

### Summary:

# Inverness Village, Illinois; General Obligation

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### Credit Profile

Inverness Vill GO bnds ser 2008

Long Term Rating

AAA/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating on Inverness Village, Ill.'s series 2008 general obligation (GO) bonds. The outlook is stable.

The rating is based on our view of the village's:

- Participation in the deep and diverse Chicago metropolitan area economy;
- Very strong incomes and extremely strong market value per capita;
- Very strong financial operations, with substantial taxing flexibility and very strong reserves; and
- "Good" financial management under our Financial Management Assessment (FMA) methodology.

The village is located in northwestern Cook County, about 30 miles from downtown Chicago. The village is a residential community and serves an estimated population of 6,798. Residents benefit from various employment opportunities available throughout the Chicago metropolitan area. The village's equalized assessed value (AV) declined 9.4% in levy year 2010 to \$569.9 million, as a result of property revaluation. AV had risen by a 7.3% average annual rate between levy years 2007-2009. However, in levy year 2010, the village's estimated market value was \$1.7 billion or \$251,496 per capita, which we consider extremely strong. Resident income levels are also very strong, in our opinion, as represented by median household and per capita effective buying incomes at 211% and 217% of the national levels, respectively.

The village is a home-rule entity and is not subject to a property tax levy cap. The village's finances have remained very strong, in our opinion, with general fund surpluses the past two fiscal years, including a \$158,000 general fund surplus for fiscal 2011 (year ended April 30). Management attributes the surpluses to conservative budgeting practices and deferral of non-essential capital expenditures. At year-end fiscal 2011, the village had an unreserved general fund balance of \$5.1 million or 212% of expenditures, which we consider very strong. For fiscal 2012, management expects to close with roughly breakeven operations, despite having budgeted for a \$236,000 deficit. Property taxes made up 61% of general fund revenue in fiscal 2011, and income taxes contributed another 24%. The general fund has little, if any, reliance on federal revenue sources.

Standard & Poor's considers the village's financial management practices "good" under its FMA methodology, indicating its view that practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

The village's direct debt burden is low, in our view, at 0.5% of market value or \$1,262 per capita. However, the portion of total expenditures dedicated to debt service is elevated, in our view, at 21% in fiscal 2011. This is partly due to the village's rapid debt amortization schedule, as 71% of its principal is scheduled to mature within 10 years

and 100% by 2024. We understand the village has no plans to issue debt in the next two years.

The village's pension plan for regular employees is affiliated with the Illinois Municipal Retirement Fund, and the village is making 100% of its annual required contributions. The village's plan is 64% funded with an unfunded actuarial accrued liability of \$398,000 as of Dec. 31, 2010. We understand all of the village's police officers in its recently established police department are in a defined-contribution retirement savings plan.

## Outlook

The stable outlook reflects our anticipation that the village will maintain its very strong reserve levels. We do not expect to change the rating within the two-year parameter of the outlook. The village's participation in the diverse Chicago metropolitan area economy further supports the outlook.

## Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

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