STANDARD & POOR'S

SUMMARY ANALYSIS

Credit Profile

US$9.5 mil GO bnds ser 2008 dtd 12/15/2008 due 12/01/2009-2023

Long Term Rating
AAA/Stable
New

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Inverness, Illinois

Rationale

The 'AAA' standard long-term rating assigned to the village of Inverness, Ill.'s series 2008 general obligation (GO) bonds reflects the village's:

- Participation in the deep an diverse Chicago metropolitan area economy,
- Very strong wealth and income levels,
- Very strong financial operations with substantial taxing flexibility and very strong reserves, and
- Low debt burden.

Inverness is a wealth community located in northwestern Cook County, about 30 miles from downtown Chicago. The U.S. Census Bureau currently estimates the village's population at 7,302. The village is mostly residential and is mostly built out. With one-acre lots the norm in the village, home prices average more than $700,000 and new home prices are in excess of $1.0 million. Residents are employed throughout the metropolitan area and can commute to downtown Chicago via Metra train stations in neighboring communities. The village's tax base grew at an average annual rate of 12.7% from 2004-2007 to an estimated market value of $1.64 billion, which, in Standard & Poor's Ratings Services' view, is an extremely strong $224,510 per capita. The tax base is very diverse, with the 10 largest taxpayers accounting for only 3.5% of equalized assessed valuation. Median household effective buying income is very strong at 260% of the state and 278% of the national levels.

The village is a home rule entity and is not subject to a property tax levy cap. The village's general fund balance stood at $5.66 million at the end of fiscal 2008 (April 30), which, in our view, is a very strong 214% of expenditures. All of that amount is unreserved. The village structured its 2009 budget with a planned $1.3 million general fund drawdown due to street projects and startup costs associated with the village's new police department; the remaining general fund balance will be well in excess of the village's one-year fund balance policy.

Property taxes made up 45% of general fund revenues in 2008. The village has the ability to levy utility and telecommunications taxes, but does not do so.

The village's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews revenues and expenditures on a monthly basis and provides the board with a monthly budget report. Budgeting is done with the help of five-year financial projections and a rolling five-year repair program for streets and roads. The village's formal fund balance policy requires that the unreserved general fund balance must be equal to at least the previous year's expenditures.

The series 2008 bonds constitute the village's only GO bonded debt. The village will use bond proceeds to make road and roadside drainage improvements throughout the village. The village's overall debt burden including overlapping debt is low at $4,400 per capita and 2% of market value. Amortization is above average, with 59% of principal scheduled to mature within 10 years. The village has no additional debt plans at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that the village will maintain strong financial operations and reserves. The outlook is supported by the village's participation in the diverse Chicago metropolitan area economy.

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