Village of Inverness, Illinois

Annual Financial Report
April 30, 2014

McGladrey

Assurance ▪ Tax ▪ Consulting

Village of Inverness, Illinois

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Principal Officials
April 30, 2014

President
John A. Tatooles

Trustees

Terrence H. Kral	Richard C. Gallagher
Timothy W. Tiedje	Russell P. Fitton
John R. Willis	Patricia D. Ledvina

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

McGladrey

Independent Auditor's Report

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, 2014, 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, 2014, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended April 30, 2014 the Village implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required a restatement of opening net position of $110,719. Our opinion is not modified with respect to this matter.

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 32), and pension information (page 33) 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 35 - 40), and the Introductory Section and Other Information Section (pages 41-42) 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.

McGladrey LLP

Schaumburg, Illinois
September 26, 2014

Management’s Discussion and Analysis

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

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

FINANCIAL HIGHLIGHTS

Net Position

The Village's total net position of governmental activities increased by $792,120 or 13% as a result of this year's operations. The Village does not conduct any business-type activities.

Revenues

The governmental activities revenues totaled $4,486,029.

Cost of Village Programs

The governmental activities expenditures totaled $3,693,909.

General Fund

The General Fund reported revenues of $3,369,646 and expenditures of $3,536,740, resulting in an operating decrease of $167,094.

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.

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 exceed liabilities. Net position can be a useful indicator of a government's financial condition. Assets exceeded liabilities by $6,661,349 as of April 30, 2014. This is an increase of $792,120 or 13% over the prior year.

Statement of Net Position
As of April 30, 2014 and 2013

	Governmental Activities		
	2014	**2013**	**Change**
Current and other assets	$ 9,318,252	$ 9,133,167	$ 185,085
Capital assets	5,007,248	4,869,369	137,879
Total assets	14,325,500	14,002,536	322,964
Current liabilities	1,200,239	1,103,407	96,832
Noncurrent liabilities	6,463,912	7,029,900	(565,988)
Total liabilities	7,664,151	8,133,307	(469,156)
Net Position			
Net investment in capital assets	5,007,248	4,869,369	137,879
Restricted	1,106,465	1,025,721	80,744
Unrestricted	547,636	(25,861)	573,497
Total net position	$ 6,661,349	$ 5,869,229	$ 792,120

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 $792,120 or 13%.

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

Statement of Activities
Years Ended April 30, 2014 and 2013

	Governmental Activities		
	2014	**2013**	**Change**
Revenues			
Program Revenues			
Charges for service	$ 466,395	$ 528,034	$ (61,639)
Grants and contributions			
Operating	242,695	210,226	32,469
General Revenue			
Property taxes	2,675,886	2,708,911	(33,025)
Other taxes	912,786	888,949	23,837
Annexation fees	15,000	12,000	3,000
Franchise fees	159,960	154,755	5,205
Investment income	6,719	11,659	(4,940)
Miscellaneous	6,588	10,070	(3,482)
Total Revenue	4,486,029	4,524,604	(38,575)
Expenses			
General Government	1,069,534	905,429	164,105
Public Safety	1,631,912	1,560,549	71,363
Public Works	705,856	1,108,385	(402,529)
Interest	286,607	314,083	(27,476)
Total Expenses	3,693,909	3,888,446	(194,537)
Change in Net Position	792,120	636,158	155,962
Net position - beginning, as restated	5,869,229	5,233,071	636,158
Net position - ending	$ 6,661,349	$ 5,869,229	$ 792,120

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.).

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 29% 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, 2014, revenues from all governmental activities totaled $4,486,029. This is a .90% decrease or $38,575 below the prior year. The decrease is primarily attributed to a decrease in building permits and development activities in the Village. The sustained growth in state sales and income tax revenues provided support the economy continues to grow.

Expenses

Total expenses for all governmental activities for the year ended April 30, 2014 were $3,693,909. This was a decrease of $194,537 or 5% from the previous year. This change is the result of a planned reduction in the scope and cost of the annual road program from the prior year. Total program expenses decreased from $497,384 in 2013 to $10,456 in 2014. This program is now complete.

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 $7,479,676. This is a 1.13% increase from the prior year's ending combined fund balance of $7,396,308.

Total revenues for Governmental Funds for fiscal year 2014 were $4,465,484. This was a decrease of $15,461 over the prior year's revenues. General Fund revenues were $3,369,646, which was $26,314 lower than the prior year. As mentioned previously, this decrease is associated with the decrease in building permits and development activities in the Village.

Total expenditures for Governmental Funds for the year ended April 30, 2014, were $4,382,116, which was an increase of $7,606 over the previous year. Again, this essentially reflects the reduced scope of the Village's road rehabilitation program as available bond proceeds have been depleted. General Fund expenditures were $3,536,740 compared to FY13 expenditures of $3,051,669. Most of this is attributable to higher personnel related expenses. While higher, it should be noted that actual General Fund expenditures were $191,160 less than the approved budget. 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 costs, aside from the road rehabilitation project, that were undertaken this year include: $1,612,716 for police operations, $130,557 for residential solid waste disposal and $385,524 for snow removal, general road maintenance activities and forestry.

General Fund Budgetary Highlights
Year Ended April 30, 2014

General Fund	Original and Final Budget	Actual	Over/ Under
Revenues			
Property taxes	$ 1,763,800	$ 1,805,167	$ 41,367
Other taxes	885,100	909,968	24,868
Charges for services	205,000	193,150	(11,850)
Licenses and permits	210,000	258,264	48,264
Fines and forfeitures	18,000	14,981	(3,019)
Annexation fees	3,000	15,000	12,000
Franchise fees	150,000	159,960	9,960
Interest	11,300	6,568	(4,732)
Miscellaneous	5,000	6,588	1,588
Total	3,251,200	3,369,646	118,446
Expenditures	3,727,900	3,536,740	191,160
Change in Fund Balance	$ (476,700)	$ (167,094)	$ 309,606

General Fund Budgetary Highlights

As of April 30, 2014, actual revenues were $118,446 more than budget projections. As noted above, actual expenditures were $191,160 less than the approved budget. The reason for this was referenced above. As a result of better than planned financial performance, the General Fund experienced an increase in fund balance of $2,906, including transfers in of $170,000 from the Motor Fuel Tax Fund to assist in the continuing road program.

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

Capital Assets

At the end of fiscal year 2014, the Village had a combined total of capital assets (net of accumulated depreciation) of $5,007,248 comprised of land, buildings, improvements other than buildings, vehicles and equipment. This amount represents a net increase (including additions and deletions) of $137,879 over FY 2013. The majority of the increase was due to the remodeling of the police and building departments' facilities.

Capital Assets at Year-End
Net of Depreciation
April 30, 2014 and 2013

	Governmental Activities	
	2014	**2013**
Land	$ 3,597,208	$ 3,597,208
Buildings	1,169,454	1,004,413
Improvements other than building	182,468	192,889
Vehicles and equipment	58,118	74,859
Total	$ 5,007,248	$ 4,869,369

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 January 2012. 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.

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 $5,772,649. This is approximately 163% 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, 2014

	Governmental Activities
Assets	
Current	
Cash and investments	$ 7,662,049
Receivables	
Property taxes	1,350,870
Intergovernmental	305,169
Accrued interest	164
Total current assets	9,318,252
Noncurrent	
Capital assets (net of accumulated depreciation)	
Land	3,597,208
Buildings	1,169,454
Improvements other than buildings	182,468
Vehicles and equipment	58,118
Total noncurrent assets	5,007,248
Total assets	14,325,500
Liabilities	
Current	
Accounts payable	223,536
Compensated absences	21,370
Deposits payable	274,570
Interest payable	115,763
Bonds payable	565,000
Total current liabilities	1,200,239
Noncurrent	
Bonds payable, net of unamortized premium of $8,912	6,463,912
Total noncurrent liabilities	6,463,912
Total liabilities	7,664,151
Net Position	
Net investment in capital assets	5,007,248
Restricted for streets and bridges	253,927
Restricted for debt service	852,538
Unrestricted	547,636
Total net position	$ 6,661,349

See Notes to Financial Statements.

Village of Inverness, Illinois

Statement of Activities
Year Ended April 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense), Revenue, and Changes in Net Position: Governmental Activities
Governmental activities				
General government	$ 1,069,534	$ 258,264	$ -	$ (811,270)
Public safety	1,631,912	14,981	-	(1,616,931)
Public works	705,856	193,150	242,695	(270,011)
Interest	286,607	-	-	(286,607)
Total	$ 3,693,909	$ 466,395	$ 242,695	(2,984,819)

General revenues	
Taxes	
Property	2,675,886
Personal property replacement	4,802
Sales	71,829
Income and use	836,155
Annexation fees	15,000
Franchise fees	159,960
Investment income	6,719
Miscellaneous	6,588
Total general revenues	3,776,939
Change in net position	792,120
Net position - beginning, as restated	5,869,229
Net position - ending	$ 6,661,349

See Notes to Financial Statements.

Village of Inverness, Illinois

Balance Sheet - Governmental Funds
April 30, 2014

	General Fund	2008 Bond Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 6,726,285	$ 549,901	$ -	$ 385,863	$ 7,662,049
Receivables					
Property taxes	932,470	418,400	-	-	1,350,870
Intergovernmental	267,105	-	-	38,064	305,169
Accrued interest	164	-	-	-	164
Due from other funds	170,000	-	-	-	170,000
Total assets	$ 8,096,024	$ 968,301	$ -	$ 423,927	$ 9,488,252
Liabilities					
Accounts payable	$ 223,536	$ -	$ -	$ -	$ 223,536
Due to other funds	-	-	-	170,000	170,000
Deposits payable	274,570	-	-	-	274,570
Total liabilities	498,106	-	-	170,000	668,106
Deferred Inflows of Resources					
Deferred property taxes	916,277	410,642	-	-	1,326,919
Deferred other taxes	13,551	-	-	-	13,551
Total deferred inflows of resources	929,828	410,642	-	-	1,340,470
Fund Balances					
Restricted - street and bridge improvements	-	-	-	253,927	253,927
Restricted - debt service	-	557,659	-	-	557,659
Assigned					
Solid waste program	572,728	-	-	-	572,728
Street and bridge improvements	322,713	-	-	-	322,713
Unassigned	5,772,649	-	-	-	5,772,649
Total fund balances	6,668,090	557,659	-	253,927	7,479,676
Total liabilities and fund balances	$ 8,096,024	$ 968,301	$ -	$ 423,927	$ 9,488,252

See Notes to Financial Statements.

Village of Inverness, Illinois

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position April 30, 2014

Total fund balances-governmental funds	$	7,479,676
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.		5,007,248
Revenues in the Statement of Activities that do not provide current financial resources are deferred inflows of resources in the funds.		1,340,470
Some assets and liabilities reported in the Statement of Net Position do not provide current financial resources or require the use of current financial resources and, therefore, are not reported as assets or liabilities in governmental funds. These amounts consist of:		
Interest payable		(115,763)
Compensated absences		(21,370)
Unamortized bond premium		(8,912)
Bonds payable		(7,020,000)
Net position of governmental activities	$	6,661,349

See Notes to Financial Statements.

Village of Inverness, Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended April 30, 2014

	General Fund	2008 Bond Fund	2008 Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property taxes	$ 1,805,167	$ 852,992	$ -	$ -	$ 2,658,159
Sales taxes	69,011	-	-	-	69,011
Income and use taxes	836,155	-	-	-	836,155
Replacement taxes	4,802	-	-	-	4,802
Charges for services	193,150	-	-	-	193,150
Licenses and permits	258,264	-	-	-	258,264
Fines and forfeitures	14,981	-	-	-	14,981
Intergovernmental	-	-	-	242,695	242,695
Annexation fees	15,000	-	-	-	15,000
Franchise fees	159,960	-	-	-	159,960
Interest	6,568	101	-	50	6,719
Miscellaneous	6,588	-	-	-	6,588
Total revenues	3,369,646	853,093	-	242,745	4,465,484
Expenditures					
Current					
General government	907,840	350	-	-	908,190
Public safety	1,612,716	-	-	-	1,612,716
Public works	695,400	-	935	-	696,335
Debt service					
Principal retirement	-	540,000	-	-	540,000
Interest expense	-	294,570	-	-	294,570
Capital outlay	320,784	-	9,521	-	330,305
Total expenditures	3,536,740	834,920	10,456	-	4,382,116
Excess (deficiency) of revenues over expenditures	(167,094)	18,173	(10,456)	242,745	83,368
Other financing sources (uses)					
Transfers in	170,000	-	-	-	170,000
Transfers out	-	-	-	(170,000)	(170,000)
Total other financing sources (uses)	170,000	-	-	(170,000)	-
Net change in fund balances	2,906	18,173	(10,456)	72,745	83,368
Fund balances - beginning	6,665,184	539,486	10,456	181,182	7,396,308
Fund balances - ending	$ 6,668,090	$ 557,659	$ -	$ 253,927	$ 7,479,676

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, 2014

Net change in fund balances-total governmental funds	$	83,368
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay ($209,341) exceeded depreciation ($71,462) in the current period.		137,879
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		540,000
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		20,545
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		6,975
Decrease in compensated absences payable		2,365
Amortization of bond premium		988
Change in net position of governmental activities	$	792,120

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide Statement of Net 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 and liabilities 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: Separate financial statements are provided for governmental funds. The fund financial statements provide information about the Village's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Village's major funds include the General Fund, the 2008 Bond Fund and the 2008 Project Fund. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The Village has no enterprise funds.

The Village administers the following major governmental funds:

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

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

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

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Recorded as Assets and Liabilities* (GASB 65), which was adopted by the Village for the year ended April 30, 2014. GASB 65 now 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. In accordance with GASB 65, the Village now reports deferred inflows of resources on its financial statements. In addition, the impact of implementing this Statement resulted in a restatement of the beginning net position for governmental activities. Please see Note 15 for details of the impact of this restatement.

The Village reports deferred inflows of resources on its financial statements. 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.

Use of Estimates

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

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

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

Budgets

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

Investments

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

Capital Assets

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

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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:

	Years
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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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. Residual fund balances in these fund types that are not restricted or committed are reported as unassigned.

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. As of April 30, 2014, expenditures in the 2008 Project Fund exceeded the final budget amount by $10,456. Total expenditures, however, did not exceed the appropriated amount for the fund.

Note 3. Deposits and Investments

The Village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet – governmental funds and the statement of net 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.

Note 3. Deposits and Investments (Continued)

Interest Rate Risk.

As of April 30, 2014, the Village had the following investments and maturities.

Investment Type	Fair Value	Maturities Less Than One Year
Illinois Metropolitan Investment Trust	$ 583,265	$ 583,265
Illinois Funds	5,839,404	5,839,404
Total	$ 6,422,669	$ 6,422,669

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

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

Credit Risk.

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Village does not have an investment policy that further limits its investment options. As of April 30, 2014, the Illinois Metropolitan Investment Fund (IMET) and the Illinois Funds Investment Pool (IFIP) were rated AAA by Moody’s and Standard and Poor’s, respectively.

Note 4. Receivables - Taxes

Property taxes for 2013 attach as an enforceable lien on January 1, 2013 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, 2014 and July 1, 2014, and are payable in two installments, on or about March 1, 2014 and August 1, 2014. The County collects such taxes and remits them periodically.

Note 5. Capital Assets

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

	Balance May 1	Additions	Deletions	Balance April 30
Capital assets not being depreciated:				
Land	$ 3,597,208	$ -	$ -	$ 3,597,208
Capital assets being depreciated:				
Buildings	1,520,714	199,444	-	1,720,158
Improvements other than buildings	504,430	-	-	504,430
Vehicles and equipment	243,558	9,897	41,630	211,825
	2,268,702	209,341	41,630	2,436,413
Less accumulated depreciation for:				
Buildings	516,301	34,403	-	550,704
Improvements other than buildings	311,541	10,421	-	321,962
Vehicles and equipment	168,699	26,638	41,630	153,707
	996,541	71,462	41,630	1,026,373
Total capital assets being depreciated, net	1,272,161	137,879	-	1,410,040
Governmental activities capital assets, net	$ 4,869,369	$ 137,879	$ -	$ 5,007,248

Total depreciation of $71,462 was allocated as follows:

General government	$ 52,266
Public safety	19,196
	$ 71,462

Note 6. Interfund Activity

The outstanding balances between funds results mainly from the time lag between the dates the expenditures occur in the "borrowing" fund, and when the repayment is made back to the "disbursing" fund. Individual interfund balances at April 30, 2014 are shown as follows:

Fund	Detail	Due To
General Fund	Street repairs	$ 170,000

Fund	Detail	Due From
Motor Fuel Tax	Street repairs	$ 170,000

Individual interfund transfers for the Village at April 30, 2014, are shown as follows:

Fund		Transfers From Other Funds
General Fund	Street repairs	$ 170,000

Fund		Transfers To Other Funds
Motor Fuel Tax	Street repairs	$ 170,000

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. Retired employees are not eligible to participate.

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

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, 2014:

	Balance May 1, 2013	Additions	Retirements	Balance April 30, 2014	Due Within One Year
General Obligation Bonds Payable*	$ 7,560,000	$ -	$ 540,000	$ 7,020,000	$ 565,000
Compensated Absences Payable	23,735	21,370	23,735	21,370	21,370
	$ 7,583,735	$ 21,370	$ 563,735	$ 7,041,370	$ 586,370

* Amount reported in the statement of net assets for governmental activities includes an unamortized premium of $8,912.

The following is a summary of debt transactions of the Village for the year ended April 30, 2014:

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

As of April 30, 2014, debt service requirements to maturity on the outstanding debt, including interest, are as follows:

	Governmental Activities		
	Bonds		
Year Ending April 30	Principal	Interest	Total
2015	$ 565,000	$ 277,830	$ 842,830
2016	590,000	259,184	849,184
2017	620,000	238,535	858,535
2018	650,000	215,595	865,595
2019	680,000	190,895	870,895
2020-2024	3,915,000	515,860	4,430,860
Total	$ 7,020,000	$ 1,697,899	$ 8,717,899

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 approximately 341,000 emergency telephone calls per year and dispatches about 180,225 police calls and 55,700 fire/EMS calls for member municipalities. It has an authorized staff of 86.

The Village remitted approximately $176,400 to NWCDS for year ended April 30, 2014.

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 $145,360 to SWANCC for the fiscal year.

Note 11. Employee Retirement Systems

Illinois Municipal Retirement

Plan Description

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

Funding Policy

As set by statute, employer regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2014 and 2013 was 11.50 percent and 14.21 percent, respectively, of annual covered payroll. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The Village's annual pension cost of $54,032 for the regular plan was equal to the Village's required and actual contributions. The information presented in this section is based on a calendar year. Information presented on the Village's fiscal year is not materially different.

Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	$ 53,323	100 %	$ -
12/31/12	53,477	100	-
12/31/13	54,032	100	-

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30-year basis.

Note 11. Employee Retirement Systems (Continued)

Illinois Municipal Retirement (Continued)

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 87.55 percent funded. The actuarial accrued liability for benefits was $1,199,786 and the actuarial value of assets was $1,050,452, resulting in an underfunded actuarial accrued liability (UAAL) of $149,334. The covered payroll (annual payroll of active employees covered by the plan) was $377,912 and the ratio of the UAAL to the covered payroll was 39.27 percent.

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

Note 12. Other Employee Benefits

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

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

As of April 30, 2014, twelve officers were participating in the Plan. The Plan requires an initial and irrevocable election as to mandatory employee contributions (from 0% - 20% of covered payroll) and the Village contributes 10% of covered payroll. Plan provisions and contribution requirements of the Village were established, and may only be amended by the Village Board. Total Village contributions for the year ended April 30, 2014 were $96,275.

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. 68*, Accounting and Financial Reporting for Pensions,* will be effective for the Village beginning with its year ended April 30, 2016. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the Village beginning with its year ended April 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the Village with its year ended April 30, 2015. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68 (FY16).

Management has not fully determined the impact these Statements will have on its financial statements; however, Statement No. 68 is expected to have a material impact.

Note 14. Related Party Transactions

The Village has entered into an agreement for legal services with Levin Ginsburg related to specific litigation. The law firm employs a member of the Mayor's family. As of April 30, 2014, the Village had remitted $882 to the law firm for legal services.

Note 15. Restatement for Implementation of New Accounting Standard

As shown in the following table, the financial statements of the Village have been restated for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The Statement of Net Position of the Village included deferred charges within the Governmental Activities of the Village in previous years. However, pursuant to GASB 65 applicable debt issuance costs should now be recognized in the period incurred as an expense. Therefore, the Village restated the Net Position of the Governmental Activities as follows:

		Governmental Activities
Net Position, April 30, 2013, as previously reported	$	5,979,948
Implementation of GASB 65		(110,719)
Net Position, April 30, 2013, as restated	$	5,869,229

Required Supplementary Information

Village of Inverness, Illinois

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget
General government			
Taxes			
Property taxes	$ 1,763,800	$ 1,805,167	$ 41,367
Sales taxes	55,000	69,011	14,011
Income and use taxes	825,600	836,155	10,555
Replacement taxes	4,500	4,802	302
Charges for services	205,000	193,150	(11,850)
Licenses and permits	210,000	258,264	48,264
Fines and forfeitures	18,000	14,981	(3,019)
Annexation fees	3,000	15,000	12,000
Franchise fees	150,000	159,960	9,960
Interest	11,300	6,568	(4,732)
Miscellaneous	5,000	6,588	1,588
Total revenues	3,251,200	3,369,646	118,446
Expenditures			
Current			
General government	938,500	907,840	30,660
Public safety	1,667,700	1,612,716	54,984
Public works	867,900	695,400	172,500
Capital outlay	253,800	320,784	(66,984)
Total expenditures	3,727,900	3,536,740	191,160
Excess (deficiency) of revenues over expenditures	(476,700)	(167,094)	309,606
Other financing sources			
Transfers in	150,000	170,000	20,000
Net change in fund balance	$ (326,700)	2,906	$ 329,606
Fund balance - beginning		6,665,184	
Fund balance - ending		$ 6,668,090	

Village of Inverness, Illinois

Analysis of Funding Progress - Illinois Municipal Retirement Fund
April 30, 2014

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	AAL Liability as a Percentage of Annual Covered Payroll ((b-a)/c)
2011	$ 815,944	$ 1,218,684	$ 402,740	66.95 %	$ 337,912	106.57 %
2012	895,192	1,122,012	226,820	79.78	382,528	59.30
2013	1,050,452	1,199,786	149,334	87.55	377,912	39.27

On a market value basis, the actuarial value of assets as of December 31, 2013 is $1,199,701. On a market basis, the funded ratio would be 99.99%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Inverness. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

Note to Required Supplementary Information

Note 1. Budgetary Basis of Accounting

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

Other Supplementary Information

Governmental Funds

General Fund

Village of Inverness, Illinois

General Fund

Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2014

	Original and Final Budget	Actual
General government		
Salaries, full-time staff	$ 315,600	$ 311,825
Salaries, part-time staff	35,700	30,796
Salaries, elected officials	50,400	50,724
Employee benefits and other personnel related	52,600	46,608
Dues	3,200	2,870
Legal services	90,000	47,764
Engineering services	46,200	46,176
Accounting services	26,000	27,829
Office supplies and postage	21,000	16,362
Insurance	63,500	59,362
Printing and publishing	1,800	1,491
Telephone	6,500	6,097
Expense and automobile allowance	6,500	6,885
Bonds and insurance	56,100	56,560
Contract inspection	8,500	9,045
Conferences and training	4,000	3,881
Miscellaneous	40,000	30,584
Property maintenance	60,000	103,613
Payroll taxes	28,900	27,819
Unemployment tax	1,000	549
Contributions	3,000	3,000
Audit	18,000	18,000
Total general government	938,500	907,840
Public safety		
Police salaries, full-time	950,000	948,294
Police salaries, part-time	25,000	22,029
Police overtime	10,000	-
Police payroll tax	72,300	72,827
Police pension	96,500	96,275
Police unemployment tax	1,000	985
Police health insurance	235,500	208,649
Emergency response	6,000	10,013
Police training	2,000	1,859
Police dues	8,000	3,625
Police supplies/services	8,500	8,499
Police uniforms	6,000	3,433
Police office supplies	6,500	6,044

(Continued)

Village of Inverness, Illinois

General Fund

Schedule of Expenditures - Budget and Actual (Continued)
Year Ended April 30, 2014

	Original and Final Budget	Actual
Public safety (Continued)		
Police contracts	$ 177,400	$ 179,134
Police vehicle maintenance	58,000	46,702
Police telephone	5,000	4,348
Total public safety	1,667,700	1,612,716
Public works		
Engineering services	45,000	34,335
Forestry	80,000	26,231
Stormwater management	120,000	60,429
Solid waste	166,900	130,557
Street and bridge	80,000	58,324
Snow removal	376,000	385,524
Total public works	867,900	695,400
Capital outlay		
General governmental		
Office equipment	20,000	7,506
Building alterations	200,000	288,084
Public safety		
Police vehicles	7,500	5,709
Police radios	3,000	3,018
Police office equipment	8,500	5,930
Police other capital	14,800	10,537
	253,800	320,784
Total expenditures	$ 3,727,900	$ 3,536,740

Nonmajor Governmental Funds – Special Revenue Fund

Village of Inverness, Illinois

Nonmajor Governmental Fund - Motor Fuel Tax Fund

Balance Sheet
April 30, 2014

Assets	
Cash and investments	$ 385,863
Intergovernmental receivables	38,064
Total assets	$ 423,927
Liabilities and Fund Balance	
Due to other funds	$ 170,000
Fund balance - restricted for street and bridge improvements	253,927
Total liabilities and fund balance	$ 423,927

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, 2014

	Original and Final Budget	Actual
Revenues		
Intergovernmental - motor fuel tax allotments	$ 173,800	$ 242,695
Interest	200	50
Total revenues	174,000	242,745
Expenditures		
Public works	-	-
Excess of revenues over expenditures	174,000	242,745
Other financing (uses)		
Transfers out	(150,000)	(170,000)
Net change in fund balance	$ 24,000	72,745
Fund balance - beginning		181,182
Fund balance - ending		$ 253,927

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, 2014

	Original and Final Budget	Actual
Revenues		
Taxes		
Property taxes	$ 834,600	$ 852,992
Interest	100	101
Total revenues	834,700	853,093
Expenditures		
General government	10,500	350
Debt service		
Principal	540,000	540,000
Interest	294,570	294,570
Total expenditures	845,070	834,920
Net change in fund balance	$ (10,370)	18,173
Fund balance - beginning		539,486
Fund balance - ending		$ 557,659

Major Capital Projects Fund

Village of Inverness, Illinois

2008 Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2014

	Original and Final Budget	Actual
Revenues		
Interest	$ -	$ -
Expenditures		
Public works		
Engineering	-	935
Capital outlay	-	9,521
Total expenditures	-	10,456
Net change in fund balance	$ -	(10,456)
Fund balance - beginning		10,456
Fund balance - ending		$ -

Other Information (Unaudited)

Village of Inverness, Illinois

Property Tax Assessed Valuations, Rates, Extensions and Collections
April 30, 2014

Year	2013	2012	2011	2010	2009
Assessed valuation	$ 422,757,054	$ 469,315,613	$ 511,800,895	$ 569,891,309	$ 628,948,084
Tax rate per $100 of assessed valuation					
Corporate	0.413	0.355	0.326	0.279	0.253
Bonds	0.210	0.187	0.170	0.150	0.135
	0.623	0.542	0.496	0.429	0.388
Extensions					
Corporate	1,746,365	1,618,800	1,618,800	1,541,000	1,541,000
Bonds	884,972	834,570	825,020	814,720	808,820
	2,631,337	2,453,370	2,443,820	2,355,720	2,349,820
Collections*					
Corporate	837,554	1,633,246	1,632,424	1,554,876	1,570,288
Bonds	424,431	825,962	829,792	832,466	834,808
	1,261,985	2,459,208	2,462,216	2,387,342	2,405,096

Year	2008	2007	2006	2005	2004
Assessed valuation	$ 592,409,976	$ 546,467,233	$ 442,824,791	$ 426,107,824	$ 384,577,473
Tax rate per $100 of assessed valuation					
Corporate	0.268	0.276	0.256	0.133	0.147
Bonds	0.143	-	-	-	-
	0.411	0.276	0.256	0.133	0.147
Extensions					
Corporate	1,587,910	1,507,796	1,133,604	566,723	565,329
Bonds	844,254	-	-	-	-
	2,432,164	1,507,796	1,133,604	566,723	565,329
Collections*					
Corporate	1,532,069	1,494,464	1,109,881	565,991	563,708
Bonds	814,565	-	-	-	-
	2,346,634	1,494,464	1,109,881	565,991	563,708

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

Village of Inverness, Illinois

Schedule of Legal Debt Margin
April 30, 2014

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.