

# Village of Inverness, Illinois

Annual Financial Report  
April 30, 2017



# Village of Inverness, Illinois

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**Village of Inverness, Illinois**

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**Village of Inverness, Illinois**

**Principal Officials**  
**April 30, 2017**

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**President**

John A. Tatooles

**Trustees**

Terrence H. Kral

Richard C. Gallagher

Timothy W. Tiedje

Russell P. Fitton

John R. Willis

Chuck Fritz

**Clerk**

Laurie C. White

**Deputy Clerk**

Stacy Smith

**Treasurer**

Kenneth A. Klein

**Administrator**

Sam Trakas

**Police Chief**

Robert R. Haas, Jr.

## **Independent Auditor's Report**

**Independent Auditor's Report**

RSM US LLP

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

**Report on the Financial Statements**

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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Inverness, Illinois, as of April 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information:*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (pages 3 - 10), budgetary comparison information (page 38), and pension information (pages 36 - 37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information:*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Other Supplementary Information (pages 40 - 44), and the Introductory Section and Other Information Section (pages 45 - 46) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Other Information Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*RSM US LLP*

Schaumburg, Illinois  
August 31, 2017

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



## **Village of Inverness, Illinois**

### **Management's Discussion and Analysis For the Fiscal Year Ended April 30, 2017**

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The Village of Inverness' (Village) 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 Position**

The Village's total net position of governmental activities increased by \$587,530 or 6.7% as a result of this year's operations. The Village does not conduct any business-type activities.

##### **Revenues**

The governmental activities revenues totaled \$4,602,467.

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

The governmental activities expenses totaled \$4,014,937.

##### **General Fund**

The General Fund reported revenues of \$3,457,601 and expenditures of \$3,657,639, resulting in an operating decrease of \$200,038, prior to any fund transfers.

#### **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 Position (the "Unrestricted Net Position") 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, 2017

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The Governmental Activities reflect the Village's basic services, including general government, public safety and public works. Property taxes, 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 Position

Net position is defined as the amount by which assets and deferred outflows and deferred inflows exceed liabilities. Net position can be a useful indicator of a government's financial condition. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,326,510 as of April 30, 2017. This is an increase of \$587,530 or 6.7% over the prior year.

##### Statement of Net Position As of April 30, 2017 and 2016

	Governmental Activities		
	2017	2016	Change
Current and other assets	\$ 10,507,614	\$ 10,366,884	\$ 140,730
Capital assets	4,858,086	4,894,623	(36,537)
<b>Total assets</b>	<b>15,365,700</b>	<b>15,261,507</b>	<b>104,193</b>
<b>Deferred Outflows of Resources</b>	<b>183,906</b>	<b>275,147</b>	<b>(91,241)</b>
Current liabilities	1,270,079	1,196,252	73,827
Noncurrent liabilities	4,926,459	5,601,422	(674,963)
<b>Total liabilities</b>	<b>6,196,538</b>	<b>6,797,674</b>	<b>(601,136)</b>
<b>Deferred Inflows of Resources</b>	<b>26,558</b>	<b>-</b>	<b>26,558</b>
Net Position:			
Investment in capital assets	4,858,086	4,894,623	(36,537)
Restricted	278,388	271,795	6,593
Unrestricted	4,190,036	3,572,562	617,474
<b>Total net position</b>	<b>\$ 9,326,510</b>	<b>\$ 8,738,980</b>	<b>\$ 587,530</b>

**Village of Inverness, Illinois**

**Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended April 30, 2017**

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A portion of total net position constitutes the net investment in capital assets. 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 Position summary presentation.

- 1) Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.
- 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 investment 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 position and increase investment 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 investment 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 position increased by \$587,530 or 6.7%.

Village of Inverness, Illinois

Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended April 30, 2017

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

**Statement of Activities**  
**Years Ended April 30, 2017 and 2016**

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for service	\$ 381,112	\$ 470,300	\$ (89,188)
Grants and contributions			
Operating	193,857	195,565	(1,708)
General Revenue			
Property taxes	2,811,769	2,785,507	26,262
Other taxes	960,422	998,167	(37,745)
Franchise fees	177,613	172,185	5,428
Investment income	37,970	10,247	27,723
Miscellaneous	39,724	18,223	21,501
<b>Total Revenue</b>	<b>4,602,467</b>	<b>4,650,194</b>	<b>(47,727)</b>
<b>Expenses</b>			
General Government	1,052,914	969,289	83,625
Public Safety	1,626,253	1,663,732	(37,479)
Public Works	1,106,794	666,747	440,047
Interest	228,976	248,601	(19,625)
<b>Total Expenses</b>	<b>4,014,937</b>	<b>3,548,369</b>	<b>466,568</b>
<b>Change in Net Position</b>	<b>587,530</b>	<b>1,101,825</b>	<b>(514,295)</b>
<b>Net position - beginning</b>	<b>8,738,980</b>	<b>7,637,155</b>	<b>1,101,825</b>
<b>Net position - ending</b>	<b>\$ 9,326,510</b>	<b>\$ 8,738,980</b>	<b>\$ 587,530</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, 2017

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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:**

- 1) 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.
- 2) Increase in Authorized Personnel – changes in service demand may cause the Village Board to increase/decrease staffing. Staffing costs represent approximately 40% of all governmental activities.
- 3) 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.
- 4) 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.

#### **Revenues**

For the fiscal year ended April 30, 2017, revenues from all governmental activities totaled \$4,602,467. This is a 1.0% decrease or \$47,727 from the previous year. The decrease is attributed to lower building permit fees and reduced income and income and use taxes.

#### **Expenses**

Total expenses for all governmental activities for the year ended April 30, 2017 were \$4,014,937. This is a 13.1% increase or \$466,568 increase from the previous year. This expense is the result of the Village's utilizing \$475,000 of the FY 2016 \$600,000 financial surplus for additional road and drainage projects.

Village of Inverness, Illinois

Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended April 30, 2017

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**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, unassigned 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 year-end, governmental funds reported a combined fund balance of \$8,619,754. This is a 0.4% increase from the prior year's ending combined fund balance of \$8,588,359.

Total revenues for Governmental Funds for fiscal year 2017 were \$4,548,019. This was a decrease of \$134,192 over the prior year's revenues. General Fund revenues were \$3,457,601, which was \$133,324 lower than the prior year. As mentioned previously, this decrease is associated with the decrease in building permit fees and reduced income and income and use taxes.

Total expenditures for Governmental Funds for the year ended April 30, 2017, were \$4,516,624, which was an increase of \$476,429 over the previous year. General Fund expenditures were \$3,657,639 compared to FY16 expenditures of \$3,190,560. This positive result at year-end again represents conservative financial planning on the part of the Village's elected leadership combined with successful targeted cost containment practices. Significant program cost for this year include: \$1,591,528 for police operations, \$117,172 for residential solid waste disposal, \$312,158 for snow removal, and \$586,137 general road maintenance activities.

**General Fund Budgetary Highlights  
Year Ended April 30, 2017**

<b>General Fund</b>	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Over/ Under</b>
Revenues			
Property taxes	\$ 1,895,000	\$ 1,962,674	\$ 67,674
Other taxes	944,500	861,254	(83,246)
Charges for services	145,000	159,886	14,886
Licenses and permits	216,000	204,528	(11,472)
Fines and forfeitures	15,000	16,698	1,698
Franchise fees	165,000	177,613	12,613
Interest	6,000	35,224	29,224
Miscellaneous	7,500	39,724	32,224
<b>Total</b>	<b>3,394,000</b>	<b>3,457,601</b>	<b>63,601</b>
Expenditures	3,864,645	3,657,639	207,006
<b>Change in Fund Balance</b>	<b>\$ (470,645)</b>	<b>\$ (200,038)</b>	<b>\$ 270,607</b>

**Village of Inverness, Illinois**

**Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended April 30, 2017**

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**General Fund Budgetary Highlights**

As of April 30, 2017, actual revenues were \$63,601 more than budget projections. Actual expenditures were \$207,006 less than the approved budget. The reason for this was referenced above. The General Fund experienced a decrease in fund balance of \$10,038, including transfers in of \$190,000 from the Motor Fuel Tax Fund to assist in the continuing road program. This decrease accounts for the use of \$475,000 of the FY 2016 financial surplus for additional road and drainage projects.

The Village did not revise the total annual operating budget during the year. A schedule showing actual expenditures compared to budget is presented as supplementary information later in this financial report.

**Capital Assets**

At the end of fiscal year 2017, the Village had a combined total of capital assets (net of accumulated depreciation) of \$4,858,086 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net decrease (including additions and deletions) of \$36,537 over FY 2016.

**Capital Assets at Year-End  
Net of Depreciation  
April 30, 2017 and 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 3,597,208	\$ 3,597,208
Buildings	1,066,245	1,100,648
Improvements other than building	148,270	161,625
Vehicles and equipment	46,363	35,142
<b>Total</b>	<b>\$ 4,858,086</b>	<b>\$ 4,894,623</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 roadway network. These bonds received a rating of AAA from Standard & Poor's, which was subsequently reaffirmed in April 2017. 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.

## **Village of Inverness, Illinois**

### **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended April 30, 2017**

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

The Village continues to plan and operate in a fiscally conservative fashion. This organizational philosophy and practice has enabled the Village to maintain a healthy fund balance to address operational and environmental uncertainties. Currently, the unassigned fund balance for all governmental funds is \$6,771,299. This is approximately 185% of annual operational expenditures and is consistent with the Village's Investment Policy. Unassigned reserves of this amount should provide the Village with the flexibility to "weather" the uncertainties that are present in the State of Illinois. State revenues account for about 25% of all operating revenues. The potential impact of the State's financial condition on the Village and other local governments has been commented on before. The State's continued inability to solve this financial crisis only heightens this uncertainty. In the event the General Assembly takes steps to reduce or eliminate certain intergovernmental revenues, existing unassigned reserves should be adequate to bridge potential operational deficits in the near term until the Village can adjust to the changing fiscal environment.

Looking forward, the Village will need to explore additional funding sources for future infrastructure maintenance. While the 2008 GO Bond issue, and the subsequent road programs paid for by those bonds, has rehabilitated a large portion of the local road network, there will be a future need for large-scale road resurfacing before the bonds are retired. Accordingly, the Village will need to evaluate alternative or additional financing sources for this purpose. In addition, the Village will need to expend resources on its existing facilities, especially the Village Hall silos. Existing unassigned reserves should be sufficient to pay for these improvements.

Aside from the above issues, there should be a high degree of operational stability over the next several years that should provide financial stability as well.

#### **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 the Village Administrator, Village of Inverness, 1400 Baldwin Road, Inverness, Illinois 60067.



## **Basic Financial Statements**

Village of Inverness, Illinois

Statement of Net Position  
April 30, 2017

	Governmental Activities
<b>Assets</b>	
Current	
Cash and investments	\$ 8,919,647
Receivables	
Property taxes	1,306,027
Intergovernmental	265,522
Accrued interest	50
Other	16,368
Total current assets	<u>10,507,614</u>
Noncurrent	
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,066,245
Improvements other than buildings	148,270
Vehicles and equipment	46,363
Total noncurrent assets	<u>4,858,086</u>
Total assets	<u>15,365,700</u>
<b>Deferred Outflows of Resources</b>	
Pension related amounts	183,906
Total deferred outflows of resources	<u>183,906</u>
<b>Liabilities</b>	
Current	
Accounts payable	137,577
Compensated absences	25,917
Deposits payable	366,754
Interest payable	89,831
Bonds payable	650,000
Total current liabilities	<u>1,270,079</u>
Noncurrent	
Net pension liability	325,517
Bonds payable, net of unamortized premium of \$5,942	4,600,942
Total noncurrent liabilities	<u>4,926,459</u>
Total liabilities	<u>6,196,538</u>
<b>Deferred Inflows of Resources</b>	
Pension related amounts	26,558
Total deferred inflows of resources	<u>26,558</u>
<b>Net Position</b>	
Investment in capital assets	4,858,086
Restricted for streets and bridges	278,388
Unrestricted	<u>4,190,036</u>
Total net position	<u>\$ 9,326,510</u>

See Notes to Financial Statements.

Village of Inverness, Illinois

Statement of Activities

Year Ended April 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 1,052,914	\$ 204,528	\$ -	\$ (848,386)
Public safety	1,626,253	16,698	-	(1,609,555)
Public works	1,106,794	159,886	193,857	(753,051)
Interest	228,976	-	-	(228,976)
Total	<u>\$ 4,014,937</u>	<u>\$ 381,112</u>	<u>\$ 193,857</u>	<u>(3,439,968)</u>

General revenues

Taxes

Property 2,811,769

Personal property replacement 5,138

Sales 75,216

Income and use 880,068

Franchise fees 177,613

Investment income 37,970

Miscellaneous 39,724

Total general revenues 4,027,498

Change in net position 587,530

Net position - beginning 8,738,980

Net position - ending \$ 9,326,510

See Notes to Financial Statements.

Village of Inverness, Illinois

**Balance Sheet - Governmental Funds**  
**April 30, 2017**

	General Fund	2008 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 7,989,570	\$ 667,889	\$ 262,188	\$ 8,919,647
Receivables				
Property taxes	897,769	408,258	-	1,306,027
Intergovernmental	249,322	-	16,200	265,522
Accrued interest	50	-	-	50
Other receivables	16,368	-	-	16,368
Total assets	<u>\$ 9,153,079</u>	<u>\$ 1,076,147</u>	<u>\$ 278,388</u>	<u>\$ 10,507,614</u>
<b>Liabilities</b>				
Accounts payable	\$ 137,577	\$ -	\$ -	\$ 137,577
Deposits payable	366,754	-	-	366,754
Total liabilities	<u>504,331</u>	<u>-</u>	<u>-</u>	<u>504,331</u>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	882,840	401,521	-	1,284,361
Deferred other taxes	99,168	-	-	99,168
Total deferred inflows of resources	<u>982,008</u>	<u>401,521</u>	<u>-</u>	<u>1,383,529</u>
<b>Fund Balances</b>				
Restricted - street and bridge improvements	-	-	278,388	278,388
Restricted - debt service	-	674,626	-	674,626
Assigned				
Solid waste program	572,728	-	-	572,728
Street and bridge improvements	322,713	-	-	322,713
Unassigned	6,771,299	-	-	6,771,299
Total fund balances	<u>7,666,740</u>	<u>674,626</u>	<u>278,388</u>	<u>8,619,754</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,153,079</u>	<u>\$ 1,076,147</u>	<u>\$ 278,388</u>	<u>\$ 10,507,614</u>

See Notes to Financial Statements.

**Village of Inverness, Illinois**

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
April 30, 2017**

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Total fund balances-governmental funds	\$	8,619,754
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Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,858,086
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Deferred outflows of resources related to pensions which will be recognized as an increase to pension expense in future reporting periods.	183,906
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Deferred inflows of resources related to pensions which will be recognized as a decrease to pension expense in future reporting periods.	(26,558)
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Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the funds.	1,383,529
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Some liabilities reported in the Statement of Net Position do not  
require the use of current financial resources and, therefore,  
are not reported as liabilities in governmental funds.

These amounts consist of:

Interest payable	(89,831)
Compensated absences	(25,917)
Net pension liability	(325,517)
Unamortized bond premium	(5,942)
Bonds payable	(5,245,000)

Net position of governmental activities	\$	<u>9,326,510</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, 2017**

	General Fund	2008 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,962,674	\$ 893,815	\$ -	\$ 2,856,489
Sales taxes	75,216	-	-	75,216
Income and use taxes	780,900	-	-	780,900
Replacement taxes	5,138	-	-	5,138
Charges for services	159,886	-	-	159,886
Licenses and permits	204,528	-	-	204,528
Fines and forfeitures	16,698	-	-	16,698
Intergovernmental	-	-	193,857	193,857
Franchise fees	177,613	-	-	177,613
Interest	35,224	10	2,736	37,970
Miscellaneous	39,724	-	-	39,724
<b>Total revenues</b>	<b>3,457,601</b>	<b>893,825</b>	<b>196,593</b>	<b>4,548,019</b>
<b>Expenditures</b>				
Current				
General government	909,131	450	-	909,581
Public safety	1,591,528	-	-	1,591,528
Public works	1,106,794	-	-	1,106,794
Debt service				
Principal retirement	-	620,000	-	620,000
Interest expense	-	238,535	-	238,535
Capital outlay	50,186	-	-	50,186
<b>Total expenditures</b>	<b>3,657,639</b>	<b>858,985</b>	<b>-</b>	<b>4,516,624</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(200,038)</b>	<b>34,840</b>	<b>196,593</b>	<b>31,395</b>
<b>Other financing sources (uses)</b>				
Transfers in	190,000	-	-	190,000
Transfers out	-	-	(190,000)	(190,000)
<b>Total other financing sources (uses)</b>	<b>190,000</b>	<b>-</b>	<b>(190,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(10,038)</b>	<b>34,840</b>	<b>6,593</b>	<b>31,395</b>
Fund balances - beginning	7,676,778	639,786	271,795	8,588,359
Fund balances - ending	\$ 7,666,740	\$ 674,626	\$ 278,388	\$ 8,619,754

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, 2017**

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Net change in fund balances-total governmental funds	\$ 31,395
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. In the current year total capital outlay (\$31,394) was exceeded by depreciation (\$67,931) in the current period.	(36,537)
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 position.	
Principal retirement - bonds	620,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows of resources	54,448
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:	
Decrease in accrued interest	9,559
Increase in compensated absences payable	1,501
Changes in net pension liability and related pension amounts	<u>(92,836)</u>
Change in net position of governmental activities	<u>\$ 587,530</u>

See Notes to Financial Statements.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

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

#### Reporting Entity

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

#### Government-wide and Fund Financial Statements

**Government-wide Financial Statements:** The government-wide Statement of Net Position 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 Position presents the Village's assets, deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported in three categories:

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

**Restricted net position** results when constraints placed on net position 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 generally the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**Unrestricted net position** consists of net position that does 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 and the 2008 Bond 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.

#### 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.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Recorded as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

## **Village of Inverness, Illinois**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Deferred Outflows of Resources, Deferred Inflows of Resources and Unearned Revenues**

Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. The Village reports the deferred outflows due to pensions as deferred outflows of resources on the government-wide financial statements.

Deferred inflows of resources are the acquisition of net position or fund balance that is applicable to future reporting periods. Deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period for the governmental funds. Deferred inflows of resources also result when timing requirements relating to imposed tax revenues are not met, as in when property tax receivables are recorded prior to the period the levy is intended to finance. In addition, the Village reports deferred inflows due to pensions on the government-wide financial statements. See Note 11 for pension related disclosures.

Unearned revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the Village has a legal claim to the resources, the liability for unearned revenues is removed from the financial statements and revenue is recognized.

##### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/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 generally reported at fair value based on quoted market prices. Investments in 2a-7 money market funds and 2a-7 like pools (Illinois Funds) are reported at net asset value per share.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### 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.

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position 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 position.

**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.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**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.

#### 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 expensed when incurred.

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.

The Village accrues accumulated unpaid vacation earned by the employee, which is reported in the government-wide statements. Vacation credit may not be accumulated from year to year. Any employee who does not take all the vacation time to which he or she is entitled in a year will automatically forfeit that vacation and vacation pay. Upon termination, the employee is entitled to the prorated amount of vacation time, calculated at a rate of 1/12 for each month or portion thereof.

#### Fund Balances

Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In addition, GASB 54 modified certain fund type definitions and provided guidance for classification of stabilization amounts on the face of the balance sheet.

Within the governmental fund types, the Village's fund balances are reported in one of the following classifications:

**Restricted** – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Fund Balances (Continued)

**Assigned** – includes amounts that are constrained by the Village's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the Village's Board itself; b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Village's Board has not delegated authority to any other body or official to assign amounts for a specific purpose within the General Fund. However, certain assignments are approved by the Board within the Financial Plan. Within the other governmental fund types (special revenue, debt service, capital projects) resources are assigned in accordance with the established fund purpose and approved Financial Plan and appropriation.

**Unassigned** – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances (if any) of other governmental funds.

#### 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. The appropriation ordinance was not revised or amended during the year.

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

#### Note 3. 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 position as "cash and investments." In addition, investments are separately held by several of the Village's funds.

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

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

*Interest Rate Risk.*

As of April 30, 2017, the Village had the following investments and maturities.

Investment Type	Carrying Value
Illinois Funds	<u>\$ 7,436,367</u>
Total	<u>\$ 7,452,560</u>

The Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments in the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Illinois Funds does meet all the criteria in GASB Statement No 79, paragraph 4 which allows the reporting of its investments at amortized cost. Investments in Illinois Funds are valued at share price, which is the price the investment could be sold for. There are no limitations or restrictions on withdrawals from the pool.

*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, 2017, and the Illinois Funds Investment Pool (IFIP) was rated AAA by Standard & Poor's.

**Note 4. Receivables - Taxes**

Property taxes for 2016 attach as an enforceable lien on January 1, 2016 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, 2017 and July 1, 2017, and are payable in two installments, on or about March 1, 2017 and August 1, 2017. The County collects such taxes and remits them periodically.

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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**Note 5. Capital Assets**

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

	Balance May 1	Additions	Deletions	Balance April 30
Capital assets not being depreciated:				
Land	\$ 3,597,208	\$ -	\$ -	\$ 3,597,208
Capital assets being depreciated:				
Buildings	1,720,158	-	-	1,720,158
Improvements other than buildings	504,430	-	-	504,430
Vehicles and equipment	221,341	31,394	20,815	231,920
	<u>2,445,929</u>	<u>31,394</u>	<u>20,815</u>	<u>2,456,508</u>
Less accumulated depreciation for:				
Buildings	619,510	34,403	-	653,913
Improvements other than buildings	342,805	13,355	-	356,160
Vehicles and equipment	186,199	20,173	20,815	185,557
	<u>1,148,514</u>	<u>67,931</u>	<u>20,815</u>	<u>1,195,630</u>
Total capital assets being depreciated, net	<u>1,297,415</u>	<u>(36,537)</u>	<u>-</u>	<u>1,260,878</u>
Governmental activities capital assets, net	<u>\$ 4,894,623</u>	<u>\$ (36,537)</u>	<u>\$ -</u>	<u>\$ 4,858,086</u>

Total depreciation of \$67,931 was allocated as follows:

General government	\$ 50,614
Public safety	<u>17,317</u>
	<u>\$ 67,931</u>

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 6. Interfund Activity

Transfers between funds for the year ended April 30, 2017 are shown as follows:

Fund	Detail	Transfer In
General Fund	Street repairs	<u>\$ 190,000</u>

  

Fund	Detail	Transfer Out
Motor Fuel Tax	Street repairs	<u>\$ 190,000</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 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, \$500,000 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 from a fully funded loss amount of \$11,200,000. 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.

The Village's employee policy does not offer health insurance to retired employees. However, the Municipal Employee's Continuance Privilege law (215 ILCS 5/367j) requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. The Village has one retiree receiving health insurance pursuant to Municipal Employee's Continuance Privilege law.

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, 2017:

	Balance May 1, 2016	Additions	Retirements	Balance April 30, 2017	Due Within One Year
General Obligation Bonds Payable*	\$ 5,865,000	\$ -	\$ 620,000	\$ 5,245,000	\$ 650,000
Compensated Absences Payable	27,418	25,917	27,418	25,917	25,917
	<u>\$ 5,892,418</u>	<u>\$ 25,917</u>	<u>\$ 647,418</u>	<u>\$ 5,270,917</u>	<u>\$ 675,917</u>

\* Amount reported in the statement of net position for governmental activities includes an unamortized premium of \$5,942.

The following is a summary of debt transactions of the Village for the year ended April 30, 2017:

*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% with principal payments due on December 1 and interest payments due on December 1 and June 1 each year through December 1, 2023. The bonds were issued to provide funds for the maintenance of infrastructure.

As of April 30, 2017, debt service requirements to maturity on the outstanding debt, including interest, are as follows:

Year Ending April 30	Governmental Activities		
	Bonds		
	Principal	Interest	Total
2018	\$ 650,000	\$ 215,595	\$ 865,595
2019	680,000	190,895	870,895
2020	710,000	164,375	874,375
2021	745,000	135,975	880,975
2022	780,000	105,430	885,430
2023-2024	1,680,000	110,080	1,790,080
Total	<u>\$ 5,245,000</u>	<u>\$ 922,350</u>	<u>\$ 6,167,350</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 11 municipalities. NWCDS is a consolidated, multi-jurisdictional emergency communications system that answers emergency telephone calls and dispatches both police and fire/EMS calls for member municipalities.

The Village remitted approximately \$170,898 to NWCDS for the year ended April 30, 2017.

#### **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, 77 West Hintz Road, Suite 200, Wheeling, Illinois 60090.

In accordance with the joint venture agreement, the Village made payments of \$117,172 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 Fund

###### 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.

###### Benefits Provided

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

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

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

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

## Village of Inverness, Illinois

### Notes to Financial Statements

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

##### Illinois Municipal Retirement Fund (Continued)

###### Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	<u>Membership</u>
Inactive employees or their beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>6</u>
Total membership	<u><u>13</u></u>

###### Contributions

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 2017 and 2016 was 12.35 percent and 13.44 percent of annual covered payroll, respectively. 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.

###### Net Pension Liability

The Village's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

###### Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

## Village of Inverness, Illinois

### Notes to Financial Statements

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

##### Illinois Municipal Retirement Fund (Continued)

###### Actuarial Assumptions (Continued)

- For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

###### Single Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, based on the tax of municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) and the resulting single discount rate is 7.50%, which is equal to the long-term rate of return due to the fact that projections estimate net position will be available to pay all future benefits.

Village of Inverness, Illinois

Notes to Financial Statements

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

**Illinois Municipal Retirement Fund (Continued)**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at April 30, 2016</b>	\$ 2,018,913	\$ 1,668,433	\$ 350,480
Changes for the year:			
Service cost	41,069	-	41,069
Interest	148,115	-	148,115
Differences between expected and actual experience	(21,257)	-	(21,257)
Changes of assumptions	(13,766)	-	(13,766)
Contributions - employer	-	50,821	(50,821)
Contributions - employee	-	17,016	(17,016)
Net investment income	-	116,017	(116,017)
Benefit payments, including refunds of employee contributions	(97,312)	(97,312)	-
Administrative expense	-	-	-
Other changes	-	(4,730)	4,730
Net changes	56,849	81,812	(24,963)
<b>Balances at April 30, 2017</b>	<b>\$ 2,075,762</b>	<b>\$ 1,750,245</b>	<b>\$ 325,517</b>

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

The following presents the plan's net pension liability, calculated using a single discount rate of 7.44%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Village's net pension liability	\$ 569,639	\$ 325,517	\$ 117,575

**Village of Inverness, Illinois**

**Notes to Financial Statements**

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

**Illinois Municipal Retirement Fund (Continued)**

Pension Expense, Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2017 the Village recognized pension expense of \$142,686. At April 30, 2017, the Village reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,927	\$ 16,119
Changes of assumptions	21,738	10,439
Net differences between projected and actual earnings on pension plan investments	85,515	-
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 168,180</u>	<u>\$ 26,558</u>

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

<u>Year Ended April 30,</u>	<u>Amount</u>
2018	\$ 89,637
2019	34,693
2020	16,890
2021	402
Total	<u>\$ 141,622</u>

The Village's contributions to IMRF subsequent to the measurement date of the net pension liability (April 30, 2017) amounted to \$15,726 and are reported as deferred outflows of resources. These amounts will be included in pension expense in fiscal year 2018.

The schedule of changes in net pension liability, total pension liability and related ratios and investment returns and the schedule of contributions are presented as Required Supplementary Information (RSI) following the notes to the financial statements.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **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, 2017, 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 and pension expense for the year ended April 30, 2017 were \$85,503.

Other than IMRF and the 401(a) savings plan, the Village offers no other post-employment benefits to its employees.

#### **Note 13. New Governmental Accounting Standards**

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

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits (OPEB)) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. It is required to be adopted with the April 30, 2018 financial statements; however, the Village does not report an OPEB trust fund so this is not expected to impact the Village's financial statements.

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits (OPEB)). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. It is required to be adopted with the April 30, 2019 financial statements; however, the Village does not have an OPEB plan so this is not expected to impact the financial statements.

*GASB issued Statement No. 78, Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Village does not fall within the scope of Statement 78, therefore no material impact is expected on the financial statements.



## Village of Inverness, Illinois

### Notes to Financial Statements

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#### Note 13. New Governmental Accounting Standards (Continued)

GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2018 financial statements.

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2018 financial statements.

GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2018 financial statements.

GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the Guidance in this Statement. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2020 financial statements.

GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2020 financial statements.

GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2019 financial statements.

## Village of Inverness, Illinois

### Notes to Financial Statements

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#### **Note 13. New Governmental Accounting Standards (Continued)**

GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2019 financial statements.

GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single mode for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Village has not yet determined the impact of this Statement. The Village will adopt this Statement for its April 30, 2021 financial statements.

#### **Note 14. Subsequent Events**

On May 11, 2017, the Village issued General Obligation Refunding Bonds, Series 2017, for \$5,070,000. Standard & Poors (S&P) Global Ratings assigned it's "AAA" long-term rating on the Series 2017 Bonds, at the same time affirming the "AAA" long-term rating on the Village's existing debt. The proceeds of the Bonds will be used to advance refund the General Obligation Bonds, Series 2008.

**Required Supplementary Information (Unaudited)**

**Village of Inverness, Illinois**

Required Supplementary Information - Illinois Municipal Retirement Fund (IMRF)  
Schedule of Changes in Net Pension Liability, Total Pension Liability and Related Ratios

Fiscal year ending April 30,	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$ 41,069	\$ 38,817	\$ 45,409
Interest on the total pension liability	148,115	141,124	115,988
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(21,257)	8,488	202,653
Changes in assumptions	(13,766)	4,438	69,686
Benefit payments	(97,312)	(92,569)	(77,853)
<b>Net change in total pension liability</b>	<b>56,849</b>	<b>100,298</b>	<b>355,883</b>
<b>Total pension liability—beginning</b>	<b>2,018,913</b>	<b>1,918,615</b>	<b>1,562,732</b>
<b>Total pension liability—ending (a)</b>	<b>\$ 2,075,762</b>	<b>\$ 2,018,913</b>	<b>\$ 1,918,615</b>
<b>Plan fiduciary net position</b>			
Contributions - Employer	\$ 50,821	\$ 38,526	\$ 40,015
Contributions - Employee	17,016	16,559	16,550
Net investment income	116,017	8,255	94,175
Benefit payments	(97,312)	(92,569)	(77,853)
Other (Net transfer)	(4,730)	27,966	42,319
<b>Net change in plan fiduciary net position</b>	<b>81,812</b>	<b>(1,263)</b>	<b>115,206</b>
<b>Plan fiduciary net position—beginning</b>	<b>1,668,433</b>	<b>1,669,696</b>	<b>1,554,490</b>
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 1,750,245</b>	<b>\$ 1,668,433</b>	<b>\$ 1,669,696</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 325,517</b>	<b>\$ 350,480</b>	<b>\$ 248,919</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>84.32%</b>	<b>82.64%</b>	<b>87.03%</b>
<b>Covered payroll</b>	<b>\$ 378,134</b>	<b>\$ 367,970</b>	<b>\$ 345,765</b>
<b>Net pension liability as a percentage of the covered payroll</b>	<b>86.09%</b>	<b>95.25%</b>	<b>71.99%</b>

**Note to the Schedule:**

The Village implemented GASB 68 in FY 2016. Information is not available prior to 2015. Additional years will be added to future reporting periods as required to show 10 years of historical data.

**Village of Inverness, Illinois**

Required Supplementary Information  
Schedule of Employer Contributions

Fiscal Year Ended April 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 49,847	\$ 49,847	\$ -	\$ 381,214	13.08%
2016	42,460	42,460	-	370,293	11.47%

**Notes to the Schedule:**

The Village implemented GASB 68 in FY 2016. Information is not available prior to that period. Additional years will be added to future reporting periods as required to show 10 years of historical data.

**Summary of Actuarial Methods and Assumptions used in Calculation of the 2017 Contribution Rate\***

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Aggregate Entry Age Normal
Amorization method	5 Year Smoothed Market Value; 20% Corridor
Remaining amortization period	27 Year closed period until remaining period reaches 15 years (then 15-year rolling period)
Investment rate of return	7.50%
Salary increases	4.40% to 16%, including inflation
Projected increase in total payroll	None, Level Dollar Amortization
Inflation rate included	2.75%
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employer Mortality Table with adjustments to match current IMRF experience.

\*Based on the valuation assumptions used in the December 31, 2015 actuarial valuation.

Village of Inverness, Illinois

General Fund

Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2017

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	\$ 1,895,000	\$ 1,962,674	\$ 67,674
Sales taxes	65,000	75,216	10,216
Income and use taxes	875,000	780,900	(94,100)
Replacement taxes	4,500	5,138	638
Charges for services	145,000	159,886	14,886
Licenses and permits	216,000	204,528	(11,472)
Fines and forfeitures	15,000	16,698	1,698
Franchise fees	165,000	177,613	12,613
Interest	6,000	35,224	29,224
Miscellaneous	7,500	39,724	32,224
Total revenues	<u>3,394,000</u>	<u>3,457,601</u>	<u>63,601</u>
Expenditures			
Current			
General government	964,145	909,131	55,014
Public safety	1,717,500	1,591,528	125,972
Public works	1,096,000	1,106,794	(10,794)
Capital outlay	87,000	50,186	36,814
Total expenditures	<u>3,864,645</u>	<u>3,657,639</u>	<u>207,006</u>
Excess (deficiency) of revenues over expenditures	(470,645)	(200,038)	270,607
Other financing sources			
Transfers in	475,000	190,000	(285,000)
Net change in fund balance	<u>\$ 4,355</u>	<u>(10,038)</u>	<u>\$ (14,393)</u>
Fund balance - beginning		<u>7,676,778</u>	
Fund balance - ending		<u>\$ 7,666,740</u>	

**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.

## **Other Supplementary Information**



## **Governmental Funds**

## **General Fund**

Village of Inverness, Illinois

General Fund

Schedule of Expenditures - Budget and Actual  
Year Ended April 30, 2017

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	\$ 305,500	\$ 304,213
Salaries, part-time staff	35,000	33,271
Salaries, elected officials	53,100	52,670
Employee benefits and other personnel related	43,500	52,738
Dues	3,000	3,024
Legal services	90,000	64,455
Engineering services	61,200	69,539
Accounting services	21,545	20,636
Office supplies and postage	20,500	15,530
Insurance	73,250	71,298
Printing and publishing	1,500	1,284
Telephone	7,800	8,167
Expense and automobile allowance	5,700	4,797
Bonds and insurance	60,100	58,165
Contract inspection	9,000	9,150
Conferences and training	6,500	2,398
Miscellaneous	31,000	19,149
Property maintenance	56,250	46,265
Payroll taxes	30,250	32,294
Unemployment tax	1,000	1,633
Contributions	5,000	5,000
Audit	20,500	20,500
Information Technology	22,950	12,955
Total general government	964,145	909,131
Public safety		
Police salaries, full-time	940,000	920,156
Police salaries, part-time	46,000	32,743
Police overtime	2,500	-
Police payroll tax	81,000	70,780
Police pension	95,000	85,637
Police unemployment tax	1,000	-
Police health insurance	259,750	227,575
Emergency response	22,000	18,699
Police training	4,000	1,604
Police dues	12,000	10,893
Police supplies/services	10,000	7,442
Police uniforms	6,000	5,775
Police office supplies	6,000	6,313

(Continued)

Village of Inverness, Illinois

General Fund

Schedule of Expenditures - Budget and Actual (Continued)  
Year Ended April 30, 2017

	Original and Final Budget	Actual
Public safety (Continued)		
Police contracts	\$ 163,500	\$ 156,605
Police vehicle maintenance	53,000	33,054
Police telephone	5,000	4,408
Information Technology	10,750	9,844
Total public safety	<u>1,717,500</u>	<u>1,591,528</u>
Public works		
Engineering services	30,000	3,790
Forestry	80,000	28,977
Stormwater management	100,000	58,560
Solid waste	130,000	117,172
Street and bridge	274,000	586,137
Snow removal	482,000	312,158
Total public works	<u>1,096,000</u>	<u>1,106,794</u>
Capital outlay		
General governmental		
Office equipment	2,500	1,384
Building alterations	25,000	-
Public safety		
Police vehicles	39,000	41,752
Police radios	4,000	1,961
Police office equipment	6,500	4,039
Police other capital	10,000	1,050
	<u>87,000</u>	<u>50,186</u>
Total expenditures	<u>\$ 3,864,645</u>	<u>\$ 3,657,639</u>

**Nonmajor Governmental Fund – Special Revenue Fund**

**Village of Inverness, Illinois**

**Nonmajor Governmental Fund - Motor Fuel Tax Fund**

**Balance Sheet**

**April 30, 2017**

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**Assets**

Cash and investments	\$ 262,188
Intergovernmental receivables	<u>16,200</u>
Total assets	<u>\$ 278,388</u>

**Liabilities and Fund Balance**

Fund balance - restricted for street and bridge improvements	<u>\$ 278,388</u>
Total liabilities and fund balance	<u>\$ 278,388</u>

**Village of Inverness, Illinois**

**Nonmajor Governmental Fund - Motor Fuel Tax Fund**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Year Ended April 30, 2017**

	Original and Final Budget	Actual
Revenues		
Intergovernmental - motor fuel tax allotments	\$ 192,000	\$ 193,857
Interest	50	2,736
Total revenues	<u>192,050</u>	<u>196,593</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	192,050	196,593
Other financing (uses)		
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>
Net change in fund balance	<u><u>\$ 2,050</u></u>	6,593
Fund balance - beginning		<u>271,795</u>
Fund balance - ending		<u><u>\$ 278,388</u></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, 2017

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	\$ 858,535	\$ 893,815
Interest	100	10
Total revenues	<u>858,635</u>	<u>893,825</u>
Expenditures		
General government	500	450
Debt service		
Principal	620,000	620,000
Interest	238,535	238,535
Total expenditures	<u>859,035</u>	<u>858,985</u>
Net change in fund balance	<u>\$ (400)</u>	34,840
Fund balance - beginning		<u>639,786</u>
Fund balance - ending		<u>\$ 674,626</u>

**Other Information (Unaudited)**

**Village of Inverness, Illinois**

**Property Tax Assessed Valuations, Rates,  
Extensions and Collections  
April 30, 2017**

Year	2016	2015	2014	2013	2012
Assessed valuation	\$ 489,400,143	\$ 418,616,830	\$ 432,717,186	\$ 422,757,054	\$ 469,315,613
Tax rate per \$100 of assessed valuation					
Corporate	0.3694	0.4318	0.4230	0.4130	0.3553
Bonds	0.1857	0.2154	0.2060	0.2100	0.1867
	<u>0.5551</u>	<u>0.6472</u>	<u>0.6290</u>	<u>0.6230</u>	<u>0.5420</u>
Extensions					
Corporate	1,807,650	1,807,650	1,788,080	1,746,365	1,667,364
Bonds	908,875	901,462	891,644	884,972	876,299
	<u>2,716,525</u>	<u>2,709,112</u>	<u>2,679,724</u>	<u>2,631,337</u>	<u>2,543,663</u>
Collections					
Corporate	926,404	1,788,439	1,774,663	1,723,010	1,667,364
Bonds	465,790	891,882	884,953	873,137	876,299
	<u>1,392,194</u>	<u>2,680,321</u>	<u>2,659,616</u>	<u>2,596,147</u>	<u>2,543,663</u>

Year	2011	2010	2009	2008	2007
Assessed valuation	\$ 511,800,895	\$ 569,891,309	\$ 628,948,084	\$ 592,409,976	\$ 546,467,233
Tax rate per \$100 of assessed valuation					
Corporate	0.3260	0.2785	0.2530	0.2680	0.2760
Bonds	0.1700	0.1501	0.1350	0.1425	-
	<u>0.4960</u>	<u>0.4286</u>	<u>0.3880</u>	<u>0.4105</u>	<u>0.2760</u>
Extensions					
Corporate	1,667,364	1,587,230	1,587,230	1,587,910	1,507,796
Bonds	866,271	855,456	849,261	844,254	-
	<u>2,533,635</u>	<u>2,442,686</u>	<u>2,436,491</u>	<u>2,432,164</u>	<u>1,507,796</u>
Collections					
Corporate	1,641,793	1,640,082	1,562,199	1,542,792	1,540,387
Bonds	862,860	852,097	841,965	825,484	818,987
	<u>2,504,653</u>	<u>2,492,179</u>	<u>2,404,164</u>	<u>2,368,276</u>	<u>2,359,374</u>

Source: Office of the Cook County Treasurer

**Village of Inverness, Illinois**

**Schedule of Legal Debt Margin**

**April 30, 2017**

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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.