vehicle. The lease requires four annual consecutive payments of \$6,313 (includes interest at 7.1%), through June 23, 2012. The General Fund will be used to liquidate the capital lease. The book value of the leased police vehicle is \$19,995 (cost of \$22,851 less \$2,856 in accumulated depreciation).

As of April 30, 2011, 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
2012	\$ 490,000	\$ 324,720	\$ 814,720	\$ 5,504	\$ 809	\$ 6,313
2013	515,000	310,020	825,020	5,895	419	6,314
2014	540,000	294,570	834,570	-	-	-
2015	565,000	277,830	842,830	-	-	-
2016	590,000	259,185	849,185	-	-	-
2017-2021	3,405,000	945,375	4,350,375	-	-	-
2022-2024	2,460,000	215,510	2,675,510	-	-	-
Total	<u>\$ 8,565,000</u>	<u>\$ 2,627,210</u>	<u>\$ 11,192,210</u>	<u>\$ 11,399</u>	<u>\$ 1,228</u>	<u>\$ 12,627</u>

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **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 is a member of the Northwest Central Dispatch System (NWCDS) which serves 12 municipalities. NWCDS is a consolidated, multi-jurisdictional emergency communications system that answers approximately 274,000 emergency telephone calls per year and dispatches about 222,000 police calls and 52,000 fire/EMS calls for member municipalities. It has an authorized staff of 92.

The Village remitted approximately \$155,000 to NWCDS for year ended April 30, 2011.

#### **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 \$142,548 to SWANCC for the fiscal year.



## Village of Inverness, Illinois

### Notes to Financial Statements

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#### 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](http://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 2010 was 14.43 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 \$52,916 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>
12/31/08	\$ 36,084	100 %	\$ -
12/31/09	45,474	100	-
12/31/10	52,916	100	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30 year basis.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **Note 11. Employee Retirement Systems (Continued)**

Illinois Municipal Retirement (Continued)

##### Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 64.18 percent funded. The actuarial accrued liability for benefits was \$1,111,275 and the actuarial value of assets was \$713,240, resulting in an underfunded actuarial accrued liability (UAAL) of \$398,035. The covered payroll (annual payroll of active employees covered by the plan) was \$366,709 and the ratio of the UAAL to the covered payroll was 109 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**

The Village has established a Police Pension Fund for sworn officers in accordance with Illinois Compiled Statutes (40 ILCS 5/3 et seq.). At the present time, no officers have applied to participate in the Fund. As an alternative for sworn officers who do not make written application to the Police Pension Fund, the Village has established a section 401(a) savings plan, referred to below.

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 written 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, 2011, twelve 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, 2011 were \$84,950.

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.

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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**Note 13. New Governmental Accounting Standards**

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

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.

Statement No. 59, *Financial Instrument Omnibus*, will be effective for the Village with its year ending April 30, 2012. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

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, 2011

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	\$ 1,541,000	\$ 1,567,832	\$ 26,832
Sales taxes	134,200	51,979	(82,221)
Income taxes	519,600	619,300	99,700
Replacement taxes	3,500	4,814	1,314
Grants	80,500	5,498	(75,002)
Licenses and permits	110,000	113,396	3,396
Fines and forfeitures	30,000	17,023	(12,977)
Annexation Fees	4,500	4,500	-
Franchise fees	115,000	130,623	15,623
Interest	28,500	17,695	(10,805)
Miscellaneous	30,000	27,945	(2,055)
Total revenues	<u>2,596,800</u>	<u>2,560,605</u>	<u>(36,195)</u>
Expenditures			
Current			
General government	933,800	835,805	97,995
Public safety	1,460,900	1,413,148	47,752
Public works	155,000	108,144	46,856
Debt service			
Principal retirement	7,700	12,271	(4,571)
Interest	-	1,648	(1,648)
Capital outlay	187,400	32,455	154,945
Total expenditures	<u>2,744,800</u>	<u>2,403,471</u>	<u>341,329</u>
Net change in fund balance	<u>\$ (148,000)</u>	157,134	<u>\$ 305,134</u>
Fund balance - beginning		<u>4,944,884</u>	
Fund balance - ending		<u>\$ 5,102,018</u>	

Village of Inverness, Illinois

Analysis of Funding Progress - Illinois Municipal Retirement Fund  
 April 30, 2011

Actuarial Valuation Date December 31,	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)
2008	\$ 560,545	\$ 933,354	\$ 372,809	60.06 %	\$ 318,200	117.16 %
2009	633,035	1,021,911	388,876	61.95	340,376	114.25
2010	713,240	1,111,275	398,035	64.18	366,709	108.54

**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, 2011**

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	\$ 294,600	\$ 292,583
Salaries, part-time staff	34,500	30,847
Salaries, elected officials	40,900	40,818
Employee benefits and other personnel related	74,400	73,274
Dues	3,200	2,845
Legal services	110,000	96,998
Engineering services	46,200	42,460
Accounting services	26,000	23,050
Office supplies and postage	27,000	15,744
Insurance	52,500	52,495
Printing and publishing	2,000	806
Telephone	6,500	5,105
Automobile and other allowances	9,100	10,072
Bonds and insurance	40,000	37,397
Contract inspection	9,000	7,405
Conferences and training	4,000	1,722
Miscellaneous	50,000	24,420
Property maintenance	55,000	28,272
Payroll taxes	28,400	28,942
Unemployment tax	1,000	1,050
Contributions	3,000	3,000
Audit	16,500	16,500
Total general government	<u>933,800</u>	<u>835,805</u>
Public safety		
Emergency response	20,000	13,395
Police salaries, full-time	836,900	835,820
Police salaries, part-time	12,000	9,376
Police overtime	25,000	-
Police health insurance	179,000	175,080
Police training	3,000	1,720
Police dues	8,000	7,315
Police payroll tax	65,000	64,095
Police pension	85,400	84,950
Police unemployment tax	1,000	2,109
Police supplies/services	8,500	7,795
Police uniforms	6,000	4,858
Police office supplies	6,500	2,048

(Continued)

Village of Inverness, Illinois

General Fund

Schedule of Expenditures - Budget and Actual (Continued)  
Year Ended April 30, 2011

	Original and Final Budget	Actual
Public safety (Continued)		
Police contracts	\$ 155,600	\$ 155,730
Police vehicle maintenance	40,000	44,462
Police telephone	9,000	4,395
Total public safety	<u>1,460,900</u>	<u>1,413,148</u>
Public works		
Engineering services	45,000	46,176
Forestry	35,000	28,675
Stormwater management	50,000	33,293
SSES	25,000	-
Total public works	<u>155,000</u>	<u>108,144</u>
Debt service		
Principle retirement	7,700	12,271
Interest	-	1,648
Total debt service	<u>7,700</u>	<u>13,919</u>
Capital outlay		
General governmental		
Office equipment	20,000	7,294
Remodeling	75,000	-
Public safety		
Police radios	3,000	2,084
Police office equipment	6,000	6,244
Police other capital	83,400	16,833
	<u>187,400</u>	<u>32,455</u>
Total expenditures	<u>\$ 2,744,800</u>	<u>\$ 2,403,471</u>

**Nonmajor Governmental Funds – Special Revenue Funds**

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2011

	Special Revenue Funds			Totals
	Solid Waste	Motor Fuel Tax	Street and Bridge	
<b>Assets</b>				
Cash and investments	\$ 410,664	\$ 51,690	\$ 224,251	\$ 686,605
Receivables				
Property taxes	-	-	48,672	48,672
Intergovernmental	-	13,931	-	13,931
Total assets	\$ 410,664	\$ 65,621	\$ 272,923	\$ 749,208
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,100	\$ -	\$ 5,249	\$ 6,349
Deferred revenues - property taxes	-	-	44,446	44,446
Total liabilities	1,100	-	49,695	50,795
Fund balances	409,564	65,621	223,228	698,413
Total liabilities and fund balances	\$ 410,664	\$ 65,621	\$ 272,923	\$ 749,208

Village of Inverness, Illinois

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended April 30, 2011

	Special Revenue Funds			Totals
	Solid Waste	Motor Fuel Tax	Street and Bridge	
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 138,078	\$ 138,078
Charges for services	203,401	-	-	203,401
Licenses and permits	-	-	63,390	63,390
Intergovernmental	-	200,048	-	200,048
Interest	520	129	340	989
<b>Total revenues</b>	<b>203,921</b>	<b>200,177</b>	<b>201,808</b>	<b>605,906</b>
<b>Expenditures</b>				
Public works	142,548	-	365,947	508,495
<b>Excess (deficiency) of revenues over expenditures</b>	<b>61,373</b>	<b>200,177</b>	<b>(164,139)</b>	<b>97,411</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	170,800	170,800
Transfers out	-	(170,800)	-	(170,800)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(170,800)</b>	<b>170,800</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>61,373</b>	<b>29,377</b>	<b>6,661</b>	<b>97,411</b>
Fund balances - beginning	348,191	36,244	216,567	601,002
<b>Fund balances - ending</b>	<b>\$ 409,564</b>	<b>\$ 65,621</b>	<b>\$ 223,228</b>	<b>\$ 698,413</b>

Village of Inverness, Illinois

Solid Waste Fund

Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2011

	Original and Final Budget	Actual
Revenues		
Charges for services		
SWANCC fees	\$ 185,000	\$ 203,401
Interest	400	520
Total revenues	<u>185,400</u>	<u>203,921</u>
Expenditures		
Public works		
Solid waste	<u>150,000</u>	<u>142,548</u>
Net change in fund balance	<u>\$ 35,400</u>	61,373
Fund balance - beginning		<u>348,191</u>
Fund balance - ending		<u>\$ 409,564</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, 2011

	Original and Final Budget	Actual
Revenues		
Intergovernmental	\$ 172,700	\$ 200,048
Interest	500	129
Total revenues	<u>173,200</u>	<u>200,177</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	173,200	200,177
Other financing uses		
Transfers out	<u>(150,000)</u>	<u>(170,800)</u>
Net change in fund balance	<u>\$ 23,200</u>	29,377
Fund balance - beginning		<u>36,244</u>
Fund balance - ending		<u>\$ 65,621</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, 2011

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 120,000	\$ 138,078
Licenses and permits	55,000	63,390
Interest	400	340
Total revenues	<u>175,400</u>	<u>201,808</u>
Expenditures		
Public works		
Street maintenance	<u>400,000</u>	<u>365,947</u>
Deficiency of revenues over expenditures	(224,600)	(164,139)
Other financing sources		
Transfers in	<u>150,000</u>	<u>170,800</u>
Net change in fund balance	<u>\$ (74,600)</u>	6,661
Fund balance - beginning		<u>216,567</u>
Fund balance - ending		<u>\$ 223,228</u>

## **Major Debt Service Fund**

Village of Inverness, Illinois

2008 Bond Fund

Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2011

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 808,900	\$ 840,276
Interest	-	406
Total revenues	<u>808,900</u>	<u>840,682</u>
Expenditures		
General government	-	350
Debt service		
Principal	470,000	470,000
Interest	338,900	338,820
Total expenditures	<u>808,900</u>	<u>809,170</u>
Net change in fund balance	<u>\$ -</u>	31,512
Fund balance - beginning		<u>418,616</u>
Fund balance - ending		<u>\$ 450,128</u>

## **Major Capital Projects Fund**

Village of Inverness, Illinois

2008 Project Fund

Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2011

	Original and Final Budget	Actual
Revenues		
Interest	\$ 12,300	\$ 5,185
Expenditures		
Public works		
Street maintenance	170,000	189,812
Capital outlay	2,200,000	1,650,512
Total expenditures	<u>2,370,000</u>	<u>1,840,324</u>
Net change in fund balance	<u>\$ (2,357,700)</u>	(1,835,139)
Fund balance - beginning		<u>4,649,112</u>
Fund balance - ending		<u>\$ 2,813,973</u>

**Statistical Section (Unaudited)**

Village of Inverness, Illinois

Property Tax Assessed Valuations, Rates,  
Extensions and Collections (Unaudited)  
April 30, 2011

Year	2010**	2009	2008	2007	2006
Assessed valuation	\$ 569,891,309	\$ 628,948,084	\$ 592,409,976	\$ 546,467,233	\$ 442,824,791
Tax rate per \$100 of assessed valuation					
Corporate	0.279	0.253	0.268	0.276	0.256
Bonds	0.150	0.135	0.143	-	-
	0.429	0.388	0.411	0.276	0.256
Extensions					
Corporate	1,541,000	1,541,000	1,587,910	1,507,796	1,133,604
Bonds	814,720	808,820	844,254	-	-
	2,355,720	2,349,820	2,432,164	1,507,796	1,133,604
Collections*					
Corporate		1,570,288	1,532,069	1,494,464	1,109,881
Bonds		834,808	814,565	-	-
	-	2,405,096	2,346,634	1,494,464	1,109,881
Year	2005	2004	2003	2002	2001
Assessed valuation	\$ 426,107,824	\$ 384,577,473	\$ 323,034,513	\$ 319,072,912	\$ 294,050,798
Tax rate per \$100 of assessed valuation					
Corporate	0.133	0.147	0.175	0.178	0.193
Bonds	-	-	-	-	-
	0.133	0.147	0.175	0.178	0.193
Extensions					
Corporate	566,723	565,329	565,310	567,950	567,518
Bonds	-	-	-	-	-
	566,723	565,329	565,310	567,950	567,518
Collections*					
Corporate	565,991	563,708	563,156	563,567	573,222
Bonds	-	-	-	-	-
	565,991	563,708	563,156	563,567	573,222

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



**Village of Inverness, Illinois**

**Schedule of Legal Debt Margin**

**April 30, 2011**

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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.