New Issue
Date of Sale: February 7, 2012
Series 2012A - Between 9:45 and 10:00 A.M., C.S.T.
Series 2012B – Between 10:15 and 10:30 A.M., C.S.T.
(*Open Speer Auction)*

Investment Rating:
Moody's Investors Service ... Aaa
(Affirmed)

Official Statement

*Subject to compliance by the Village with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "**QUALIFIED TAX-EXEMPT OBLIGATIONS**" herein.*

VILLAGE OF VERNON HILLS
Lake County, Illinois
$8,040,000* General Obligation Bonds, Series 2012A
$1,645,000* General Obligation Bonds, Series 2012B

Dated Date of Delivery **Book-Entry** **Bank Qualified** **Due Serially As Described Herein**

The $8,040,000* General Obligation Bonds, Series 2012A (the "2012A Bonds"), and the $1,645,000* General Obligation Bonds, Series 2012B, (the "2012B Bonds", and together with the 2012A Bonds, the "Bonds"), are being issued by the Village of Vernon Hills, Lake County, Illinois (the "Village"). Interest on the 2012A Bonds is payable semiannually on June 30 and December 30 of each year, commencing December 30, 2012. Interest on the 2012B Bonds is payable semiannually on September 30 and March 30 of each year, commencing September 30, 2012.Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature as detailed herein.

OPTIONAL REDEMPTION

The 2012A Bonds due December 30, 2012-2019, inclusive, are non-callable. The 2012A Bonds due 2020-2026, inclusive, are callable in whole or in part on any date on or after December 30, 2019, at a price of par and accrued interest. If less than all the 2012A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See **"OPTIONAL REDEMPTION – The 2012A Bonds"** herein.

The 2012B Bonds due March 30, 2013-2019, inclusive, are non-callable. The 2012B Bonds due 2020-2026, inclusive, are callable in whole or in part on any date on or after March 30, 2019, at a price of par and accrued interest. If less than all the 2012B Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See **"OPTIONAL REDEMPTION – The 2012B Bonds"** herein.

PURPOSE, LEGALITY AND SECURITY

The 2012A Bond proceeds will be used to (i) pay outstanding claims against the Village under a certain redevelopment agreement dated as of May 5, 2006, (ii) pay costs of currently refunding a certain Taxable Subordinate Lien Tax Increment Revenue Note (Town Center Project), Series 2010 (the *"Prior Note"*), and (iii) pay costs of issuing the 2012A Bonds. See **"THE PLAN OF FINANCING – The 2012A Bonds"** herein. The 2012B Bond proceeds will be used to (i) pay costs of advance refunding certain General Obligation Bonds (Alternate Revenue Source), Series 2006, of the Village and (ii) pay costs of issuance of the 2012B Bonds. See **"THE PLAN OF FINANCING – The 2012B Bonds"** herein.

In the opinion of Chapman and Cutler, LLP, Chicago, Illinois, Bond Counsel, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at low or in equity, including the exercise of judicial discretion, the Bonds will constitute valid and legally binding obligations of the Village and are payable (i) from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount and (ii) as to the 2012A Bonds only, from (a) a portion of the incremental property taxes (said portion being the *"Subordinated Limited Incremental Property Taxes")* derived from the NW & SW Corners of Route 45 & 21 Town Center Redevelopment Project Area heretofore designated by the Village (the *"Redevelopment Project Area"*) if, as and when received, and (b) the amounts on deposit in and pledged to the Subordinate Lien Note Account of the General Account of the special tax allocation fund created in connection with the designation by the Village of the Redevelopment Project Area.

This Official Statement is dated January 27, 2012, and has been prepared under the authority of the Village. An electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Official Statement Sales Calendar". Additional copies may be obtained from Mr. Larry Nakrin, Village Treasurer, 290 Evergreen Drive, Vernon Hills, Illinois 60061, or from the Independent Public Finance Consultants to the Village:

Established 1954
Speer Financial, Inc.
INDEPENDENT PUBLIC FINANCE CONSULTANTS
ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602
Telephone: (312) 346-3700; Facsimile: (312) 346-8833
www.speerfinancial.com

**Subject to change*

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Village from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed near final as of the date hereof (or the date of any such supplement or correction) by the Village.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Village and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Official Statement, including the Official Notices of Sale and the Official Bid Forms, which are provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors. The following descriptions apply equally to the 2012A Bonds and the 2012B Bonds. Other terms specific to each series are provided separately herein.

Issuer: Village of Vernon Hills, Lake County, Illinois.

Dated Date: Date of delivery.

Authorization: The Village is a home rule unit under the 1970 Illinois Constitution, has no debt limitation, and is not required to seek referendum approval to issue the Bonds.

Credit Rating: The Village's credit rating for the Bonds is "Aaa" from Moody's Investors Service.

Tax Exemption: Chapman and Cutler, LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the Bonds as discussed under **"TAX EXEMPTION"** in this Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.

Bank Qualification: The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See **"QUALIFIED TAX-EXEMPT OBLIGATIONS"** herein.

Bond Registrar/Paying Agent: The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois.

Delivery: The Bonds are expected to be delivered on or about February 28, 2012.

Book-Entry Form: The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.

Denomination: $5,000 or integral multiples thereof.

Financial Advisor: Speer Financial, Inc., Chicago, Illinois.

**Subject to change*

The 2012A Bonds

Issue: $8,040,000* General Obligation Bonds, Series 2012A.

Interest Due: Each June 30 and December 30, commencing December 30, 2012.

Principal Due: Serially each December 30, commencing December 30, 2016 through 2026, as detailed below.

Optional Redemption: The 2012A Bonds maturing on or after December 30, 2020, are callable at the option of the Village on any date on or after December 30, 2019, at a price of par plus accrued interest. See **"OPTIONAL REDEMPTION – The 2012A Bonds"** herein.

Security: The 2012A Bonds and the enforceability of the 2012A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at low or in equity, including the exercise of judicial discretion, the 2012A Bonds will constitute valid and legally binding obligations of the Village and are payable (i) from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount and (ii) from (a) a portion of the incremental property taxes (said portion being the *"Subordinated Limited Incremental Property Taxes")* derived from the NW & SW Corners of Route 45 & 21 Town Center Redevelopment Project Area heretofore designated by the Village (the *"Redevelopment Project Area"*) if, as and when received, and (b) the amounts on deposit in and pledged to the Subordinate Lien Note Account of the General Account of the special tax allocation fund created in connection with the designation by the Village of the Redevelopment Project Area.

Purpose: The 2012A Bond proceeds will be used to (i) pay outstanding claims against the Village under a certain redevelopment agreement dated as of May 5, 2006, (ii) pay costs of currently refunding a certain Taxable Subordinate Lien Tax Increment Revenue Note (Town Center Project), Series 2010 (the *"Prior Note"*), and (iii) pay costs of issuing the 2012A Bonds. See **"THE PLAN OF FINANCING – The 2012A Bonds"** herein.

AMOUNTS*, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount*	Due Dec. 30	Interest Rate	Yield or Price	CUSIP Number	Principal Amount*	Due Dec. 30	Interest Rate	Yield or Price	CUSIP Number
$300,000	2016	%	%		$ 755,000	2022	%	%	
500,000	2017	%	%		785,000	2023	%	%	
650,000	2018	%	%		1,000,000	2024	%	%	
650,000	2019	%	%		1,000,000	2025	%	%	
675,000	2020	%	%		1,000,000	2026	%	%	
725,000	2021	%	%						

Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

**Subject to change.*

The 2012B Bonds

Issue: $1,645,000* General Obligation Bonds, Series 2012B.

Interest Due: Each September 30 and March 30, commencing September 30, 2012.

Principal Due: Serially each March 30, commencing March 30, 2013 through 2026, as detailed below.

Optional Redemption: The 2012B Bonds maturing on or after March 30, 2020, are callable at the option of the Village on any date on or after March 30, 2019, at a price of par plus accrued interest. See **"OPTIONAL REDEMPTION – The 2012B Bonds"** herein.

Security: The 2012B Bonds and the enforceability of the 2012B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at low or in equity, including the exercise of judicial discretion, the 2012B Bonds will constitute valid and legally binding obligations of the Village and are payable from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount.

Purpose: The 2012B Bond proceeds will be used to (i) pay costs of advance refunding certain General Obligation Bonds (Alternate Revenue Source), Series 2006, of the Village and (ii) pay costs of issuance of the 2012B Bonds. See **"THE PLAN OF FINANCING – The 2012B Bonds"** herein.

Verification Agent: Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois.

Escrow Agent: The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois.

AMOUNTS*, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount*	Due March 30	Interest Rate	Yield or Price	CUSIP Number	Principal Amount*	Due March 30	Interest Rate	Yield or Price	CUSIP Number
$ 25,000	2013	%	%		$130,000	2020	%	%	
25,000	2014	%	%		130,000	2021	%	%	
120,000	2015	%	%		140,000	2022	%	%	
120,000	2016	%	%		140,000	2023	%	%	
120,000	2017	%	%		145,000	2024	%	%	
125,000	2018	%	%		145,000	2025	%	%	
125,000	2019	%	%		155,000	2026	%	%	

Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

*Subject to change.

VILLAGE OF VERNON HILLS
Lake County, Illinois

Roger Byrne
President

Officials

Michael S. Allison
Village Manager/Village Clerk

Laurence M. Nakrin
Village Treasurer

THE VILLAGE

General Information

The Village, incorporated in 1958 and encompassing an area of 7.7 square miles, is located in central Lake County approximately 35 miles north of downtown Chicago. The Village is contiguous with or within a three mile radius of Libertyville, Mundelein, Buffalo Grove, Indian Creek, Long Grove, Mettawa, Lincolnshire, and Lake Forest. The latter four communities are among the wealthiest in the Chicago metropolitan area in terms of per capita income. According to the 2010 special census, the population of the Village is 25,113, qualifying it as a home rule unit under the Illinois Constitution.

The Village is governed by a Village President and a six member Board of Trustees, elected for staggered four year terms. Operation of the Village is the responsibility of the Village Manager, who oversees some 98 full-time employees and 9 part-time employees. The Village has 43 sworn police officers. Police officers, sergeants, and telecommunication personnel are represented by a union. Other employees are not represented by a bargaining unit.

The Village has experienced ongoing development over the past five years. The recent growth has been in both housing and commercial development. Several major properties are as discussed in the section entitled "Economic Development." Existing retail activity permits the Village to support its services substantially with sales taxes; no property taxes are levied for the operation of the Village.

The most significant growth in population occurred between 1970 and 1980 when the Village's population, as reported by the Bureau of the Census, increased from 1,056 to 9,827 or 830.5%. The 1990 population of 15,319 rose at a more moderate rate of 55.9% over 1980. A special census in 1994 had the Village's population at 18,032. The 2000 census had the Village's population at 20,120 or 31.3% over 1990 and a special census conducted in 2005 had the Village's population at 24,021. The 2010 census had the Village's population at 25,113, a 2.48% increase over 2000. The Village provides a variety of basic services to its residents while other governments provide other services. Primary services provided by the Village are: police, street maintenance, building inspection and general administrative services. The Village owns and operates a nine-hole golf course. It also owns an 18 hole golf course which was built by and is operated by Par Development for a 25 year period. The lease has some profit sharing and early buyout provisions. Water and sewer services are provided by Lake County. The Village receives Lake Michigan water from the Central Lake County Joint Action Water Agency through the County. Refuse collection is handled privately but licensed by the Village. Fire protection services are provided by the Countryside Fire Protection District and Lincolnshire Riverwoods Fire Protection District. The Vernon Hills Park District provides recreational facilities and programming in addition to the Village's nine-hole golf course.

Transportation

Village residents have easy access to Interstate 94 (Chicago-Milwaukee Tollway), and accordingly, have access to Chicago's O'Hare Airport, Milwaukee's Mitchell Airport, and downtown Chicago.

Education

The Village is served by School District Numbers 73, 76, 96 and 103 providing elementary education. High School District Numbers 120, 125 and 128 provide secondary education for Village residents. Local schools enroll approximately 19,900 pupils. Local schools employ approximately 2,400. Community College District No. 532 (the College of Lake County), located in Grayslake, with approximate enrollment of approximately 18,000 full and part time students offers two year certificates and degree programs. In addition, higher education facilities are available to Village residents in the many public and private colleges and universities in the Chicago Metropolitan area.

SOCIOECONOMIC INFORMATION

The following statistics pertain to the Village with additional comparisons with Lake County and the State of Illinois (the “State”).

The combination of good transportation, proximity to an affluent and well educated population, along with effective planning, has made the Village one of the more desirable areas for development in the Chicago metropolitan area. The Village is a major employment center, as well as a major center for retail shopping.

The Village has 3.66 million square feet of retail space. The most significant component of that retail space is the Westfield Hawthorn Center, which was completed in 1974 and subsequently expanded. The Center has 1.30 million square feet of leasable retail space and is anchored by Sears, Carson Pirie Scott & Co., J.C. Pennys and Macy's. The 203 thousand square foot Hawthorn Hills Square opened in 1986. Hawthorn Hills Square has recently completed redevelopment efforts which brought Dick's Sporting Goods and PetsMart to their center. In 1988, the 299 thousand square foot Rivertree Center opened. Rivertree includes Best Buy, Office Depot, and T.J. Maxx and has recently added Gordmans where Rivertree Theatre used to be. The 297 thousand square foot Townline Commons, which was completed in 1990, is anchored by Walmart, and Toys R Us. Recently added to Townline Commons through a renovation was the 28 thousand square foot HH Gregg, electronics store which replaced a vacant Plunketts Furniture. The Marketplace Shopping Center, which opened in 1994 is anchored by an 111 thousand square foot Home Depot, and a 198 thousand square foot redevelopment completed in 2005 which brought the Village Bed Bath and Beyond, Old Navy, Ashley Furniture, Joanne's Fabrics and DSW (Discount Shoe Warehouse). Recently brought to Market Place through a renovation was the free-standing 33 thousand square foot Comp/USA Tiger Direct which replaced a vacant Circuit City. Also recently added to Market Place through a renovation was the free-standing 110 thousand square foot Steinhafels Furniture Store which replaced the vacant Home Expo. In 2008, the 206 thousand square foot Shoppe's at Gregg's Landing opened, bringing Vernon Hills a Lowe's and a Staples. Additionally, in June of 2011, a 70 thousand square foot Mariano's Fresh Market opened in this shopping center. The Village has other smaller shopping centers including the 70 thousand square foot Aspen Point Shopping Center that includes a Walgreen's Drug Store, a Buffalo Wild Wings and a Chili's and the ninety nine thousand square foot Hawthorn Commons is anchored by a Dominick's. Freestanding retail includes a 170 thousand square foot Super Target, a 128 thousand square foot Sam's Club, an 87 thousand square foot Kohl's, a 45 thousand square foot Sports Authority, a 37 thousand square foot Babies R US and a 37 thousand square foot Walter E. Smithe Furniture.

Prior to 1986, few office buildings were located in the Village, with the exception of Rustoleum's international headquarters. In 1986, Van Vlssingen and Company began development in the Village of a 320-acre office and light-manufacturing park known as Corporate Woods. According to *Crains,* Corporate Woods is the 15th largest industrial park in the Chicago region. Among the largest buildings in Corporate Woods are the 130 thousand square foot Richard Wolf Medical Instrument Corporation building, 235 thousand square foot Mitsubishi building and the 161 thousand square foot Z.F. Industries building. In 2009, a Lifetime Fitness facility opened in Corporate Woods. In 1988, Prentiss / Copley began development of another office/industrial park, a 600 acre development known as Continental Executive Parke. It includes the 260 thousand square foot Cole Parmer building and the 200 thousand square foot Baxter Credit Union building. In July of 1997, the mail order, warehouse and corporate facility for CDW opened in Continental Executive Parke. The original facility was 224 thousand square feet and cost $10.6 million. CDW has subsequently become a Fortune 1000 Company. It continued its expansion with a $5 million new facility including a child care facility and an employee fitness center. In calendar year 2000, CDW opened a new facility in Vernon Hills containing over 200 thousand square feet. Additionally, CDW is currently leasing a 140 thousand square foot building owned by Pac Trust that was formerly occupied by Allstate. Adjacent to the Continental Executive Parke is the 70 acre American Hotel Register site. It consists of a 258 thousand square foot original American Hotel Register headquarters building, which was followed by a 201 thousand square foot American Hotel Register distribution center. The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, PNC Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, MB Financial Bank and the Vernon Hills Bank and Trust. A second PNC Bank was recently completed in the Village's Tax Increment District. The Village has four hotels: the 148 unit Hotel Indigo, the 119 unit Holiday Inn Express, the 124-unit Homestead Village and the 128-unit Extended Stay America.

According to the 2010 Census, the Village has 9,956 housing units. In 1988, the Village annexed the Cuneo Estate, which was a 1,200-acre track of previously undeveloped land. It is zoned to include retail, office park and residential components. The residential and golf course component of this development is called Gregg's Landing. Currently, of the 2,100 homes are approved for the development, as of April 30, 2011, 1,927 were constructed or permitted for construction. The development includes an 18-hole golf course built on 320 acres of land donated by developers. The Village negotiated with Par Development to build and operate the golf course, which is owned by the Village. The course began operation in 1998 and the lease agreement calls for the lease to terminate on December 31, 2024.

Following are lists of large employers located in the Village and in the surrounding area.

Major Village Employers*(1)*

Name	Product/Service	Approximate Employment
Westfield Hawthorn	Regional Shopping Mall	2,500
Zebra Technologies Corp	Bar Code Label Printers Company Headquarters	900
American Hotel Register Co	Hotel Hospitality Supply Sales and Distribution	400
CDW Computer Centers, Inc	Computer Sales Headquarters	350
Mitsubishi Electric Automation, Inc	Relays and Industrial Controls Corporate Headquarters	350
Cole-Palmer Instrument Co	Laboratory Instruments Distribution	300
ZF Service North America, LLC	Automotive and Marine Transmissions	240
ETA/Cuisenaire	Wholesaler of K-12 Teaching Resources	200
Richard Wolf Medical Instruments Corp	Medical Instruments and Accessories	200
Rust-Oleum Corp	Corporate Headquarters and Coatings, Paints and Rust Preventatives	180
Experient, Inc	Corporate Travel Agency	160

Note: (1) Source: 2012 Illinois Manufacturers Directory and 2012 Illinois Services Directory, and a selective telephone survey.

Major Area Employers*(1)*

Location	Name	Product/Service	Approximate Employment
North Chicago	Great Lakes Training Center	Military	11,000(2)
North Chicago	Abbott Laboratories	Pharmaceutical Products Headquarters	5,200
Lincolnshire	Aon Hewitt, LLC	Employee Benefits and Compensation Consultants	5,000
Gurnee	Gurnee Mills	Shopping Center	5,000
Gurnee	Six Flags Great America	Amusement Park	4,550(3)
Multiple	Medline Industries, Inc.	Surgical and Medical Instruments	3,900(4)
Waukegan	Lake County	Government	3,055(5)
Riverwoods	Discover Financial Services, LLC	Company Headquarters and Financial Services	3,000
Multiple	Baxter Healthcare Corp.	Medical and Hospital Equipment	2,700(6)
Deerfield	Takeda Pharmaceuticals North America, Inc.	Corporate Headquarters and Pharmaceuticals	2,668
Deerfield	Walgreen Co.	Drug Stores Corporate Headquarters	2,500
Deerfield	Kinetek, Inc.	Corporate Headquarters and Commercial Printing	2,500
Mettawa	HSBC Finance Corp.	Corporate Headquarters and Consumer Financial Services	2,500
Libertyville	Advocate Condell Medical Center	Hospital	2,200
Buffalo Grove	Siemens Building Technologies	Building Control Systems Corporate Headquarters	2,000
Multiple	Cardinal Health	Hospital Supply and Equipment Distribution Corporate Headquarters	1,840(7)
Grayslake	College of Lake County	Community College	1,818
Barrington	Advocate Good Shepherd Hospital	Hospital Care	1,700
Lake Forest	Northwestern Lake Forest Hospital	Hospital	1,600
South Barrington	Allstate Insurance Co.	Insurance Agents, Brokers and Service	1,500
Lake Forest	Hospira, Inc.	Medical Infusion Systems	1,350
Waukegan	Vista Health	Acute Care Hospital and Specialized Health Care Facility	1,300(8)
Highland Park	Highland Park Hospital	Hospital	1,200
Lincolnshire	Quill Corp.	Stationary and Office Supplies	1,200
Lake Forest	W.W. Grainger Co., Inc.	Industrial Machinery Corporate Headquarters	1,200
Waukegan	Coleman Cable, Inc.	Wire Products Corporate Headquarters	1,100

Notes: (1) Source: 2012 Illinois Manufacturers Directory, 2012 Illinois Services Directory and a selective telephone survey.
(2) Civilian and military personnel.
(3) Includes 1,900 in Round Lake and 2,650 in Deerfield.
(4) Includes 3,000 in Mundelein and 900 in Waukegan.
(5) The County employs a total of 2,701 full-time and 354 part-time budget positions for a total of 3,055 budgeted positions, of which approximately 2,000 are employed in Waukegan.
(6) Employment is seasonal.
(7) Includes 1,500 in McGaw Park and 340 in Waukegan.
(8) Combined Vista Medical Center East and Vista Medical Center West.

The following tables show employment by industry and by occupation for the Village, Lake County (the "County") and the State of Illinois (the "State") as reported by the U.S. Census Bureau 2005-2009 American Community Survey 5-year estimated values.

Employment By Industry*(1)*

Classification	The Village Number	The Village Percent	Lake County Number	Lake County Percent	State of Illinois Number	State of Illinois Percent
Agriculture, Forestry, Fishing, Hunting, and Mining	15	0.12%	969	0.3%	65,440	1.1%
Construction	593	4.66%	21,047	6.2%	376,949	6.2%
Manufacturing	1,617	12.71%	57,330	16.8%	806,499	13.2%
Wholesale Trade	851	6.69%	17,673	5.2%	217,944	3.6%
Retail Trade	1,686	13.25%	40,016	11.7%	662,515	10.9%
Transportation and Warehousing, and Utilities	347	2.73%	12,175	3.6%	358,754	5.9%
Information	402	3.16%	7,186	2.1%	145,038	2.4%
Finance, Insurance, Real Estate, Rental and Leasing	1,422	11.17%	28,970	8.5%	485,533	8.0%
Professional, Scientific, Management, Administrative and Waste Management Services	1,696	13.33%	43,532	12.8%	651,535	10.7%
Educational, Health and Social Services	2,041	16.04%	60,493	17.8%	1,287,693	21.1%
Arts, Entertainment, Recreation, Accommodation and Food Services	1,082	8.50%	26,713	7.8%	515,791	8.5%
Other Services (Except Public Administration)	711	5.59%	15,146	4.4%	292,634	4.8%
Public Administration	263	2.07%	9,446	2.8%	230,710	3.8%
Total	12,726	100.00%	340,696	100.0%	6,097,035	100.0%

Note: Source: U.S. Bureau of the Census, American Community Survey, 2005 to 2009 estimates.

Employment By Occupation*(1)*

	The Village		Lake County		State of Illinois	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, Professional and Related Occupations	6,455	50.72%	138,497	40.7%	2,138,597	35.1%
Service	1,394	10.95%	46,324	13.6%	992,030	16.3%
Sales and Office	3,355	26.36%	92,100	27.0%	1,591,409	26.1%
Farming, Fishing and Forestry	5	0.04%	489	0.1%	19,064	0.3%
Construction, Extraction, and Maintenance	543	4.27%	24,384	7.2%	490,145	8.0%
Production, Transportation, and Material Moving	974	7.65%	38,902	11.4%	865,790	14.2%
Total	12,726	100.00%	340,696	100.0%	6,097,035	100.0%

Note: Source: U.S. Bureau of the Census, American Community Survey, 2005 to 2009 estimates.

Annual Average Unemployment Rates*(1)*

Calendar Year	The Village	Lake County	State of Illinois
2002	5.0%	5.7%	6.5%
2003	5.3%	6.0%	6.7%
2004	5.0%	5.5%	6.2%
2005	4.4%	4.7%	5.7%
2006	4.1%	4.2%	4.5%
2007	4.7%	5.0%	5.0%
2008	6.2%	6.7%	6.5%
2009	9.3%	9.8%	10.1%
2010	10.0%	10.5%	10.3%
2011(2)	N/A	9.1%	9.5%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of October 2011.

Population

The Village continues to see steady gains in population. The most significant growth in Village population was between 1970 and 1980.

Population

	Village		Lake County		State	
	Population	Growth	Population	Growth	Population	Growth
1970 Census(1)	1,056	0%	382,638	0%	11,113,976	0%
1980 Census(1)	9,827	830.6%	440,397	15.1%	11,426,518	2.8%
1990 Census(1)(2)	15,319	55.9%	516,418	17.3%	11,430,602	0%
2000 Census(1)(3)	20,120	31.3%	644,356	24.8%	12,419,293	8.6%
2010 Census(1)	25,113	24.8%	703,462	9.2%	12,830,632	3.3%

Notes: (1) Source: The U.S. Department of Commerce, Bureau of the Census.
(2) The 1994 Special Census result was 18,032.
(3) The 2005 Special Census result was 23,353.

Building Permits

Listed below is the Village's construction and property value over the last ten years.

Village Building Permits*(1)*
(Excludes the Value of Land)

Calendar Year	Construction Value	Residential Number of Permits	Commercial Number of Permits
2001..........	$100,152,000	218	93
2002..........	63,463,563	207	106
2003..........	94,321,568	218	91
2004..........	106,379,985	230	85
2005..........	143,302,493	65	80
2006..........	76,063,868	92	67
2007..........	131,364,332	31	62
2008..........	49,001,529	16	57
2009..........	65,080,504	14	50
2010..........	87,242,979	6	46
2011..........	33,589,343	6	47

Note: (1) Source: The Village.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the Village's owner-occupied homes was $350,000. This compares to $288,000 for the County and $200,400 for the State. The following table represents the five year average market value of specified owner-occupied units for the Village, the County and the State at the time of the 2005-2009 American Community Survey.

Specified Owner-Occupied Units*(1)*

	The Village		Lake County		State of Illinois	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000..............	129	1.93%	4,061	2.2%	218,908	6.6%
$50,000 to $99,999.........	38	0.57%	3,806	2.0%	467,086	14.2%
$100,000 to $149,999.......	490	7.33%	15,859	8.5%	465,161	14.1%
$150,000 to $199,999.......	987	14.76%	29,991	16.2%	492,170	14.9%
$200,000 to $299,999.......	1,022	15.29%	42,776	23.0%	701,719	21.3%
$300,000 to $499,999.......	2,540	37.99%	46,850	25.2%	640,636	19.5%
$500,000 to $999,999.......	1,363	20.39%	33,509	18.0%	253,512	7.7%
$1,000,000 or more.........	117	1.75%	8,818	4.7%	53,493	1.6%
Total....................	6,686	100.00%	185,670	100.0%	3,292,685	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 2005 to 2009 estimates.

Income

Per Capita Personal Income for the Ten Highest Income Counties in the State*(1)*

Rank		2005-2009
1	**Lake County**	**$37,970**
2	DuPage County	37,592
3	McHenry County	31,766
4	Kendall County	29,640
5	Will County	29,207
6	Cook County	29,021
7	Kane County	28,980
8	Monroe County	28,745
9	Sangamon County	27,907
10	Grundy County	27,450

Note: (1) Source: U.S. Bureau of the Census. 2005-2009 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area.

Ranking of Median Family Income*(1)*

County	Family Income
DuPage County	$92,059
Lake County	**91,721**
McHenry County	87,260
Kendall County	86,659
Will County	83,355
Kane County	77,842
Grundy County	74,792
Cook County	64,973

Notes: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2005 to 2009.
(2) In 2009 inflation adjusted numbers.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median family income of $105,922. This compares to $91,721 for the County and $67,660 for the State. The following table represents the distribution of family incomes for the Village, the County and the State at the time of the 2005-2009 American Community Survey.

Family Income*(1)*

	The Village		Lake County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	108	1.70%	3,402	1.95%	133,989	4.3%
$10,000 to $14,999	119	1.87%	2,376	1.36%	89,724	2.9%
$15,000 to $24,999	211	3.32%	7,064	4.05%	225,392	7.2%
$25,000 to $34,999	181	2.85%	9,548	5.48%	263,441	8.4%
$35,000 to $49,999	652	10.27%	16,933	9.72%	400,463	12.8%
$50,000 to $74,999	888	13.99%	28,953	16.62%	631,535	20.1%
$75,000 to $99,999	822	12.95%	27,380	15.71%	490,901	15.6%
$100,000 to $149,999	1,465	23.07%	35,883	20.59%	525,923	16.8%
$150,000 to $199,999	881	13.88%	18,785	10.78%	190,607	6.1%
$200,000 or more	1,022	16.10%	23,913	13.72%	186,863	6.0%
Total	6,349	100.00%	174,237	100.00%	3,138,838	100.0%

The U.S. Census Bureau 5-year estimated values reported that the Village had a median household income of $87,124. This compares to $78,423 for the County and $55,222 for the State. The following table represents the distribution of household incomes for the Village, the County and the State at the time of the 2005-2009 American Community Survey.

Household Income*(1)*

	The Village		Lake County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	281	3.27%	8,306	3.54%	334,415	7.0%
$10,000 to $14,999	200	2.33%	6,482	2.76%	236,950	5.0%
$15,000 to $24,999	390	4.54%	14,565	6.20%	477,411	10.1%
$25,000 to $34,999	355	4.13%	15,979	6.80%	466,199	9.8%
$35,000 to $49,999	1,131	13.17%	25,943	11.05%	643,541	13.5%
$50,000 to $74,999	1,387	16.15%	40,915	17.42%	905,607	19.1%
$75,000 to $99,999	1,141	13.29%	34,781	14.81%	624,148	13.1%
$100,000 to $149,999	1,698	19.78%	41,153	17.52%	626,633	13.2%
$150,000 to $199,999	925	10.77%	20,714	8.82%	219,763	4.6%
$200,000 or more	1,078	12.56%	26,002	11.07%	214,721	4.5%
Total	8,586	100.00%	234,840	100.00%	4,749,388	100.0%

Note:. (1) Source: U.S. Bureau of the Census, American Community Survey, 2005 to 2009 Estimates.

Retail Activity

Retailers' Occupation, Service Occupation and Use Tax*(1)*
(As of June 30, 2001 Through 2002 and As of March 31, 2003 Through 2011)

Year Ending	State Sales Tax Distributions(2)	Annual Percent Change + (-)
2002	$11,396,746	5.42% (2)
2003	11,103,119 (3)	(2.58%)
2004	11,239,122 (3)	1.22%
2005	10,985,364 (3)	(2.26%)
2006	10,959,796 (3)	(0.23%)
2007	11,428,759 (3)	4.28%
2008	11,646,251 (3)	1.90%
2009	11,367,844 (3)	(2.39%)
2010	10,272,497 (3)	(9.64%)
2011	10,857,198 (3)	5.69%
Growth from 2002 to 2011		(4.73%)

Notes: (1) Source: State of Illinois, Department of Revenue.
(2) Percentage based on 2001 sales tax of $10,810,763.
(3) Not directly comparable to 2002 and prior years. Based on Standard Industrial Code Classification. As of March 31 of each of the years 2003 through 2011.

Sales Tax Receipts by Kind of Business (1)
(Year Ended March 31, 2011)

	Amount Returned to the Village	
	Total	Percent
General Merchandise	$ 2,794,537	25.7%
Food	338,599	3.1%
Drinking and Eating Places	836,266	7.7%
Apparel	706,722	6.5%
Furniture, Household & Radio	3,646,292	33.6%
Lumber Building and Hardware	394,847	3.6%
Automotive and Filling Stations	293,411	2.7%
Drugs and other Retail	1,102,401	10.2%
Agriculture and All Others	606,308	5.6%
Manufactures	137,816	1.3%
Total	$10,857,198	100.0%

Number of taxpayers (establishments) .... 988(3)

Notes: (1) Source: State of Illinois, Department of Revenue.
(2) The amount returned to the Village is equal to 1% of taxable sales made at businesses located with the corporate limits of the Village.
(3) Number of taxpayers as of March 31, 2011.

ECONOMIC DEVELOPMENT

With 3.66 million square feet of retail space, retail has long been a vital economic component of the Village. The 2008-2009 economic downturn created significant vacancies in many of the Village's retail centers. During 2008 and early in 2009 saw the closing of important stores in the 203 square foot Hawthorn Hills Square, including Linen's & Things and Wick's Furniture. These closings contributed to bringing that shopping center's vacancy rate to 57%. That amounted to116 thousand square feet of vacant space. The loss of Linen's & Things and Wick's threatened the survival of Hawthorn Square. In order to assist Hawthorn Square's developers, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52 thousand square foot Dick's Sporting Goods to the Village and to Hawthorn Hills Square. Dick's opened in early September of 2010. The 20 year agreement has 70% of the new sales tax rebated to the property owner in the first five year period, 60% in the second five year period, 40% in the third five year period and 30% in the final five year period. The agreement ends once Chase's $1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years, whichever occurs first. Hawthorn Hills Square also added a PetsMart, which is relocating from Rivertree. Because PetsMart is a relocation within the Village, Chase is not eligible for the sales tax incentive. A major vacancy among the free standing stores in the Marketplace Shopping Center occurred with the closing of the 33 thousand square foot Circuit City. An economic incentive agreement was worked out with the owners of the former Circuit City Building to bring a CompUSA/Tiger Direct to Vernon Hills. The sharing arrangement allows the developer to keep everything above the first $100,000 of sales tax generated for the Village each year for nine years or until the developer's net present value goal of $518 thousand (discounted at 5%) is reached, whichever occurs first. Comp USA/Tiger Direct opened in February of 2011. Another major Marketplace loss in early 2009 was the closing of the 110 thousand square foot Home Expo. In FY2010-11, Steinhafels, the leading furniture store in Wisconsin, decided to look at the Home Expo site for its first expansion into the Chicago area. In order to encourage a high quality upgrade of the Home Expo site, the Village agreed to a seven year sales tax sharing agreement, where Steinhafels receives 40% of the sales tax generated for the Village in the first four years and then 41% in the last three years, except that if a net present value of $600,000 (discounted at 5%) is reached first, the agreement ends at that time. Steinhafels opened in August of 2011. The Townline Commons lost Plunketts Furniture in early 2009. The Plunketts vacancy was filled by a 28 thousand square foot HH Gregg, electronics store. In order to make the modifications to the old Plunketts building affordable for HH Gregg, the Village agreed to share 50% of all sales tax revenues generated by the project for ten years or sooner if a $603 thousand net present value (discounted at 5%) figure is reached. HH Gregg opened in 2011. At Rivertree Court, during 2010, the Rivertree Movie Theatre closed. The Village provided Inland, the owners of the center, with a sales tax incentive to renovate the theatre and dilapidated parking lot in order to bring a 50 thousand square foot Gordmans store to Vernon Hills. The incentive agreement provides Inland 75% of sales tax generated for ten years unless the $385,000 net present value (discounted at 5%) target is realized sooner. The store opened in 2011.

Vernon Hills also has vacant property zoned for retail. In order to assist in bringing a desirable development to a vacant property at the Shoppe's at Gregg's Landing, the Village provided Bradford Development with an incentive to bring Mariano's Fresh Market to Vernon Hills Mariano's is a high end grocery store owned by Roundy's, a Wisconsin based grocery. In order to assist the developer with land costs to enable their bringing Mariano's to Vernon Hills the Village offered the developer 37% of the sales tax generated for fifteen years or until $955,000 net present value (discounted at 5%) is realized, whichever occurs first. The 70,000 square foot Mariano's opened in June of 2011.

The Village also has an economic incentive agreement with CDW in effect through July 31, 2019 involving the rebating of sales tax. It has a maximum rebate level of 50%, which is applicable as long as the Village collects at least $2 million annually in sales tax from CDW. If sales tax receipts fall between $650,000 and $2 million, the rebate is 35%. Between $500,000 and $650,000, the rebate is 20% and below $500,000 there is no rebate.

In October of 2010, construction began on the Victory Centre of Vernon Hills. The complex will consist of a five story affordable senior apartment complex with 114 units, a five story supportive living facility with 120 units and a 163 space parking deck/lot. It is anticipated that the project will be complete in the spring of 2012.

The Village has a Tax Increment Financing District which the Village has developed with the College of Lake County, and two developers: Opus North and VHTC. The district was formed in order to develop the area of the Village near the intersection of Routes 45 and 21. The area was difficult to develop because of the multiplicity of land owners and because of traffic flow obstacles. Despite set backs during the 2008-2009 downturn, the Tax Increment District has made substantial progress. For Calendar year 2009, the TIF District had a $3,645,858 thousand incremental assessed valuation and a $236,288 tax extension. For 2010, the incremental assessed valuation increased to $10,990,021 and the tax extension increased to $772,159. In the Opus North development, two 66 unit condo buildings were approved for this site, of which one has been built with 66 units-all of which have occupancy permits and were either sold or rented. Opus North was also approved for a total of 47 town home units, of which only 20 have been built all of which are occupied or have occupancy permits. In the VHTC development a Starbuck's and a Roti's Mediterranean Grill opened during FY2008-09. During FY2009-10, VHTC completed a six story mixed use building with 84 one and two bedroom luxury apartments, underground parking and 10,000 square feet of retail. Currently all 84 residential units have certificates of occupancy and have been rented out or are in the process of being rented out; while all of the retail space has been leased. A newly constructed PNC opened in 2011 on the VHTC site. A newly constructed 15,000 square foot retail building south of PNC recently added a Tom and Eddie's Restaurant and a dance studio; additionally plans are in place for a Real Urban BBQ restaurant to occupy a space. A 3,000 square foot building recently received approval for a Beer Market.

PLAN OF FINANCING

The 2012A Bonds

The 2012A Bond proceeds will be used to (i) pay outstanding claims against the Village under a certain redevelopment agreement dated as of May 5, 2006, (ii) pay costs of currently refunding a certain Taxable Subordinate Lien Tax Increment Revenue Note (Town Center Project), Series 2010 (the *"Prior Note"*), and (iii) pay costs of issuing the 2012A Bonds.

The 2012B Bonds

The 2012B Bond proceeds will be used to (i) pay costs of advance refunding certain General Obligation Bonds (Alternate Revenue Source), Series 2006, of the Village and (ii) pay costs of issuance of the 2012B Bonds, as listed below (the "2006 Refunded Bonds"):

Outstanding General Obligation Bonds (Alternate Revenue Source), Series 2006

Refunded Maturities	Outstanding Amount	Amount Refunded(1)	Redemption Price	Redemption Date
3/30/2015	$ 95,000	$ 95,000	100.00%	3/30/2014
3/30/2016	100,000	100,000	100.00%	3/30/2014
3/30/2017	105,000	105,000	100.00%	3/30/2014
3/30/2018	110,000	110,000	100.00%	3/30/2014
3/30/2019	115,000	115,000	100.00%	3/30/2014
3/30/2020	120,000	120,000	100.00%	3/30/2014
3/30/2021	125,000	125,000	100.00%	3/30/2014
3/30/2022	135,000	135,000	100.00%	3/30/2014
3/30/2023	140,000	140,000	100.00%	3/30/2014
3/30/2024	145,000	145,000	100.00%	3/30/2014
3/30/2025	150,000	150,000	100.00%	3/30/2014
3/30/2026	160,000	160,000	100.00%	3/30/2014
Total..............	$1,500,000	$1,500,000		

Note: (1) Subject to change.

The 2012B Bond proceeds will be used to purchase direct full faith and credit obligations of the United States of America (the "Government Securities"), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the 2006 Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the 2006 Refunded Bonds on their respective redemption dates. The remaining bond proceeds will be used to pay the costs of issuing the 2012B Bonds.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the "Escrow Agreement"), between the Village and The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, as Escrow Agent (the "Escrow Agent").

The mathematical calculations: (a) of the adequacy of the deposit made pursuant to the Escrow Agreement to provide for the payment of certain interest, principal and call premiums on the 2006 Refunded Bonds, and (b) supporting the opinion of Bond Counsel that the interest of the 2012B Bonds is excludable from gross income of the owners thereof for federal income tax purposes will be verified by Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois, at the time of delivery of the 2012B Bonds. All moneys and Government Securities deposited for the payment of 2006 Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the 2006 Refunded Bonds.

DEBT INFORMATION

After issuance of the Bonds, the Village will have outstanding $19,185,000 (subject to change) principal amount of general obligation debt.

The Village does not intend to issue additional debt within the next six months.

General Obligation Bonded Debt*(1)(2)*
(Principal Only)

	Outstanding Bonds					The Bonds				Cumulative Principal Retired(3)	
Calendar Year	Series 2002 (3-30)	Series 2004 (3-30)	Series 2005 (3-30)	Series 2006 (3-30)	Series 2007 (3-30)	Series 2012A (12-30)	Series 2012B (3-30)	Less: The Refunded Bonds(3)	Total Debt(3)	Amount	Per Cent
2012	$460,000	$325,000	$260,000	$ 85,000	$ 115,000	$ 0	$ 0	$ 0	$ 1,245,000	$ 1,245,000	6.49%
2013	480,000	335,000	275,000	90,000	120,000	0	20,000	0	1,320,000	2,565,000	13.37%
2014	0	340,000	285,000	95,000	125,000	0	25,000	0	870,000	3,435,000	17.90%
2015	0	350,000	295,000	95,000	130,000	0	120,000	(95,000)	895,000	4,330,000	22.57%
2016	0	365,000	315,000	100,000	135,000	300,000	120,000	(100,000)	1,235,000	5,565,000	29.01%
2017	0	380,000	325,000	105,000	140,000	500,000	125,000	(105,000)	1,470,000	7,035,000	36.67%
2018	0	390,000	345,000	110,000	150,000	650,000	125,000	(110,000)	1,660,000	8,695,000	45.32%
2019	0	0	355,000	115,000	155,000	650,000	125,000	(115,000)	1,285,000	9,980,000	52.02%
2020	0	0	370,000	120,000	165,000	675,000	130,000	(120,000)	1,340,000	11,320,000	59.00%
2021	0	0	390,000	125,000	170,000	725,000	130,000	(125,000)	1,415,000	12,735,000	66.38%
2022	0	0	0	135,000	175,000	755,000	140,000	(135,000)	1,070,000	13,805,000	71.96%
2023	0	0	0	140,000	185,000	785,000	140,000	(140,000)	1,110,000	14,915,000	77.74%
2024	0	0	0	145,000	195,000	1,000,000	145,000	(145,000)	1,340,000	16,255,000	84.73%
2025	0	0	0	150,000	200,000	1,000,000	145,000	(150,000)	1,345,000	17,600,000	91.74%
2026	0	0	0	160,000	210,000	1,000,000	155,000	(160,000)	1,365,000	18,965,000	98.85%
2027	0	0	0	0	220,000	0	0	0	220,000	19,185,000	100.00%
Total ..	$940,000	$2,485,000	$3,215,000	$1,770,000	$2,590,000	$8,040,000	$1,645,000	$(1,500,000)	$19,185,000		

Notes: (1) Source: the Village.
(2) Mandatory sinking fund redemption amounts are shown for term bonds.
(3) Subject to change.

Detailed Overlapping Bonded Debt*(1)*
(As of October 27, 2011)

	Total Debt	Applicable to Village Percent(2)	Applicable to Village Amount
Schools:			
School District Number 73	$ 45,819,149	67.51%	$30,932,507
School District Number 76	3,921,442	26.43%	1,036,437
School District Number 96	4,400,000	2.49%	109,560
School District Number 103	3,225,000	19.16%	617,910
High School District Number 120	17,578,106	1.04%	182,812
High School District Number 125	26,595,000	8.93%	2,374,934
High School District Number 128	30,020,000	29.05%	8,720,810
Community College Number 532	5,835,000	4.57%	266,660
Total Schools			$44,241,630
Others:			
Lake County	$ 86,515,000	4.34%	$ 3,754,751
Lake County Forest Preserve District	311,480,000	4.34%	13,518,232
Central Lake County Joint Action Water Agency	20,610,000	16.45%	3,390,345
Mundelein Park District	2,885,000	0.001%	29
Vernon Hills Park District	5,520,000	99.97%	5,518,344
Total Others			$26,181,701
Total Overlapping Bonded Debt			$70,423,331

Notes: (1) Source: Lake County Clerk.
(2) Based on 2010 Equalized Assessed Valuations, the most recent available.

Statement of Bonded Indebtedness
(As of October 27, 2011)

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Census 25,113)
Assessed Valuation of Taxable Property, 2010	$1,245,751,097	100.00%	33.33%	$ 49,605.83
Estimated Actual Value, 2010	$3,737,253,291	300.00%	100.00%	$148,817.48
Village Direct Bonded Debt(2)	$ 19,185,000	1.54%	0.51%	$ 763.95
Less: Self Supporting(2)(3)	(19,185,000)	(1.54%)	(0.51%)	(763.95)
Net Direct Bonded Debt	$ 0	0.00%	0.00%	$ 0.00
Overlapping Bonded Debt				
Schools	$ 44,241,630	3.55%	1.18%	$ 1,761.70
All Others	26,181,701	2.10%	0.70%	1,042.56
Total Overlapping Bonded Debt	$ 70,423,331	5.65%	1.88%	$ 2,804.26
Total Net Direct and Overlapping Bonded Debt(2)	$ 70,423,331	5.65%	1.88%	$ 2,804.26

Note: (1) Source: The Village.
(2) Includes general obligation alternate bonds and excludes capital leases. Subject to change.
(3) Alternate bonds and the Bonds. The Village anticipates paying debt service on the Bonds from sources other than property taxes.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2010 levy year, the Village's EAV was comprised of 71% residential, 28% commercial, and less than 1% farm, railroad and industrial valuations.

Equalized Assessed Valuation*(1)*

	Levy Years				
Property Class	2006	2007	2008	2009	2010
Residential	$ 835,643,430	$ 897,297,058	$ 924,051,438	$ 928,731,639	$ 889,805,423
Farm	59,021	57,194	60,685	60,953	54,888
Commercial	329,302,011	337,811,382	357,831,579	360,691,287	355,135,429
Industrial	526,965	536,714	555,714	544,172	551,337
Railroad	120,092	147,146	178,670	171,251	204,020
Total	$1,165,651,519	$1,235,849,494	$1,282,678,086	$1,290,199,302	$1,245,751,097
Percent Change +(-)	5.87%(2)	6.02%	3.79%	0.59%	(3.45%)

Notes: (1) Source: Lake County Clerk.
(2) Percentage change based on 2005 EAV of $1,101,000,733.

Representative Tax Rates*(1)*
(Per $100 EAV)

	Levy Years				
	2006	2007	2008	2009	2010
Village of Vernon Hills	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
Lake County	0.4500	0.4440	0.4530	0.4640	0.5050
Lake County Forest Preserve District	0.2040	0.2010	0.1990	0.2000	0.1980
Vernon Township(2)	0.0940	0.0920	0.0920	NA	NA
Libertyville Township(3)	NA	NA	NA	0.1040	0.1060
Central Lake County JAWA	0.0460	0.0420	0.0420	0.0420	0.0450
Countryside Fire Prot. Dist.	0.3980	0.3900	0.4170	0.4210	0.4530
Cook Memorial Library Dist.	0.2220	0.2190	0.2220	0.2230	0.2380
Vernon Hills Park District	0.3510	0.3430	0.3440	0.3170	0.4270
School District No. 73	2.8870	2.8420	2.8780	2.8990	3.0810
High School District No. 128	2.1790	2.1360	2.1630	2.1790	2.3240
Community College District No. 532	0.1950	0.1920	0.1960	0.2000	0.2180
Total(4)	$7.0260	$6.9010	$7.0060	$7.0490	$7.5950

Notes: (1) Source: Lake County Clerk.
(2) Includes Road and Bridge and Gravel.
(3) Includes Road and Bridge.
(4) Representative tax rate is for Vernon Township Tax Code 16-028 for levy years 2006 through 2008. For levy year 2009 thorough 2010, the largest tax code in the Village was Libertyville Township Tax Code 11-012, which represents 33.5% of the Village's 2010 Equalized Assessed Valuation.

Principal Taxpayers*(1)*

Taxpayer Name	Business/Service	2010 EAV*(2)*
Westfield Shoppingtown Hawthorne	Shopping Center	$ 20,125,346
Van Vlissingen & Co.	Business Park	16,856,018
Inland Real Estate	Real Property	13,465,102
Museum Gardens II LLC	Real Property	11,762,797
Leahy Vernon Hills Development	Real Property	10,983,960
CDW Computer Centers, Inc.	Computers	9,303,393
Individual	Real Property	6,452,805
Wal-Mart Property Tax Department	Retail	6,278,935
Corporate Woods Associates LLC	Real Property	6,277,780
HCP HB2 Park at Vernon Hills LLC	Real Property	6,275,162
Total		$107,781,298
Ten Largest as a percent of the Village's 2010 EAV ($1,245,751,097)		8.65%

Notes: (1) Source: Lake County.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2010 EAV is the most current available.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Tax Levy and Collection Procedures

Local assessment officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Illinois Department of Revenue (the "Department") assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local assessment officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax.

Exemptions

An annual General Homestead Exemption (the "General Homestead Exemption") provides that the Equalized Assessed Valuation ("EAV") of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $3,500 for assessment years prior to assessment year 2004 in counties with less than 3,000,000 inhabitants, and a maximum reduction of $5,000 for assessment year 2004 through 2007 in all counties. Additionally, the maximum reduction is $5,500 for assessment year 2008 and the maximum reduction is $6,000 for assessment year 2009 and thereafter in all counties.

The Homestead Improvement Exemption applies to Residential Properties that have been improved or rebuilt in the 2 years following a catastrophic event. The exemption is limited to $45,000 through December 31, 2003, and $75,000 per year beginning January 1, 2004 and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption ("Senior Citizens Homestead Exemption") operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by $2,000 in counties with less than 3,000,000 inhabitants. For assessment years 2004 and 2005, the maximum reduction is $3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is $3,500 in all counties. In addition, for assessment year 2008 and thereafter, the maximum reduction is $4,000 for all counties. Furthermore, beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption ("Senior Citizens Assessment Freeze Homestead Exemption") freezes property tax assessments for homeowners, who are 65 and older and receive a household income not in excess of the maximum income limitation. The maximum income limitation is $35,000 for years prior to 1999, $40,000 for assessment years 1999 through 2003, $45,000 for assessment years 2004 and 2005, $50,000 from assessment years 2006 and 2007 and for assessments year 2008 and after, the maximum income limitation is $55,000. In general, the Senior Citizens Assessment Freeze Homestead Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. In counties with a population of 3,000,000 or more, the exemption for all assessment years is equal to the EAV of the residence in the assessment year for which application is made less the base amount. Furthermore, for those counties with a population of less than 3,000,000, the Senior Citizens Assessment Freeze Homestead Exemption is as follows: through assessment year 2005 and for assessment year 2007 and later, the exempt amount is the difference between (i) the current EAV of their residence and (ii) the base amount, which is the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the Exemption (plus the EAV of improvements since such year). For assessment year 2006, the amount of the Senior Citizens Assessment Freeze Homestead Exemption phases out as the amount of household income increases. The amount of the Senior Citizens Assessment Freeze Homestead Exemption is calculated by using the same formula as above, and then multiplying the resulting value by a ratio that varies according to household income.

Another exemption available to disabled veterans operates annually to exempt up to $70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Also, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals. However, individuals claiming exemption under the Disabled Persons' Homestead Exemption ("Disabled Persons' Homestead Exemption") or the Disabled Veterans Standard Homestead Exemption ("Disabled Veterans Standard Homestead Exemption") cannot claim the aforementioned exemption.

Furthermore, beginning with assessment year 2007, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of $2,000 for property that is owned and occupied by certain persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

In addition, the Disabled Veterans Standard Homestead Exemption provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of $5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50% are granted an exemption of $2,500. Furthermore, the veteran's surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse's new residence, provided that it is the spouse's primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Persons' Homestead Exemption cannot claim the aforementioned exemption.

Beginning with assessment year 2007, the Returning Veterans' Homestead Exemption ("Returning Veterans' Homestead Exemption") is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of $5,000, which is applicable in all counties. In order to apply for the Returning Veterans' Homestead Exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, "or a leasehold interest of land on which a single family residence is located, which is occupied as a principle residence of a veteran returning from an armed conflict involving the armed forces of the United States who has an ownership interest therein, legal, equitable or as a lessee, and on which the veteran is liable for the payment of property taxes." Those individuals eligible for the Returning Veterans' Homestead Exemption may claim the Returning Veterans' Homestead Exemption, in addition to other homestead exemptions, unless otherwise noted.

The Property Tax Extension Limitation Law (the "Limitation Law") limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

Home rule units, including the Village, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the Village, the limitations set forth therein will not apply to any taxes levied by the Village to pay the principal of and interest on the Bonds.

The Village is home-rule and not subject to the Limitation Law.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the "Law") limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

FINANCIAL INFORMATION

Financial Reports

The Village's financial statements are audited annually by certified public accountants. The Village's financial statements for the governmental fund types and agency funds are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. See **APPENDIX A** for more detail.

Investment Policy

The Village is authorized by statutes and Village investment policy to invest in certificates of deposits, U.S. Government securities, repurchase agreements, the State Treasurer's pool and certain insurance company separate accounts. See **APPENDIX A** for more detail.

Financial Reports

The Village's financial statements are audited annually by certified public accountants. The Village's financial statements are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section and in **APPENDIX A** are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended April 30, 2011 (the "2011 Audit"). The 2011 Audit has been prepared by Lauterbach & Amen, LLP, Certified Public Accountants, Warrenville, Illinois, (the "Auditor"), and approved by formal action of the Village Board. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of

the Excerpted Financial Information in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the Audit.

The inclusion of the Excerpted Financial Information in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the Audit. Questions or inquiries relating to financial information of the Village since the date of the Audit should be directed to the Village.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for excerpts of the Village's 2011 Audit.

Statement of Net Assets
Governmental Activities

	Audited As of April 30				
	2007	2008	2009	2010	2011
ASSETS:					
Cash and Investments	$24,620,749	$ 27,842,518	$ 23,522,949	$ 20,353,249	$ 23,000,311
Receivables, Net:					
Taxes	3,800,616	4,012,031	1,250,802	1,511,098	3,918,410
Accounts	775,637	115,677	2,435,979	2,511,449	419,028
Accrued Interest	164,513	217,372	164,984	149,804	89,066
Prepaids/Inventory	355,118	411,572	382,713	378,084	406,474
Due from Other Governments	515,487	934,615	894,759	17,696	6,420
Internal Balances	0	0	169,240	662,899	246,623
Total Current Assets	$30,232,120	$ 33,533,785	$ 28,821,426	$ 25,584,279	$ 28,086,332
Noncurrent Assets:					
Capital Assets:					
Nondepreciable Capital Assets	$ 7,494,919	$ 7,554,919	$ 5,688,623	$ 5,688,623	$ 4,568,623
Depreciable Capital Assets	42,109,403	155,012,975	160,063,661	160,982,073	161,204,446
Accumulated Depreciation	(9,940,209)	(38,452,518)	(42,299,180)	(46,161,494)	(50,052,290)
Total Capital Assets	$39,664,113	$124,115,376	$123,453,104	$120,509,202	$115,720,779
Other Assets:					
Long-Term Notes Receivable	$ 1,169,134	$ 1,151,625	$ 1,008,255	$ 907,834	$ 0
Net Pension Fund Assets	68,413	70,774	134,352	179,508	180,369
Total Other Assets	$ 1,237,547	$ 1,222,399	$ 1,142,607	$ 1,087,342	$ 180,369
Total Noncurrent Assets	$40,901,660	$125,337,775	$124,595,711	$121,596,544	$115,901,148
Total Assets	$71,133,780	$158,871,560	$153,417,137	$147,180,823	$143,987,480
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 584,950	$ 570,482	$ 810,284	$ 190,158	$ 232,373
Accrued Payroll	406,502	452,865	535,505	692,343	155,429
Accrued Interest Payable	62,559	311,964	668,524	1,065,644	1,626,371
Deposits Payable	1,344,226	1,183,072	942,130	962,402	940,420
Unearned Revenues	931,358	1,100,939	1,001,133	933,337	776,926
Compensated Absences Payable	139,313	142,528	148,975	142,328	146,847
Current Portion of Long-Term Debt	1,035,000	1,105,000	1,150,000	1,190,000	1,245,000
Total Current Liabilities	$ 4,503,908	$ 4,866,850	$ 5,256,551	$ 5,176,212	$ 5,123,366
Noncurrent Liabilities:					
Compensated Absences Payable	$ 557,253	$ 570,113	$ 595,899	$ 569,312	$ 587,387
Other Postemployment Benefit Payable	0	0	8,288	17,982	29,007
TIF Revenue Bonds/Notes Payable	0	10,628,000	12,170,192	12,963,000	12,963,000
Alternate Revenue Bonds Payable	14,445,000	13,340,000	12,190,000	11,000,000	9,755,000
Total Noncurent Liabilities	$15,002,253	$ 24,538,113	$ 24,964,379	$ 24,550,294	$ 23,334,394
Total Liabilities	$19,506,161	$ 29,404,963	$ 30,220,930	$ 29,726,506	$ 28,457,760
NET ASSETS:					
Invested in Capital Assets-Net of Related Debt	$26,034,819	$101,767,949	$ 97,942,912	$ 95,356,202	$ 91,757,779
Restricted - Special Revenues	3,574,522	3,192,383	2,360,738	2,076,789	0
Restricted - Public Safety	0	0	0	0	346,725
Restricted - Metra Parking	0	0	0	0	77,839
Restricted - Street and Roads	0	0	0	0	1,975,937
Restricted - Capital	1,269,220	1,269,220	968,417	948,828	948,828
Unrestricted	20,749,058	23,237,045	21,924,140	19,072,498	20,422,612
Total Net Assets	$51,627,619	$129,466,597	$123,196,207	$117,454,317	$115,529,720

Statement of Activities
Governmental Activities

	Audited Year Ended April 30				
	2007	2008	2009	2010	2011
PRIMARY GOVERNMENT:(1)					
Governmental Activities:					
General Government	$ (1,503,362)	$ (1,975,418)	$ (5,067,437)	$ (3,521,836)	$ (2,983,363)
Public Safety	(7,690,054)	(8,184,535)	(8,237,823)	(8,498,930)	(8,363,734)
Streets and Roads	(2,847,946)	(9,867,617)	(7,968,889)	(6,623,544)	(5,510,836)
Economic Development	(778,073)	(7,146,756)	(2,573,388)	(1,147,173)	(326,276)
Culture and Recreation	(69,250)	(110,567)	(98,627)	(74,548)	(76,242)
Interest on Long-Term Debt	(553,919)	(1,296,357)	(1,407,974)	(1,361,865)	(1,464,042)
Total Governmental Activities	$(13,442,604)	$(28,581,250)	$(25,354,138)	$(21,227,896)	$(18,724,493)
GENERAL REVENUES:					
Taxes:					
Sales Tax	$ 10,067,439	$ 10,364,210	$ 9,836,554	$ 9,153,021	$ 9,508,242
Utility Tax	1,437,886	1,475,406	1,416,128	1,351,570	1,446,045
State Income Tax	2,014,206	2,200,234	935,625	1,801,143	1,807,219
Other Taxes	421,834	443,527	453,988	412,477	456,616
Hotel/Motel Tax	364,879	359,784	298,914	248,826	270,764
911 Surcharge Tax	328,771	331,258	361,267	311,658	293,660
Road and Bridge Tax	156,811	175,219	188,350	193,805	202,379
Telecommunications Tax	1,539,095	1,569,859	1,586,588	1,454,587	1,269,772
Tax Increment Tax	68,684	81,149	17,053	0	232,544
Interest Income	1,314,040	1,909,544	2,056,595	225,103	249,076
Miscellaneous	271,609	179,250	158,384	143,437	1,143,974
Total General Revenues	$ 17,985,254	$ 19,089,440	$ 17,309,446	$ 15,295,627	$ 16,880,291
Change in Net Assets	$ 4,542,650	$ (9,491,810)	$ (8,044,692)	$ (5,932,269)	$ (1,844,202)
Net Assets, Beginning	47,084,969	138,958,407(2)	131,240,899(2)	123,386,586(2)	117,373,922(2)
Net Assets, Ending	$ 51,627,619	$129,466,597	$123,196,207	$117,454,317	$115,529,720

Notes: (1) Expenses less program revenues, operating grants/contributions and capital grants/contributions.
(2) As restated.

General Fund
Balance Sheet

	Audited as of April 30				
	2007	2008	2009	2010	2011
ASSETS:					
Investments	$17,361,030	$19,037,155	$19,113,849	$16,736,079	$19,456,799
Receivables, Net:					
Taxes	3,800,616	4,012,031	1,250,802	1,460,442	3,870,211
Accounts	0	50,646	2,388,101	2,510,137	41,018
Accrued Interest	136,538	183,659	151,391	143,997	84,547
Other Accounts	67,237	65,031	47,878	1,312	1,486
Intergovernmental Revenues	99,363	882,337	848,125	17,696	6,420
Due from Other Funds	1,476,960	843,983	939,561	1,738,899	1,699,147
Prepaids	355,118	411,572	382,713	378,084	406,474
Long-Term Notes Receivable	1,169,134	1,151,625	1,008,255	907,834	0
Total Assets	$24,465,996	$26,638,039	$26,130,675	$23,894,480	$25,566,102
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts Payable	$ 496,787	$ 376,835	$ 467,688	$ 170,198	$ 161,316
Accrued Payroll	406,502	452,865	535,505	692,343	155,429
Deposits Payable	1,344,226	1,183,072	942,130	962,402	940,420
Due to Other Funds	1,269,220	1,269,220	1,020,996	948,828	948,828
Unearned Revenues/Deferred Revenues	1,013,607	1,200,525	1,288,794	1,220,047	1,124,172
Total Liabilities	$ 4,530,342	$ 4,482,517	$ 4,255,113	$ 3,993,818	$ 3,330,165
Fund Balance:					
Reserved - Prepaid Items	$ 355,118	$ 411,572	$ 382,713	$ 378,084	$ 406,474
Reserved - Special Revenue	438,164	49,604	89,612	189,316	424,564
Reserved - Long-Term Receivables	1,169,134	1,151,625	1,008,255	907,834	0
Reserved - Designated-Commitments	3,349	147,265	214,359	80,917	86,484
Unreserved - Undesignated	17,969,889	20,395,456	20,180,623	18,344,511	21,318,415
Total Fund Balances	$19,935,654	$22,155,522	$21,875,562	$19,900,662	$22,235,937
Total Liabilities and Fund Equity	$24,465,996	$26,638,039	$26,130,675	$23,894,480	$25,566,102

General Fund
Revenues and Expenditures

	Audited for the Fiscal Year Ended April 30				
	2007	2008	2009	2010	2011
REVENUES:					
Sales Taxes	$11,271,752	$11,636,739	$ 9,648,479	$ 9,153,972	$ 9,447,706
Sales Tax Rebate Payment	(1,203,951)	(1,289,866)	0	0	0
Utility Taxes	1,437,886	1,475,406	1,416,128	1,351,570	1,446,045
Telecommunication Tax	1,539,095	1,569,859	1,586,588	1,454,587	1,269,772
Road and Bridge Tax	156,811	175,219	188,350	193,805	202,379
Grants/Intergovernmental	166,831	355,120	270,405	8,065	627,222
State Income Tax	2,014,206	2,200,234	2,056,595	1,801,143	1,807,219
911 Surcharge	328,771	331,258	361,267	311,658	293,660
Hotel/Motel Taxes	364,879	359,784	298,914	248,826	270,764
Other Taxes	421,834	443,527	453,988	412,477	456,616
Tax Increment Financing	0	0	0	0	0
Licenses and Permits and Fees	1,269,310	2,123,822	1,227,281	1,012,321	1,260,751
Charges for Services	2,282,916	1,025,668	1,073,228	998,238	1,088,868
Fines and Forfeitures	516,298	457,078	407,813	278,121	255,714
Interest	1,170,394	1,650,651	821,786	211,149	222,397
Other Revenue	139,109	179,250	158,384	143,437	1,143,974
Total Revenues	$21,876,141	$22,693,749	$19,969,206	$17,579,369	$19,793,087
EXPENDITURES:					
Current:					
General Government	$ 4,178,902	$ 4,278,264	$ 4,575,960	$ 4,616,386	$ 3,218,639
Public Safety	8,572,206	8,779,490	8,643,644	8,490,969	8,281,006
Streets and Roads	3,363,612	3,970,067	3,919,579	3,642,276	3,398,160
Culture and Recreation	273,675	301,480	308,954	245,328	260,935
Capital Outlay	5,008,922	1,523,348	1,032,075	933,539	650,272
Debt Service:					
Principal	850,000	1,035,000	1,105,000	1,150,000	1,190,000
Interest and Fiscal Charges	428,556	578,117	516,403	475,771	435,546
Total Expenditures	$22,675,873	$20,465,766	$20,101,615	$19,554,269	$17,434,558
Excess of Revenues Over (Under) Expenditures	$ (799,732)	$ 2,227,983	$ (132,409)	$(1,974,900)	$ 2,358,529
Other Financing Sources (Uses):					
Transfers In	763,321	0	0	0	0
Transfers Out	(6,869)	(8,115)	(147,551)	0	$ (23,254)
Total from Other Sources	$ 756,452	$ (8,115)	$ (147,551)	$ 0	$ (23,254)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	$ (43,280)	$ 2,219,868	$ (279,960)	$(1,974,900)	$ 2,335,275
Beginning Fund Balance	19,978,934	19,935,654	22,155,522	21,875,562	19,900,662
Ending Fund Balance	$19,935,654	$22,155,522	$21,875,562	$19,900,662	$22,235,937

General Fund
Budget and Estimated Financial Information

	Budget Fiscal Year 2012	Estimated Eight Months Ended 12/31/11
REVENUES:		
Sales Tax	$10,018,000	$ 6,405,808
Electric Utility Tax	1,444,300	941,457
Simplified Telecommunications Tax	1,300,000	885,294
Amusement Tax	102,000	67,305
State Income, Use & Replacement Tax	2,320,674	1,399,880
Road and Bridge tax	195,000	202,311
Hotel Motel Tax	320,000	205,856
Intergovernmental-Grants	5,000	116,706
License, Permits & Fees	843,350	407,347
Charges for Service	1,413,988	1,004,789
Fines and Forfeitures	271,518	162,482
Investment Income	407,000	208,840
Miscellaneous	131,062	53,984
Total Revenues	$18,771,892	$12,062,059
EXPENDITURES:		
General Government	$ 3,294,521	$ 2,191,530
Public Safety	9,166,958	5,787,665
Streets and Roads	4,391,690	2,271,160
Culture and Recreation	257,266	244,518
Capital Outlay	224,000	168,961
Debt Service:		
Principal	1,245,000	0
Interest and Fiscal Charges	392,296	195,396
Total Expenditures	$18,971,731	$10,859,230
Excess of Revenues Over (Under) Expenditures	$ (199,839)	$ 1,202,829
Other Financing Sources:		
Transfers Out	$ 78,300	$ 77,216
Excess of Revenues and Other Sources Over (Under) Revenues	(278,139)	1,125,613
Beginning Fund Balance	22,235,937	22,235,938
Ending Fund Balance	$21,957,798	$23,361,551

PENSION AND RETIREMENT OBLIGATIONS

The latest audited pension information is contained in **APPENDIX A** herein.

The police and fire pensions are subject to audit. Currently, the pensions are not fully funded. The state law provides for fully funding over an extended period. The Village annually funds the actuarially required contribution. In the event that contributions and investment revenue are insufficient for the pension obligation, the Village will be required to increase its contribution by increasing revenues or decreasing expenditures on other services.

The Illinois Municipal Retirement Fund (IMRF) is held by the State of Illinois, which sets the annual contribution by the Village. The full annual amount is funded each year.

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

See **APPENDIX A** herein for a discussion of the Village's employee retirement and other postemployment benefits obligations.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The Village shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. The Village will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the Village for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the Village shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the Village of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the 15th day of the month in which an interest payment date occurs on such Bond (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Village or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Village has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Village's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Village with respect to certain material facts within the Village's knowledge and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on pages 4 and 5 hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Village complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Village as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the Village's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

CONTINUING DISCLOSURE

The Village will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. No person, other than the Village, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under **"THE UNDERTAKING."**

The Village has represented that it has not failed to comply in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the Village to comply with the Undertaking will not constitute a default under the Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See **"THE UNDERTAKING - Consequences of Failure of the Village to Provide Information."** The Village must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Village and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the Village.

Annual Financial Information Disclosure

The Village covenants that it will disseminate its Annual Financial Information [and its Audited Financial Statements, if any] (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information within 210 days after the last day of the Village's fiscal year (currently April 30). If Audited Financial Statements are not available when the Annual Financial Information is filed, the Village will file unaudited financial statements. The Village will submit Audited Financial Statements to the MSRB's Electronic Municipal Market Access ("EMMA") system within 30 days after availability to the Village. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

"Annual Financial Information" means:

1. The table under the heading of "**Retailers' Occupation, Service Occupation and Use Tax"** within this Official Statement;
2. All of the tables under the heading "**PROPERTY ASSESSMENT AND TAX INFORMATION"** within this Official Statement;
3. All of the tables under the heading "**DEBT INFORMATION"** within this Official Statement; and
4. All of the tables under the heading "**FINANCIAL INFORMATION"** within this Official Statement.

"Audited Financial Statements" means financial statements of the Village as audited annually by independent certified public accountants. Audited Financial Statements are expected to continue to be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

Reportable Events Disclosure

The Village covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The "Events" are:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Village*
13. The consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the Village to Provide Information

The Village shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the Village to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Village to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the Village to comply with the Undertaking shall be an action to compel performance.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Village in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Village, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Village.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Village by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Village, or type of business conducted; or

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Village (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the Village shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

Termination of Undertaking

The Undertaking shall be terminated if the Village shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The Village shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Village from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information [or Audited Financial Statements] or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the Village chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the Village shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The Village may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

OPTIONAL REDEMPTION

The 2012A Bonds

The 2012A Bonds due December 30, 2012-2019, inclusive, are non-callable. The 2012A Bonds due December 30, 2020-2026, inclusive, are callable in whole or in part on any date on or after December 30, 2019, at a price of par and accrued interest. If less than all the 2012A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

The 2012A Bond Registrar will give notice of redemption, identifying the 2012A Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each 2012A Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the 2012A Bond Registrar. Unless moneys sufficient to pay the redemption price of the 2012A Bonds to be redeemed are received by the 2012A Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Village, state that said redemption will be conditional upon the receipt of such moneys by the 2012A Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the Village will not redeem such 2012A Bonds, and the 2012A Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such 2012A Bonds will not be redeemed. Otherwise, prior to any redemption date, the Village will deposit with the 2012A Bond Registrar an amount of money sufficient to pay the redemption price of all the 2012A Bonds or portions of 2012A Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the 2012A Bond Ordinance, the 2012A Bonds or portions of 2012A Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Village shall default in the payment of the redemption price) such 2012A Bonds or portions of 2012A Bonds shall cease to bear interest. Upon surrender of such 2012A Bonds for redemption in accordance with said notice, such 2012A Bonds will be paid by the 2012A Bond Registrar at the redemption price.

The 2012B Bonds

The 2012B Bonds due March 30, 2013-2019, inclusive, are non-callable. The 2012B Bonds due December 30, 2020-2026, inclusive, are callable in whole or in part on any date on or after March 30, 2019, at a price of par and accrued interest. If less than all the 2012B Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

The 2012B Bond Registrar will give notice of redemption, identifying the 2012B Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each 2012B Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the 2012B Bond Registrar. Unless moneys sufficient to pay the redemption price of the 2012B Bonds to be redeemed are received by the 2012B Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Village, state that said redemption will be conditional upon the receipt of such moneys by the 2012B Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the Village will not redeem such 2012B Bonds, and the 2012B Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such 2012B Bonds will not be redeemed. Otherwise, prior to any redemption date, the Village will deposit with the 2012B Bond Registrar an amount of money sufficient to pay the redemption price of all the 2012B Bonds or portions of 2012B Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the 2012B Bond Ordinance, the 2012B Bonds or portions of 2012B Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Village shall default in the payment of the redemption price) such 2012B Bonds or portions of 2012B Bonds shall cease to bear interest. Upon surrender of such 2012B Bonds for redemption in accordance with said notice, such 2012B Bonds will be paid by the 2012B Bond Registrar at the redemption price.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Village taken with respect to the issuance or sale thereof.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel"), who has been retained by, and acts as, Bond Counsel to the Village. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Village, reviewed only those portions of this Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of interest on the Bonds and the "bank-qualified" status of the Bonds, if any. This review was undertaken solely at the request and for the benefit of the Village and did not include any obligation to establish or confirm factual matters set forth herein.

OFFICIAL STATEMENT AUTHORIZATION

This Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the Village, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

The Village's credit rating for the Bonds is "Aaa" from Moody's Investors Service. The Village has supplied certain information and material concerning the Bonds and the Village to the rating service shown on the cover page, including certain information and materials which may not have been included in this Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658.

DEFEASANCE

The Bonds are subject to legal defeasance by the irrevocable deposit of full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America (collectively, the "Government Obligations") with a bank or trust company acting as escrow agent. Any such deposit must be of sufficient amount that the receipts from the Government Obligations plus any cash on deposit will be sufficient to pay debt service on the Bonds when due or as called for redemption.

UNDERWRITING

The 2012A Bonds

The 2012A Bonds were offered for sale by the Village at a public, competitive sale on February 7, 2012. The best bid submitted at the sale was submitted by ____________________ (the " 2012A Underwriter"). The Village awarded the contract for sale of the 2012A Bonds to the 2012A Underwriter at a price of $___________. The 2012A Underwriter has represented to the Village that the 2012A Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the addendum to this Official Statement.

The 2012B Bonds

The 2012B Bonds were offered for sale by the Village at a public, competitive sale on February 7, 2012. The best bid submitted at the sale was submitted by ____________________ (the " 2012B Underwriter"). The Village awarded the contract for sale of the 2012B Bonds to the 2012B Underwriter at a price of $___________. The 2012B Underwriter has represented to the Village that the 2012B Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the addendum to this Official Statement.

FINANCIAL ADVISOR

The Village has engaged Speer Financial, Inc. as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. The Financial Advisor is a Registered Financial Advisor in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Financial Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Financial Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, nor is the Financial Advisor obligated by the Village's continuing disclosure undertaking.

CERTIFICATION

We have examined this Official Statement dated January 27, 2012, for the $8,040,000* General Obligation Bonds, Series 2012A, and the $1,645,000* General Obligation Bonds, Series 2012B, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **LAURENCE M. NAKRIN**
Village Treasurer
Village of Vernon Hills
Lake County, Illinois

/s/ **ROGER BYRNE**
President
Village of Vernon Hills
Lake County, Illinois

**Subject to change.*

APPENDIX A

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2011 AUDITED FINANCIAL STATEMENTS

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets
April 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	$ 23,000,311	-	23,000,311
Receivables - Net of Allowances			
Taxes	3,918,410	-	3,918,410
Accounts	419,028	8,062	427,090
Accrued Interest	89,066	-	89,066
Prepaids/Inventory	406,474	25,321	431,795
Internal Balances	246,623	(246,623)	-
Due from Other Governments	6,420	-	6,420
Total Current Assets	28,086,332	(213,240)	27,873,092
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	4,568,623	302,282	4,870,905
Depreciable Capital Assets	161,204,446	2,127,467	163,331,913
	165,773,069	2,429,749	168,202,818
Accumulated Depreciation	(50,052,290)	(1,643,204)	(51,695,494)
	115,720,779	786,545	116,507,324
Other Assets			
Long-Term Notes Receivable	-	-	-
Net Pension Asset	180,369	-	180,369
	180,369	-	180,369
Total Noncurrent Assets	115,901,148	786,545	116,687,693
Total Assets	143,987,480	573,305	144,560,785

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	232,373	11,416	243,789
Accrued Payroll	155,429	3,717	159,146
Accrued Interest Payable	1,626,371	-	1,626,371
Deposits Payable	940,420	-	940,420
Unearned/Deferred Revenue	776,926	5,714	782,640
Compensated Absences Payable	146,847	-	146,847
Current Portion of Long-Term Debt	1,245,000	-	1,245,000
Total Current Liabilities	5,123,366	20,847	5,144,213
Noncurrent Liabilities			
Compensated Absences Payable	587,387	-	587,387
Other Postemployment Benefit Payable	29,007	-	29,007
TIF Revenue Bonds/Notes Payable	12,963,000	-	12,963,000
Alternate Revenue Bonds Payable	9,755,000	-	9,755,000
Total Noncurrent Liabilities	23,334,394	-	23,334,394
Total Liabilities	28,457,760	20,847	28,478,607
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	91,757,779	786,545	92,544,324
Restricted - Public Safety	346,725	-	346,725
Restricted - Metra Parking	77,839	-	77,839
Restricted - Streets and Roads	1,975,937	-	1,975,937
Restricted - Capital	948,828	-	948,828
Unrestricted	20,422,612	(234,087)	20,188,525
Total Net Assets	115,529,720	552,458	116,082,178

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Activities
Year Ended April 30, 2011

		Program Revenues			Net Expense/Revenue		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 5,148,289	2,164,926	-	-	(2,983,363)	-	(2,983,363)
Public Safety	8,619,448	255,714	-	-	(8,363,734)	-	(8,363,734)
Streets and Roads	6,850,515	-	712,457	627,222	(5,510,836)	-	(5,510,836)
Economic Development	326,276	-	-	-	(326,276)	-	(326,276)
Culture and Recreation	260,935	184,693	-	-	(76,242)	-	(76,242)
Interest on Long-Term Debt	1,464,042	-	-	-	(1,464,042)	-	(1,464,042)
Total Governmental Activities	22,669,505	2,605,333	712,457	627,222	(18,724,493)	-	(18,724,493)
Business-Type Activities							
Golf Course	495,572	452,503	-	-	-	(43,069)	(43,069)
Total Primary Government	23,165,077	3,057,836	712,457	627,222	(18,724,493)	(43,069)	(18,767,562)
General Revenues							
Taxes							
Sales Tax					9,508,242	-	9,508,242
Utility Tax					1,446,045	-	1,446,045
Hotel/Motel Tax					270,764	-	270,764
911 Surcharge Tax					293,660	-	293,660
Road and Bridge Tax					202,379	-	202,379
Telecommunication Tax					1,269,772	-	1,269,772
Tax Increment Tax					232,544	-	232,544
Other Taxes					456,616	-	456,616
Intergovernmental - Unrestricted							
State Income Tax					1,807,219	-	1,807,219
Interest Income					249,076	62	249,138
Miscellaneous					1,143,974	-	1,143,974
					16,880,291	62	16,880,353
Change in Net Assets					(1,844,202)	(43,007)	(1,887,209)
Net Assets - Beginning as Restated					117,373,922	595,465	117,969,387
Net Assets - Ending					115,529,720	552,458	116,082,178

VILLAGE OF VERNON HILLS, ILLINOIS

Balance Sheet - Governmental Funds
April 30, 2011

	General	Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
ASSETS					
Cash and Investments	$ 19,456,799	1,996,327	763,442	-	22,216,568
Receivables - Net of Allowances					
Taxes	3,870,211	48,199	-	-	3,918,410
Accounts	41,018	-	-	-	41,018
Accrued Interest	84,547	2,468	2,051	-	89,066
Other	1,486	-	-	-	1,486
Prepaids	406,474	-	-	-	406,474
Due from Other Governments	6,420	-	-	-	6,420
Due from Other Funds	1,699,147	-	-	948,828	2,647,975
Total Assets	25,566,102	2,046,994	765,493	948,828	29,327,417
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	161,316	71,057	-	-	232,373
Accrued Payroll	155,429	-	-	-	155,429
Interest Payable	-	-	1,447,615	-	1,447,615
Deposits Payable	940,420	-	-	-	940,420
Due to Other Funds	948,828	-	2,176,000	-	3,124,828
Unearned/Deferred Revenue	1,124,172	-	-	-	1,124,172
Total Liabilities	3,330,165	71,057	3,623,615	-	7,024,837
Fund Balances					
Reserved - Prepaids	406,474	-	-	-	406,474
Reserved - Special Revenues	424,564	1,975,937	-	-	2,400,501
Reserved - Capital	-	-	-	948,828	948,828
Unreserved - Designated - Commitments	86,484	-	-	-	86,484
Unreserved - Undesignated	21,318,415	-	(2,858,122)	-	18,460,293
Total Fund Balances	22,235,937	1,975,937	(2,858,122)	948,828	22,302,580
Total Liabilities and Fund Balances	25,566,102	2,046,994	765,493	948,828	29,327,417

VILLAGE OF VERNON HILLS, ILLINOIS

Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities

April 30, 2011

Total Governmental Fund Balances	$ 22,302,580
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	115,085,744
A net pension asset is not considered to represent a financial resource and therefore, is not reported in the funds.	180,369
Internal service funds are used by the Village to charge the costs of vehicle and equipment management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	2,518,778
Revenues not available to pay for current period expenditures are deferred in the funds.	347,246
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Revenue Bonds/Notes Payable	(12,963,000)
Alternate Revenue Source Bonds Payable	(11,000,000)
Compensated Absences Payable	(734,234)
Other Post-Employment Benefit Obligation Payable	(29,007)
Accrued Interest Payable	(178,756)
Net Assets of Governmental Activities	115,529,720

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2011

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2011

	General	Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
Revenues					
Taxes	$ 15,194,161	-	232,544	-	15,426,705
Intergovernmental	627,222	712,457	-	-	1,339,679
Licenses and Permits	1,260,751	-	-	-	1,260,751
Charges for Services	1,088,868	-	-	-	1,088,868
Fines and Forfeits	255,714	-	-	-	255,714
Interest	222,397	24,421	2,258	-	249,076
Miscellaneous	1,143,974	-	-	-	1,143,974
Total Revenues	19,793,087	736,878	234,802	-	20,764,767
Expenditures					
Current					
General Government	3,218,639	-	-	-	3,218,639
Public Safety	8,281,006	-	-	-	8,281,006
Streets and Roads	3,398,160	648,414	-	-	4,046,574
Economic Development	-	-	306	-	306
Culture and Recreation	260,935	-	-	-	260,935
Capital Outlay	650,272	-	-	-	650,272
Debt Service					
Principal Retirement	1,190,000	-	-	-	1,190,000
Interest and Fiscal Charges	435,546	-	1,035,484	-	1,471,030
Total Expenditures	17,434,558	648,414	1,035,790	-	19,118,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,358,529	88,464	(800,988)	-	1,646,005
Other Financing Sources (Uses)					
Transfers In	-	-	23,254	-	23,254
Transfers Out	(23,254)	-	-	-	(23,254)
	(23,254)	-	23,254	-	-
Net Change in Fund Balances	2,335,275	88,464	(777,734)	-	1,646,005
Fund Balances - Beginning	19,900,662	1,887,473	(2,080,388)	948,828	20,656,575
Fund Balances - Ending	22,235,937	1,975,937	(2,858,122)	948,828	22,302,580

VILLAGE OF VERNON HILLS, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended April 30, 2011

Net Change in Fund Balances - Total Governmental Funds		$ 1,646,005
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	324,302	
Depreciation Expense	(3,767,493)	
Disposals - Net of Accumulated Depreciation	(1,120,000)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	60,536	
An increase in a net pension asset is not considered to be a decrease in a financial asset in the governmental funds.	861	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.		
Retirement of Alternate Revenue Source Bonds	1,190,000	
Additions to Compensated Absences Payable	(22,594)	
Additions to Other Post-Employment Benefit Obligation Payable	(11,025)	
Changes to accrued interest on long-term debt in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	6,988	
Internal service funds are used by the Village to charge the costs of liability insurance and vehicle and equipment management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(151,782)	
Changes in Net Assets of Governmental Activities		(1,844,202)

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets - Proprietary Funds
April 30, 2011

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
ASSETS		
Current Assets		
Cash and Investments	$ -	783,743
Receivables - Accounts	8,062	-
Inventory	25,321	-
Due from Other Funds	-	1,100,000
Total Current Assets	33,383	1,883,743
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,127,467	1,746,370
	2,429,749	1,746,370
Accumulated Depreciation	(1,643,204)	(1,111,335)
Total Noncurrent Assets	786,545	635,035
Total Assets	819,928	2,518,778
LIABILITIES		
Current Liabilities		
Accounts Payable	11,416	-
Accrued Payroll	3,717	-
Due to Other Funds	246,623	-
Unearned/Deferred Revenue	5,714	-
Total Current Liabilities	267,470	-
NET ASSETS		
Invested in Capital Assets	786,545	635,035
Unrestricted	(234,087)	1,883,743
Total Net Assets	552,458	2,518,778

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
Year Ended April 30, 2011

	Business-Type Activities - Enterprise: Golf Course	Governmental Activities: Internal Service: Equipment Replacement
Operating Revenues		
Charges for Services	$ 452,503	-
Operating Expenses		
Operations	436,303	-
Depreciation	59,017	151,782
Total Operating Expenses	495,320	151,782
Operating Income (Loss)	(42,817)	(151,782)
Nonoperating Revenues (Expenses)		
Interest Income	62	-
Interest Expense	(252)	-
	(190)	-
Change in Net Assets	(43,007)	(151,782)
Net Assets - Beginning as Restated	595,465	2,670,560
Net Assets - Ending	552,458	2,518,778

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Cash Flows - Proprietary Funds
Year Ended April 30, 2011

	Business-Type Activities - Enterprise: Golf Course	Governmental Activities: Internal Service: Equipment Replacement
Cash Flows from Operating Activities		
Receipts from Customers and Users	$ 442,987	-
Payments to Suppliers and Employees	(432,736)	-
	10,251	-
Cash Flows from Noncapital Financing Activities		
Change in Interfund Balances	65,656	-
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(60,487)	
Interest on Capital Debt	(252)	-
Principal on Capital Debt	(15,230)	-
	(75,969)	-
Cash Flows from Investing Activities		
Interest Received	62	-
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - Beginning	-	783,743
Cash and Cash Equivalents - Ending	-	783,743
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(42,817)	(151,782)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	59,017	151,782
(Increase) Decrease in Current Assets	(9,516)	-
Increase (Decrease) in Current Liabilities	3,567	-
	53,068	151,782
Net Cash Provided by Operating Activities	10,251	-

VILLAGE OF VERNON HILLS, ILLINOIS

Trust and Agency Funds

Statement of Fiduciary Net Assets - Fiduciary Funds
April 30, 2011

	Pension Trust Police Pension	Agency Development
ASSETS		
Cash and Cash Equivalents	$ 1,503,012	22,305
Investments		
U.S. Government and Agency Securities	11,457,375	-
Municipal Bonds	2,152,838	-
Common Stocks	4,967,585	-
Mutual Funds	8,382,767	-
Receivables - Net of Allowances		
Accrued Interest	61,749	-
Total Assets	28,525,326	22,305
LIABILITIES		
Liabilities		
Due to Village	376,524	-
Account Payable	4,487	
Deposits Payable	-	22,305
Total Liabilities	381,011	22,305
NET ASSETS		
Held in Trust for Pension Benefits	28,144,315	-

VILLAGE OF VERNON HILLS, ILLINOIS

Pension Trust Fund - Police Pension

Statement of Changes in Net Plan Assets
Year Ended April 30, 2011

Additions		
Contributions - Employer		$ 1,173,015
Contributions - Plan Members		469,301
Total Contributions		1,642,316
Investment Income		
Interest Earned		178,828
Net Change in Fair Value		2,820,268
		2,999,096
Less Investment Expenses		(26,512)
Net Investment Income		2,972,584
Total Additions		4,614,900
Deductions		
Administration		22,442
Benefits and Refunds		919,302
Total Deductions		941,744
Change in Net Assets		3,673,156
Net Assets - Beginning		24,471,159
Net Assets - Ending		28,144,315

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Vernon Hills Illinois, incorporated in 1958, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include police safety, streets and road maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, golf services and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Vernon Hills
Blended Component Unit:	Police Pension Employees Retirement System

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14," and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 39, there are no component units included in the reporting entity.

Blended Component Units – Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Board or the Component unit provides services entirely to the Village. These component units' funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

Blended Component Unit

Police Pension Employees Retirement System

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Blended Component Unit – Continued

Police Pension Employees Retirement System – Continued

The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a pension trust fund.

BASIS OF PRESENTATION

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government–wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police, streets and road maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The Village's golf course services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, streets and roads, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) changes to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc).

The Village allocates indirect costs to the proprietary funds for personnel who perform administrative services for those funds, along with other indirect costs deemed necessary for their operations, but are paid through the General Fund

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

> Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
>
> Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains two major special revenue funds, the Motor Fuel Tax Fund and the Tax Increment Fund. The Motor Fuel Tax Fund is used to account for the maintenance and construction of streets and roads as approved by the Department of Transportation. Financing is provided by the Village's share of State motor fuel tax funds. The Tax Increment Fund is used to account for the financing of improvements in the Village's Tax Increment Financing Redevelopment Project Area. Financing is being provided by incremental revenues from real property taxes.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Village maintains one major capital projects funds, the VHAC Site Development Fund. The VHAC Site Development Fund is used to account for the costs to improve a VHAC site located in the center of the Village.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Village:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Village maintains one major enterprise fund, the Golf Fund, which is used to account for the transactions of the municipal golf course.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Village on a cost-reimbursement basis. The Village maintains one internal service fund, the Equipment Replacement Fund, which accounts for the accumulation of funds to replace large equipment. Departments are charged for the use of the equipment.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to be used for disability and retirement annuity payments to employees covered by the plan.

Agency funds are used to account for assets held by the Village in a purely custodial capacity. The Development Fund accounts for refundable deposits held by the Village to ensure the completion of public improvements by private developers.

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds, are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

Cash and cash equivalents on the Statement of Net Assets are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report utility charges as their major receivables.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Internal service fund services provided and used are not eliminated in the process of consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Prepaids/Inventories

Prepaids/inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids/inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

Capital Assets

Capital assets purchased or acquired with an original cost of $25,000 to $50,000 or more, depending on asset type, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Capital Assets – Continued

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Land Improvements	20 – 30 Years
Buildings and Improvements	45 Years
Equipment/Vehicles	5 – 30 Years
Infrastructure	10 - 50 Years

Compensated Absences

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as "terminal leave" prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

Unearned/Deferred Revenue

Governmental funds report unearned/deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Fund Equity – Continued

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function, department and object, and includes information on the past two years, current year estimates, and requested budgets for the next fiscal year. The proposed budget is presented to the Board of Trustees for review. The Board of Trustees holds public hearings and may add to, subtract form, or change budgeted amounts. The Board of Trustees then adopts a management budget for budgetary control purposes. The Manager is authorized to transfer budgeted amounts between objects or departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year several supplementary appropriations were necessary. The Village adopts annual budgets for the general, special revenue, capital projects, and internal service fund types.

DEFICIT FUND EQUITY

The following funds had deficit fund equity as of April 30, 2011:

Fund	Deficit
Tax Increment	$ 2,858,122

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments". In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Permitted Deposits and Investments – Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds and Illinois Metropolitan Investment Fund.

The deposits and investments of the Pension Funds are held separately from those of other Village funds. Statutes authorize the Pension Funds to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois Bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance companies provided the investment in separate accounts does not exceed ten percent of the pension fund's net assets.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Village's deposits for governmental, business-type, and agency activities totaled $1,093,101 and the bank balances totaled $1,294,071.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments. The Village has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 to 5
U.S. Treasury Notes	$ 4,582,395	3,567,745	1,014,650
U.S. Treasury Bonds	2,906,220	-	2,906,220
Federal National Mortgage Assoc	1,286,695	-	1,286,695
Federal Home Loan Banks	5,863,510	-	5,863,510
Farmers Federal Credit Bureau	501,390	-	501,390
Illinois Funds	6,266,808	6,266,808	-
Illinois Metropolitan Investment Trust	522,497	522,497	-
	21,929,515	10,357,050	11,572,465

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village's investment policy states that the Village's investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements that might be reasonably anticipated. To the extent possible, the Village will attempt to match its investments with an anticipated cash flow. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three years from the date of purchase. In no cash can commercial paper be purchased with a maturity date of more than 125 days from purchase and in no case can certificates of deposit be purchased with a maturity date of more than 370 days from the date of purchase. The Village may invest up to 50% of its budgeted capital reserve in U.S. Treasury securities or U.S. Government Agencies maturing no later than 7 years after the date of purchase; provided that no more than 20% of the Village's portfolio in U.S. Government Agencies maturing more than 3 years from the date of purchase. However, the Village may allocate 20% of the 50% of the budgeted capital reserve to purchase a GNMA with a maturity date of up to 15 ¼ years from its date of purchase. All other U.S. Treasuries and U.S. Agencies purchased must mature within 37 months of the date of purchase.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in security instruments authorized under State Statute, the Village's investment policy further states that safety of principal is the foremost objective of the investment program. At year-end, the Village's investments in U.S. Agency Securities were rated AAA by Standard & Poor's and the Village's investments in the Illinois Funds and the Illinois Metropolitan Investment Fund were rated AAAm by Standard & Poor's.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's investment policy states that collateralization will be required of all certificates of deposit, with the collateralization level at 102% of the market value of principal and accrued interest. Collateral will be limited to direct obligations of the United States of America, agencies of the United States of America and Collateral Mortgage Obligations derived solely from those agencies, and obligations of any governmental agency within the United States with a Moody's rating of Aa or better or a Standard and Poor's rating of AA or better. Collateral will always be held by an independent third party with whom the Village has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Village and retained. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance. For an investment, this is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy requires that all investments be held by an independent third-party custodian. At year-end, the Village's investments in U.S. Government Agencies are all insured or registered with the Village or its agent in the Village's name and the Village's investment in the Illinois Fund and the Illinois Metropolitan Investment Trust are noncategorizable. Additionally, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

Concentration Risk. This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy states that the Village will diversify its investments by security type and institution. There is no limit as to the amount of the Village's portfolio that can be invested in U.S. Treasuries. No more than 60% of the Village's portfolio may be invested in U.S. Government Agencies, and no more than 20% of the Village's portfolio may be invested in the obligations of a single government agency. No more than 10% of the Village's portfolio may be invested in GNMAs. No more than 30% of the Village's portfolio may be invested in certificates of deposit; and no more than 8% of the Village's portfolio may be invested in the certificate of deposit in a single issuer. No more than 10% of the Village's portfolio may be invested in commercial paper; and no more than 3% of the Village's portfolio may be invested in the commercial paper of a single issuer.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Risk – Continued. No more than 20% of the Village's portfolio may be invested in the Illinois Public Treasurer's Investment Pool. No more than 10% of the Village's portfolio may be invested in a money market mutual fund registered under the Investment Company Act of 1940. At year-end, the Village has over 5 percent of the total cash and investment portfolio (other than U.S. Government guaranteed obligations) invested in the Illinois Funds.

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled $1,503,012 and the bank balances totaled $1,502,962.

Investments. The Fund has the following investment fair values and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Note	$ 3,851,836	-	1,299,642	2,491,494	60,700
U.S. Treasury Bond	2,960,177	-	-	-	2,960,177
Federal Home Loan Banks	788,953	-	555,164	135,032	98,757
Federal Home Loan Mortgage Corp	579,156	-	299,815	-	279,341
Government National Mortgage Assoc	32,734	-	-	12,155	20,579
Federal National Mortgage Assoc	3,139,518	-	649,539	702,052	1,787,927
Farmers Federal Credit Bureau	105,003	-	105,003	-	-
Municipal Bonds	2,152,838	175,138	-	312,863	1,664,837
	13,610,215	175,138	2,909,163	3,653,596	6,872,318

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. In accordance with the Fund's investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Credit Risk. The Fund's investment policy helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. At year-end, the Fund's investments in U.S. Government and Agency securities and municipal bonds were all rated AAA rated by Standard & Poor's.

Custodial Credit Risk. The Fund's investment policy does not mitigate custodial credit risk. At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance. Furthermore, the Fund's investment in U.S. Treasury and Agency securities as well as municipal bonds are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration Risk. The Fund's investment policy states that the following asset allocation guidelines are to be followed:

Asset Class	Minimum	Target	Maximum
Common Stocks	95%	98%	100%
Cash and Equivalents		2%	5%

The Fund's investment policy also states that the portfolio should be allocated appropriately between equity and fixed-income portfolios, and other such investment mediums, which the Fund deems appropriate and prudent, and within the constraints of state law. At year-end, the Fund is in compliance with the guidelines outlined above. In addition to the securities and fair values listed above, the Fund also has $4,967,585 invested in common stock and $8,382,767 invested in mutual funds. At year-end the Fund has no investment in any single issuer over 5% of total cash and investments (other than U.S. Government guaranteed obligations).

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances As Restated	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	$ 5,688,623	-	1,120,000	4,568,623
Depreciable Capital Assets				
Land Improvements	13,540,279	50,283	-	13,590,562
Buildings and Improvements	22,639,674	-	-	22,639,674
Equipment/Vehicles	4,525,706	171,726	218,859	4,478,573
Infrastructure	120,393,343	102,294	-	120,495,637
	161,099,002	324,303	218,859	161,204,446
Less Accumulated Depreciation				
Land Improvements	3,846,492	529,048	-	4,375,540
Buildings and Improvements	5,449,947	506,151	-	5,956,098
Equipment/Vehicles	2,510,332	353,329	4,037	2,859,624
Infrastructure	34,354,723	2,506,305	-	36,861,028
	46,161,494	3,894,833	4,037	50,052,290
Total Net Depreciable Capital Assets	114,937,508	(3,570,530)	214,822	111,152,156
Total Net Capital Assets	120,626,131	(3,570,530)	1,334,822	115,720,779

Depreciation expense was charged to governmental activities as follows:

General Government	$ 776,031
Public Safety	339,303
Streets and Roads	2,652,159
Equipment Replacement	127,340
	3,894,833

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	$ 302,282	-	-	302,282
Depreciable Capital Assets				
Land Improvements	736,971	-	-	736,971
Buildings and Improvements	1,019,002	-	-	1,019,002
Equipment/Vehicles	366,190	72,876	67,572	371,494
	2,122,163	72,876	67,572	2,127,467
Less Accumulated Depreciation				
Land Improvements	568,705	26,029	-	594,734
Buildings and Improvements	729,347	30,490	-	759,837
Equipment/Vehicles	341,318	2,498	55,183	288,633
	1,639,370	59,017	55,183	1,643,204
Total Net Depreciable Capital Assets	482,793	13,859	12,389	484,263
Total Net Capital Assets	785,075	13,859	12,389	786,545

Depreciation expense was charged to business-type activities as follows:

Golf	$ 59,017

PROPERTY TAXES

Property taxes for 2010 attach as an enforceable lien on January 1, 2010, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1, 2011, and September 1, 2011. The County collects such taxes and remits them periodically. The Village has not levied taxes for the current or any of the prior ten fiscal years.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Tax Increment	$ 1,076,000
General	Golf Course	246,623
General	Police Pension	376,524
VHAC Site Development	General	948,828
Equipment Replacement	Tax Increment	1,100,000
		3,747,975

Interfund balances are advances in anticipation of receipts.

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Tax Increment	General	$ 23,254

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

Alternate Revenue Bonds

The Village issues alternate revenue bonds to provide funds for the acquisition and construction of major capital facilities. Alternate revenue source bonds provide for the collection, segregation and distribution of certain sales taxes received by the Village for the payment of principal and interest on the alternate revenue source bonds. Alternate revenue source bonds are direct obligations and pledge the full faith and credit of the Village. Alternate revenue source bonds currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$4,595,000 Alternate Revenue Bonds of 2002 - Due in annual installments of $5,000 to $480,000 plus interest at 1.75% to 3.75% through March 30, 2013.	General	$ 1,385,000	-	445,000	940,000
$3,540,000 Alternate Revenue Refunding Bonds of 2004 - Due in annual installments of $35,000 to $390,000 plus interest at 3.00% to 4.00% through March 30, 2018.	General	2,795,000	-	310,000	2,485,000
$3,790,000 Alternate Revenue Refunding Bonds of 2005 - Due in annual installments of $15,000 to $390,000 plus interest at 3.00% to 4.125% through March 30, 2021.	General	3,460,000	-	245,000	3,215,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$2,050,000 Alternate Revenue Bonds of 2006 - Due in annual installments of $45,000 to $160,000 plus interest at 3.750% to 4.050% through March 30, 2026.	General	$ 1,850,000	-	80,000	1,770,000
$2,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of $95,000 to $220,000 plus interest at 4.00% to 4.125% through March 30, 2027.	General	1,700,000	-	110,000	1,590,000
$1,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of $75,000 to $200,000 plus interest at 4.00% to 4.125% through March 30, 2025.	Tax Increment	1,000,000	-	-	1,000,000
		12,190,000	-	1,190,000	11,000,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

TIF Revenue Bonds/Notes

The Village issues bonds where the incremental tax income derived from a separately created tax increment financing district is pledged. These bonds/notes are not an obligation of the government and are secured by the incremental tax revenue generated within the district. Tax increment bonds outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$7,000,000 Senior Lien Tax Increment Revenue Bonds of 2007 - Due in annual installments of $90,000 to $1,375,000 plus interest at 5.50% to 6.25% through December 30, 2026.	Tax Increment	$ 7,000,000	-	-	7,000,000
$3,628,000 Taxable Subordinate Lien Tax Increment Revenue Notes of 2008 - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	3,628,000	-	-	3,628,000
$1,542,192 Taxable Subordinate Lien Tax Increment Revenue Notes of 2008A - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	2,030,000	-	-	2,030,000
$305,000 Taxable Subordinate Lien Tax Increment Revenue Notes of 2010 - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	305,000	-	-	305,000
		12,963,000	-	-	12,963,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	$ 711,640	45,188	22,594	734,234	146,847
Alternate Revenue Bonds	12,190,000	-	1,190,000	11,000,000	1,245,000
TIF Revenue Bonds/Notes	12,963,000	-	-	12,963,000	-
Net Other Post-Employment Benefit Obligation	17,982	11,025	-	29,007	-
	25,882,622	56,213	1,212,594	24,726,241	1,391,847
Business-Type Activities					
Capital Leases Payable	15,230	-	15,230	-	-

For governmental activities, compensated absences are generally liquidated by the General Fund. Payments on the alternate revenue bonds are made by the General Fund and Tax Increment Fund. The Tax Increment Fund makes payments on the TIF revenue bonds/notes. For business-type activities, the Golf Course Fund makes payments on the capital leases.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year Ending April 30	Governmental Activities: Alternate Revenue Bonds Principal	Alternate Revenue Bonds Interest	TIF Revenue Bonds Principal	TIF Revenue Bonds Interest	TIF Revenue Notes Principal	TIF Revenue Notes Interest
2012	$ 1,245,000	430,324	-	428,688	-	-
2013	1,300,000	384,201	-	428,688	5,963,000	* 2,193,920
2014	845,000	335,636	90,000	428,688	-	-
2015	870,000	303,604	195,000	423,738	-	-
2016	915,000	270,265	260,000	413,013	-	-
2017	950,000	234,703	295,000	398,713	-	-
2018	995,000	196,833	335,000	382,488	-	-
2019	625,000	157,171	375,000	364,063	-	-
2020	655,000	131,959	420,000	340,625	-	-
2021	685,000	105,448	465,000	314,375	-	-
2022	310,000	77,685	520,000	285,313	-	-
2023	325,000	65,333	575,000	252,813	-	-
2024	340,000	52,240	635,000	216,875	-	-
2025	350,000	38,543	695,000	177,168	-	-
2026	370,000	24,218	765,000	133,750	-	-
2027	220,000	9,074	1,375,000	85,951	-	-
	11,000,000	2,817,237	7,000,000	5,074,949	5,963,000	2,193,920

*The TIF Revenue Notes are due each in lump sums plus interest at 8.00% prior to August 1, 2012 of $3,628,000, $2,030,000 and $305,000 respectively.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides "…no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the 1, 1979."

Assessed Valuation - 2010	$ 1,245,751,097
Legal Debt Limit - 8.625% of Assessed Value	107,446,032
Amount of Debt Applicable to Limit Alternate Revenue Bonds	11,000,000
Legal Debt Margin	96,446,032

Defeased Debt

In prior years the government defeased bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Since the requirements which normally satisfy defeasance, have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's basic financial statements. Defeased bonds outstanding as of date of this report are as follows:

Fiscal Year Ended April 30	2000 Alternate Revenue Bonds	2001 Alternate Revenue Bonds
2012	$ 295,000	245,000
2013	310,000	260,000
2014	325,000	270,000
2015	340,000	285,000
2016	360,000	305,000
2017	380,000	320,000
2018	400,000	340,000
2019	-	355,000
2020	-	375,000
2021	-	395,000
	2,410,000	3,150,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Net Assets Classifications

Investments in capital assets – net of related debt was comprised of the following as of April 30, 2011:

Governmental Activities		
Capital Assets - Net of Accumulated Depreciation		$ 115,720,779
Less Capital Related Debt:		
Alternate Revenue Bonds of 2002	(940,000)	
Alternate Revenue Refunding Bonds of 2004	(2,485,000)	
Alternate Revenue Refunding Bonds of 2005	(3,215,000)	
Alternate Revenue Bonds of 2006	(1,770,000)	
Alternate Revenue Bonds of 2007	(1,590,000)	
Alternate Revenue Bonds of 2007	(1,000,000)	
Senior Lien TIF Revenue Bonds of 2007	(7,000,000)	
Taxable Subordinate Lien TIF Revenue Notes of 2008	(3,628,000)	
Taxable Subordinate Lien TIF Revenue Notes of 2008A	(2,030,000)	
Taxable Subordinate Lien TIF Revenue Notes of 2010	(305,000)	(23,963,000)
Investment in Capital Assets - Net of Related Debt		91,757,779
Business-Type Activities		
Capital Assets - Net of Accumulated Depreciation		786,545

NET ASSETS RESTATEMENT

Beginning net assets of $2,553,631 in the Equipment Replacement Fund were increased $116,929 to reflect an error in recognition of capital assets, resulting in restated beginning net assets of $2,670,560.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Restricted Net Assets

The following is a schedule of net assets that are restricted for special revenues as of the date of this report:

	Beginning Balances	Increases	Decreases	Ending Balances
General Fund				
Drug Forfeiture	$ 27,571	559	269	27,861
Emergency Telephone 911	37,985	323,796	115,744	246,037
DUI Fines	72,537	559	269	72,827
RTA Metra Parking	51,223	92,931	66,315	77,839
	189,316	417,845	182,597	424,564
Motor Fuel Tax Fund				
Motor Fuel Taxes	1,887,473	736,878	648,414	1,975,937

Fund Balance Designated for Commitments – General Fund

The following is a schedule of fund balance designations for commitments as of the date of this report:

	Beginning Balances	Increases	Decreases	Ending Balances
Summer Celebration	$ 91,088	123,358	127,962	86,484

NOTE 4 – OTHER INFORMATION

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 are provided for through a limited self-insurance program and private insurance coverage. The Village has purchased insurance from private insurance companies, covered risks included medical, dental, life and other. Premiums have been displayed as expenditures/expenses in appropriate funds. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Illinois Municipal League Risk Management Association (IMLRMA)

The Village participates in the Illinois Municipal League Risk Management Association (IMLRMA). IMLRMA is an organization of municipalities and special districts in Illinois that have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members. The Illinois Municipal League appoints eight members to the Board of Directors. The Village does not exercise any control over the activities of the Association.

CONTINGENT LIABILITIES

Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; and the Police Pension Plan that is a single-employer pension plan. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org.. The Police Pension plan also issues a separate report that may be obtained by writing the Village at 290 Evergreen Drive, Vernon Hills, IL 60061-2999. The benefit, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police Pension plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of $106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2010 was 11.47 percent.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of $106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

At fiscal year end the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	13
Current Employees	
Vested	38
Nonvested	8
	59

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters – Continued

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

Significant Investments

There are no investments (other than U.S. Government and U.S. Government-guaranteed obligations) in the police pension fund that represent 5 percent or more of net assets available for benefits for the Police Pension Fund. Information for IMRF is not available.

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

Annual Pension Cost and Net Pension Obligation

There was no net pension obligation for the IMRF plan. The pension liability for the Police Pension plan is as follows:

Annual Required Contribution	$ 1,172,743
Interest on the NPO (NPA)	(11,487)
Adjustment to the ARC	10,898
Annual Pension Cost	1,172,154
Actual Contribution	(1,173,015)
Change in NPO (NPA)	(861)
NPO (NPA) Beginning of Year	(179,508)
NPO (NPA) End of Year	(180,369)

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

The annual pension costs for the current year and related information for each plan is as follows:

	IMRF	Police Pension
Contribution Rates		
Employer	11.47%	27.55%
Employee	4.50%	9.91%
Actuarial Valuation Date	12/31/10	4/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	30 Years	23 Years
Asset Valuation Method	5-Year Smoothed Market	Market
Actuarial Assumptions		
Investment Rate of Return	7.50% Compounded Annually	6.50% Compounded Annually
Projected Salary Increases	.4 to 10.0%	5.00%
Inflation Rate Included	4.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

	Year	IMRF	Police Pension
Annual Pension Cost (APC)	2009	$ 496,138	$ 934,823
	2010	486,155	1,037,520
	2011	543,407	1,172,154
Actual Contributions	2009	496,138	998,400
	2010	486,155	1,082,676
	2011	543,407	1,173,015
Percentage of APC Contributed	2009	100.00%	106.80%
	2010	100.00%	104.35%
	2011	100.00%	100.07%
Net Pension Obligation (Asset)	2009	-	(134,352)
	2010	-	(179,508)
	2011	-	(180,369)

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

The Village's funded status for the current year and related information for each plan is as follows:

	IMRF	Police Pension
Actuarial Valuation Date	12/31/10	4/30/2010
Percent Funded	75.63%	72.30%
Accuarial Accrued Liability for Benefits	$12,554,707	$35,953,751
Actuarial Value of Assets	$9,495,173	$24,471,159
Over (Under) Funded Actuarial Accrued Liability (UAAL)	($3,059,534)	($11,482,592)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	$4,737,639	$3,930,392
Ratio of UAAL to Covered Payroll	64.58%	292.15%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

In addition to providing the pension benefits described, the Village provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Village's General Fund.

The Village provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Village's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the Village's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the Village's plan becomes secondary.

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2011, retirees contributed $97,651. Active employees do not contribute to the plan until retirement.

At April 30, 2011, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	13
Active Employees	108
Total	121
Participating Employers	1

The Village does not currently have a funding policy.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2011

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2011, was calculated as follows:

Annual Required Contribution	$ 39,322
Interest on the NPO	1,966
Adjustment to the ARC	(983)
Annual OPEB Cost	40,305
Actual Contribution	(29,280)
Increase in the NPO	11,025
NPO - Beginning of Year	17,982
NPO - End of Year	29,007

Trend Information

The Village's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year Ended April 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	$ 37,568	$ 29,280	77.94%	$ 8,288
2010	37,096	29,280	78.93%	17,982
2011	40,305	29,280	72.65%	29,007

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2009, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	$ 562,121
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	562,121
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll (Active Plan Members)	8,755,817
UAAL as a Percentage of Covered Payroll	6.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts for the OPEB plan are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Examples include assumptions about future employment, mortality, and the healthcare cost contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2009 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of a 3.0% inflation assumption), and an initial annual healthcare cost trend rate of 8.0%, with an ultimate rate of 6.0%. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2011, was 30 years.

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APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL
[LETTERHEAD OF CHAPMAN AND CUTLER LLP]
[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the President and Board of Trustees of the Village of Vernon Hills, Lake County, Illinois (the *"Village"*), passed preliminary to the issue by the Village of its fully registered General Obligation Bonds, Series 2012A (the *"Series 2012A Bonds"*) to the amount of $____________, dated the date hereof, of the denomination of $5,000 or authorized integral multiples thereof, and due serially on December 30 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

Each Series 2012A Bond bears interest from the later of the dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each Series 2012A Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 30 and December 30 of each year, commencing on December 30, 2012.

Those of the Series 2012A Bonds due on or after December 30, 2020, are subject to redemption prior to maturity at the option of the Village, from any available funds, in whole or in part, on any date on or after December 30, 2019, and if in part, in any order of maturity as selected by the Village, and if less than an entire maturity, in integral multiples of $5,000, selected by lot and as applicable to any mandatory redemption requirements as selected by the Village, at a redemption price of par plus accrued interest to the date fixed for redemption.

From such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Series 2012A Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Series 2012A Bond prescribed and find the same in due form of law, and in our opinion the Series 2012A Bonds, to the amount named, are valid and legally binding obligations of the Village, and all taxable property in the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Series 2012A Bonds and the enforceability of the Series 2012A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The Series 2012A Bonds are further secured by (a) a portion of the incremental property taxes derived from the NW & SW Corners of Route 45 & 21 Town Center Redevelopment Project Area of the Village (the *"Redevelopment Project Area"*) if, as and when received, and (b) the amounts on deposit in and pledged to the Subordinate Lien Note Account of the General Account of the special tax allocation fund created in connection with the designation by the Village of the Redevelopment Project Area.

It is our opinion that, subject to the Village's compliance with certain covenants, under present law, interest on the Series 2012A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but we express no opinion as to whether interest on the Series 2012A Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Village covenants could cause interest on the Series 2012A Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012A Bonds. Ownership of the Series 2012A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2012A Bonds.

It is also our opinion that the Series 2012A Bonds are "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2012A Bonds.

In rendering this opinion, we have relied upon certifications of the Village with respect to certain material facts within the Village's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

PROPOSED FORM OF OPINION OF BOND COUNSEL
[LETTERHEAD OF CHAPMAN AND CUTLER LLP]
[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the President and Board of Trustees of the Village of Vernon Hills, Lake County, Illinois (the *"Village"*), passed preliminary to the issue by the Village of its fully registered General Obligation Bonds, Series 2012B (the *"Series 2012B Bonds"*) to the amount of $____________, dated the date hereof, of the denomination of $5,000 or authorized integral multiples thereof, and due serially on March 30 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

Each Series 2012B Bond bears interest from the later of the dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each Series 2012B Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on March 30 and September 30 of each year, commencing on September 30, 2012.

Those of the Series 2012B Bonds due on or after March 20, 2020, are subject to redemption prior to maturity at the option of the Village, from any available funds, in whole or in part, on any date on or after March 30, 2019, and if in part, in any order of maturity as selected by the Village, and if less than an entire maturity, in integral multiples of $5,000, selected by lot and as applicable to any mandatory redemption requirements as selected by the Village, at a redemption price of par plus accrued interest to the date fixed for redemption.

From such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Series 2012B Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Series 2012B Bond prescribed and find the same in due form of law, and in our opinion the Series 2012B Bonds, to the amount named, are valid and legally binding obligations of the Village, and all taxable property in the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Series 2012B Bonds and the enforceability of the Series 2012B Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the Village's compliance with certain covenants, under present law, interest on the Series 2012B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but we express no opinion as to whether interest on the Series 2012B Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Village covenants could cause interest on the Series 2012B Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012B Bonds. Ownership of the Series 2012B Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2012B Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the Series 2012B Bonds and the yield on certain investments by Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois.

It is also our opinion that the Series 2012B Bonds are "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2012B Bonds.

In rendering this opinion, we have relied upon certifications of the Village with respect to certain material facts within the Village's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Village of Vernon Hills
290 Evergreen Drive
Vernon Hills, Illinois 60061

OFFICIAL BID FORM
(OPEN AUCTION INTERNET SALE)
The 2012A Bonds

February 7, 2012
Speer Financial, Inc.

Members of the Village Board:

For the $8,040,000* General Obligation Bonds, Series 2012A of the Village of Vernon Hills, Lake County, Illinois, as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you $______________________ (no less than $7,975,000) for 2012A Bonds bearing interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). **The discount is subject to adjustment allowing the same $__________ gross spread per $1,000 bond as bid herein.**

MATURITIES* – DECEMBER 30

$300,000 ... 2016 ________%	$675,000 ... 2020 ________%	$ 785,000 ... 2023 ________%
500,000 ... 2017 ________%	725,000 ... 2021 ________%	1,000,000 ... 2024 ________%
650,000 ... 2018 ________%	755,000 ... 2022 ________%	1,000,000 ... 2025 ________%
650,000 ... 2019 ________%		1,000,000 ... 2026 ________%

Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

Maturities:______ Term Maturity ______ Maturities:______ Term Maturity______ Maturities:______ Term Maturity______
Maturities:______ Term Maturities______ Maturities:______ Term Maturities______

The 2012A Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Chapman and Cutler, LLP, Chicago, Illinois. The Village will pay for the legal opinion. The underwriter agrees to **apply for CUSIP numbers within 24 hours** and pay the fee charged by the CUSIP Service Bureau and will accept the 2012A Bonds with the CUSIP numbers as entered on the 2012A Bonds.

As evidence of our good faith, we have wire transferred or enclosed herewith a check or Surety Bond payable to the order of the Treasurer of the Village in the amount of **TWO PERCENT OF PAR** (the "Deposit") under the terms provided in your Official Notice of Sale. Attached hereto is a list of members of our account on whose behalf this bid is made.

Form of Deposit
Check One:

Certified/Cashier's Check [ ]
Financial Surety Bond [ ]
Wire Transfer [ ]

Amount: $160,800

Account Manager Information

Name ______________________________

Address ______________________________

By ______________________________

City _______________ State/Zip _____________

Direct Phone (_______)______________________

FAX Number (_______)______________________

E-Mail Address ______________________________

Bidders Option Insurance

We have purchased insurance from:

Name of Insurer
(Please fill in)

____

Premium: _____________

Maturities: (Check One)

[__] _____________**Years**

[__] All

The foregoing bid was accepted and the 2012A Bonds sold by ordinance of the Village on February 7, 2012, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS

____
President

**Subject to change.*

---------------------- NOT PART OF THE BID ----------------------
(Calculation of true interest cost)

	Bid	Post Sale Revision
Gross Interest	$	
Less Premium/Plus Discount	$	
True Interest Cost	$	
True Interest Rate	%	
TOTAL 2012A BOND YEARS	94,044.67 Years	
AVERAGE LIFE	11.697 Years	

OFFICIAL NOTICE OF SALE

$8,040,000*
VILLAGE OF VERNON HILLS
Lake County, Illinois
General Obligation Bonds, Series 2012A

(OPEN SPEER AUCTION)

The Village of Vernon Hills, Lake County, Illinois (the "Village"), will receive electronic bids on the SpeerAuction ("*SpeerAuction")* website address "www.SpeerAuction.com" for its $8,040,000* General Obligation Bonds, Series 2012A (the "2012A Bonds"), on an all or none basis between 9:45 A.M. and 10:00 A.M., C.S.T., February 7, 2012. To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the Village's sale (as described below). Award will be made or all bids rejected at a meeting of the Village on that date. The Village reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the 2012A Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

In the opinion of Chapman and Cutler, LLP, Chicago, Illinois, Bond Counsel, except that the rights of the owners of the 2012A Bonds and the enforceability of the 2012A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at low or in equity, including the exercise of judicial discretion, the 2012A Bonds will constitute valid and legally binding obligations of the Village and are payable (i) from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount and (ii) from (a) a portion of the incremental property taxes (said portion being the *"Subordinated Limited Incremental Property Taxes")* derived from the NW & SW Corners of Route 45 & 21 Town Center Redevelopment Project Area heretofore designated by the Village (the *"Redevelopment Project Area"*) if, as and when received, and (b) the amounts on deposit in and pledged to the Subordinate Lien Note Account of the General Account of the special tax allocation fund created in connection with the designation by the Village of the Redevelopment Project Area.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale of the 2012A Bonds.

(1) All bids must be submitted on the SpeerAuction website at www.SpeerAuction.com. **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the Village shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bid. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.

(2) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.

(3) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by SpeerAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.

(4) The last valid bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.

(5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader", "Cover", "3rd" etc.)

(6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

Rules of SpeerAuction

Bidders must comply with the Rules of SpeerAuction in addition to the requirements of this Official Notice of Sale. To the extent there is a conflict between the Rules of SpeerAuction and this Official Notice of Sale, this Official Notice of Sale shall control.

**Subject to change.*

Rules

(1) A bidder ("Bidder") submitting a winning bid ("Winning Bid") is irrevocably obligated to purchase the 2012A Bonds at the rates and prices of the winning bid, if acceptable to the Village, as set forth in the related Official Notice of Sale. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the Village.
(2) Neither the Village, Speer Financial, Inc., nor Grant Street Group (the "Auction Administrator") is responsible for technical difficulties that result in loss of Bidder's internet connection with SpeerAuction, slowness in transmission of bids, or other technical problems.
(3) If for any reason a Bidder is disconnected from the Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon such Bidder, unless the Village exercises its right to reject bids, as set forth herein.
(4) Bids which generate error messages are not accepted until the error is corrected and bid is received prior to the deadline.
(5) Bidders accept and agree to abide by all terms and conditions specified in the Official Notice of Sale (including amendments, if any) related to the auction.
(6) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in the Official Notice of Sale, amendments, or Preliminary Official Statement as they appear on SpeerAuction.
(7) Only Bidders who request and receive admission to an auction may submit bids. SpeerAuction and the Auction Administrator reserve the right to deny access to SpeerAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.
(8) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible for protecting the confidentiality of a Bidder's SpeerAuction password.
(9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost, the first confirmed bid received by SpeerAuction prevails. Any change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.
(10) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Page they must report them to SpeerAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by SpeerAuction, 2012A Bonds are definitively awarded to the winning bidder only upon official award by the Village. If, for any reason, the Village fails to: (i) award 2012A Bonds to the winner reported by SpeerAuction, or (ii) deliver 2012A Bonds to winning bidder at settlement, neither the Village, Speer Financial, Inc., nor the Auction Administrator will be liable for damages.

The Village reserves the right to reject all proposals, to reject any bid proposal not conforming to this Official Notice of Sale, and to waive any irregularity or informality with respect to any proposal. Additionally, the Village reserves the right to modify or amend this Official Notice of Sale; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the 2012A Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2012A Bonds will be in fully registered form in the denominations of $5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the 2012A Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each 2012A Bond shall be paid by check or draft of the 2012A Bond Registrar to the person in whose name such bond is registered at the close of business on the fifteenth day of the month in which an interest payment date occurs. The principal of the 2012A Bonds shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the 2012A Bond Registrar in Chicago, Illinois. Semiannual interest is due June 30 and December 30 of each year commencing December 30, 2012, and is payable by The Bank of New York Mellon, Chicago, Illinois (the "2012A Bond Registrar"). The 2012A Bonds are dated the date of delivery, expected to be on or about February 28, 2012.

If the winning bidder is not a direct participant of DTC and does not have clearing privileges with DTC, the 2012A Bonds will be issued as Registered Bonds in the name of the purchaser. At the request of such winning bidder, the Village will assist in the timely conversion of the Registered Bonds into book-entry bonds with DTC as described herein.

MATURITIES* – DECEMBER 30

$300,000 ... 2016	$675,000 ... 2020	$ 785,000 ... 2023
500,000 ... 2017	725,000 ... 2021	1,000,000 ... 2024
650,000 ... 2018	755,000 ... 2022	1,000,000 ... 2025
650,000 ... 2019		1,000,000 ... 2026

Consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

**Subject to change.*

The 2012A Bonds due December 30, 2012-2019, inclusive, are non-callable. The 2012A Bonds due December 30, 2020-2026, inclusive, are callable in whole or in part on any date on or after December 30, 2019, at a price of par and accrued interest. If less than all the 2012A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed three percent (3%). All bids must be for all of the 2012A Bonds, must be for not less than $7,975,000.

Award of the 2012A Bonds: The 2012A Bonds will be awarded on the basis of true interest cost, determined in the following manner. **True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the 2012A Bonds from the payment dates thereof to the dated date and to the bid price.** For the purpose of calculating true interest cost, the 2012A Bonds shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage.

The 2012A Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale whose bid produces the lowest true interest cost rate to the Village as determined by the Village's Financial Advisor, which determination shall be conclusive and binding on all bidders; *provided*, that the Village reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The discount, if any, is subject to pro rata adjustment if the maturity amounts of the 2012A Bonds are changed, allowing the same dollar amount of profit per $1,000 bond as submitted on the Official Bid Form. The dollar amount of profit must be written on the Official Bid Form for any adjustment to be allowed, and is subject to verification.

The true interest cost of each bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the Village's Financial Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The Village or its Financial Advisor will notify the bidder to whom the 2012A Bonds will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-32. The winning bidder will be required to pay the standard MSRB charge for 2012A Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

Each bid shall be accompanied by a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company or a Financial Surety Bond for **TWO PERCENT OF PAR** payable to the Treasurer of the Village as evidence of good faith of the bidder (the "Deposit"). The Deposit of the successful bidder will be retained by the Village pending delivery of the 2012A Bonds and all others will be promptly returned. Should the successful bidder fail to take up and pay for the 2012A Bonds when tendered in accordance with this Notice of Sale and said bid, said Deposit shall be retained as full and liquidated damages to the Village caused by failure of the bidder to carry out the offer of purchase. Such Deposit will otherwise be applied on the purchase price upon delivery of the 2012A Bonds. No interest on the Deposit will accrue to the purchaser.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago
Corporate Trust
One West Monroe
Chicago, IL 60603
ABA # 071003405
Credit to: 1853281001 Speer Bidding Escrow
RE: Village of Vernon Hills, Lake County, Illinois
bid for $8,040,000* General Obligation Bonds, Series 2012A

**Subject to change.*

The wire shall arrive in such account no later than 30 minutes prior to the date and time of the sale of the 2012A Bonds. Contemporaneously with such wire transfer, the bidder shall send an email to biddingescrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such bidder is not awarded the 2012A Bonds. The Village and any bidder who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful bidder; (ii) if the bid is accepted, the Deposit shall be forwarded to the Village; (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the bidder; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

If a Financial Surety Bond is used for the Deposit, it must be from an insurance company licensed to issue such a bond in the State of Illinois and such bond must be submitted to Speer prior to the opening of the bids. The Financial Surety 2012A Bond must identify each bidder whose deposit is guaranteed by such Financial Surety Bond. If the 2012A Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the Village in the form of a certified or cashier's check or wire transfer as instructed by Speer, or the Village not later than 3:00 P.M. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Village to satisfy the Deposit requirement.

The Village covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Village for the benefit of the beneficial owners of the 2012A Bonds on or before the date of delivery of the 2012A Bonds as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter. The Village represents that it is in compliance with each and every undertaking previously entered into it pursuant to the Rule.

The Underwriter's obligation to purchase the 2012A Bonds shall be conditioned upon the Village delivering the Undertaking on or before the date of delivery of the 2012A Bonds.

By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the Village in the 2012A Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder consents to and waives any conflict of interest arising from any adverse position to the Village in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

The 2012A Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about February 28, 2012. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the Village except failure of performance by the purchaser, the Village may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the 2012A Bonds will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the 2012A Bonds, and any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the 2012A Bonds, as that term is defined in the Rule. By awarding the 2012A Bonds to any underwriter or underwriting syndicate, the Village agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the 2012A Bonds are awarded, up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Village shall treat the senior managing underwriter of the syndicate to which the 2012A Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the 2012A Bonds agrees thereby that if its bid is accepted by the Village it shall enter into a contractual relationship with all Participating Underwriters of the 2012A Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful bidder agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the 2012A Bonds. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The Village will, at its expense, deliver the 2012A Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the Village will also furnish to the purchaser the following documents, each dated as of the date of delivery of the 2012A Bonds: (1) the unqualified opinion of Chapman and Cutler LLP, Chicago, Illinois, that the 2012A Bonds are lawful and enforceable obligations of the Village in accordance with their terms and are payable from ad valorem taxes levied against all taxable property of the Village, except that the rights of the owners of the 2012A Bonds and the enforceability of the 2012A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; the 2012A Bonds will constitute valid and legally binding obligations of the Village and are payable (i) from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount and (ii) from (a) a portion of the incremental property taxes (said portion being the *"Subordinated Limited Incremental Property Taxes")* derived from the NW & SW Corners of Route 45 & 21 Town Center Redevelopment Project Area heretofore designated by the Village (the *"Redevelopment Project Area"*) if, as and when received, and (b) the amounts on deposit in and pledged to the Subordinate Lien Note Account of the General Account of the special tax allocation fund created in connection with the designation by the Village of the Redevelopment Project Area; (2) the opinion of said attorneys that the interest on the 2012A Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the 2012A Bonds; and (3) a no litigation certificate by the Village .

The Village intends to designate the 2012A Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the 2012A Bonds. Copies of such Official Statement or additional information may be obtained from Mr. Larry M. Nakrin, Village Treasurer, 290 Evergreen Drive, Vernon Hills, Illinois 60061 or an electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Sales Calendar" from the Independent Public Finance Consultants to the Village, Speer Financial, Inc., One North LaSalle Street, Suite 4100, Chicago, Illinois 60602, telephone (312) 346-3700.

/s/ **LAURENCE M. NAKRIN**
Village Treasurer
VILLAGE OF VERNON HILLS
Lake County, Illinois

/s/ **ROGER BYRNE**
President
VILLAGE OF VERNON HILLS
Lake County, Illinois

OFFICIAL BID FORM
(OPEN AUCTION INTERNET SALE)
The 2012B Bonds

Village of Vernon Hills
290 Evergreen Drive
Vernon Hills, Illinois 60061

February 7, 2012
Speer Financial, Inc.

Members of the Village Board:

For the $1,645,000* General Obligation Bonds, Series 2012B of the Village of Vernon Hills, Lake County, Illinois, as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you $______________________ (no less than $1,630,000) for 2012B Bonds bearing interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). **The discount is subject to adjustment allowing the same $__________ gross spread per $1,000 bond as bid herein.**

MATURITIES* – MARCH 30

$ 25,000	2013	________%	$125,000	2018	________%	$140,000	2022	________%
25,000	2014	________%	125,000	2019	________%	140,000	2023	________%
120,000	2015	________%	130,000	2020	________%	145,000	2024	________%
120,000	2016	________%	130,000	2021	________%	145,000	2025	________%
120,000	2017	________%				155,000	2026	________%

Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

Maturities:______ Term Maturity ______ Maturities:______ Term Maturity______ Maturities:______ Term Maturity______
Maturities:______ Term Maturities______ Maturities:______ Term Maturities______

The 2012B Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Chapman and Cutler, LLP, Chicago, Illinois. The Village will pay for the legal opinion. The underwriter agrees to **apply for CUSIP numbers within 24 hours** and pay the fee charged by the CUSIP Service Bureau and will accept the 2012B Bonds with the CUSIP numbers as entered on the 2012B Bonds.

As evidence of our good faith, we have wire transferred or enclosed herewith a check or Surety Bond payable to the order of the Treasurer of the Village in the amount of **TWO PERCENT OF PAR** (the "Deposit") under the terms provided in your Official Notice of Sale. Attached hereto is a list of members of our account on whose behalf this bid is made.

Form of Deposit
Check One:

Certified/Cashier's Check [ ]
Financial Surety Bond [ ]
Wire Transfer [ ]

Amount: $32,900

Account Manager Information

Name ______________________________

Address ______________________________

By ______________________________

City ______________ State/Zip ____________

Direct Phone (______) ____________________

FAX Number (______) ____________________

E-Mail Address ________________________

Bidders Option Insurance

We have purchased insurance from:

Name of Insurer
(Please fill in)

____

Premium: ____________

Maturities: (Check One)

[__] ____________**Years**

[__] All

The foregoing bid was accepted and the 2012B Bonds sold by ordinance of the Village on February 7, 2012, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS

____
President

**Subject to change.*

---------------------- NOT PART OF THE BID ----------------------
(Calculation of true interest cost)

	Bid	Post Sale Revision
Gross Interest	$	
Less Premium/Plus Discount	$	
True Interest Cost	$	
True Interest Rate	%	
TOTAL 2012B BOND YEARS	14,231.22 Years	
AVERAGE LIFE	8.651 Years	

OFFICIAL NOTICE OF SALE

$1,645,000*
VILLAGE OF VERNON HILLS
Lake County, Illinois
General Obligation Bonds, Series 2012B

(OPEN SPEER AUCTION)

The Village of Vernon Hills, Lake County, Illinois (the "Village"), will receive electronic bids on the SpeerAuction ("*SpeerAuction")* website address "www.SpeerAuction.com" for its $1,645,000* General Obligation Bonds, Series 2012B (the "2012B Bonds"), on an all or none basis between 10:00 A.M. and 10:30 A.M., C.S.T., February 7, 2012. To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the Village's sale (as described below). Award will be made or all bids rejected at a meeting of the Village on that date. The Village reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the 2012B Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

In the opinion of Chapman and Cutler, LLP, Chicago, Illinois, Bond Counsel, except that the rights of the owners of the 2012B Bonds and the enforceability of the 2012B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at low or in equity, including the exercise of judicial discretion, the 2012B Bonds will constitute valid and legally binding obligations of the Village and are payable from ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount.

The 2012B Bonds will constitute valid and legally binding obligations of the Village payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, except that the rights of the owners of the 2012B Bonds and the enforceability of the 2012B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. In addition, the 2012B Bonds have a pledge of certain tax increment revenues.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale of the 2012B Bonds.

(1) All bids must be submitted on the SpeerAuction website at www.SpeerAuction.com. **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the Village shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bid. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.

(2) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.

(3) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by SpeerAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.

(4) The last valid bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.

(5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader", "Cover", "3rd" etc.)

(6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

Rules of SpeerAuction

Bidders must comply with the Rules of SpeerAuction in addition to the requirements of this Official Notice of Sale. To the extent there is a conflict between the Rules of SpeerAuction and this Official Notice of Sale, this Official Notice of Sale shall control.

**Subject to change.*

Rules

(1) A bidder ("Bidder") submitting a winning bid ("Winning Bid") is irrevocably obligated to purchase the 2012B Bonds at the rates and prices of the winning bid, if acceptable to the Village, as set forth in the related Official Notice of Sale. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the Village.

(2) Neither the Village, Speer Financial, Inc., nor Grant Street Group (the "Auction Administrator") is responsible for technical difficulties that result in loss of Bidder's internet connection with SpeerAuction, slowness in transmission of bids, or other technical problems.

(3) If for any reason a Bidder is disconnected from the Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon such Bidder, unless the Village exercises its right to reject bids, as set forth herein.

(4) Bids which generate error messages are not accepted until the error is corrected and bid is received prior to the deadline.

(5) Bidders accept and agree to abide by all terms and conditions specified in the Official Notice of Sale (including amendments, if any) related to the auction.

(6) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in the Official Notice of Sale, amendments, or Preliminary Official Statement as they appear on SpeerAuction.

(7) Only Bidders who request and receive admission to an auction may submit bids. SpeerAuction and the Auction Administrator reserve the right to deny access to SpeerAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.

(8) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible for protecting the confidentiality of a Bidder's SpeerAuction password.

(9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost, the first confirmed bid received by SpeerAuction prevails. Any change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.

(10) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Page they must report them to SpeerAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by SpeerAuction, 2012B Bonds are definitively awarded to the winning bidder only upon official award by the Village. If, for any reason, the Village fails to: (i) award 2012B Bonds to the winner reported by SpeerAuction, or (ii) deliver 2012B Bonds to winning bidder at settlement, neither the Village, Speer Financial, Inc., nor the Auction Administrator will be liable for damages.

The Village reserves the right to reject all proposals, to reject any bid proposal not conforming to this Official Notice of Sale, and to waive any irregularity or informality with respect to any proposal. Additionally, the Village reserves the right to modify or amend this Official Notice of Sale; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the 2012B Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2012B Bonds will be in fully registered form in the denominations of $5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the 2012B Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each 2012B Bond shall be paid by check or draft of the 2012B Bond Registrar to the person in whose name such bond is registered at the close of business on the fifteenth day of the month in which an interest payment date occurs. The principal of the 2012B Bonds shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the 2012B Bond Registrar in Chicago, Illinois. Semiannual interest is due June 30 and March 30 of each year commencing March 30, 2012, and is payable by The Bank of New York Mellon, Chicago, Illinois (the "2012B Bond Registrar"). The 2012B Bonds are dated the date of delivery, expected to be on or about February 28, 2012.

If the winning bidder is not a direct participant of DTC and does not have clearing privileges with DTC, the 2012B Bonds will be issued as Registered Bonds in the name of the purchaser. At the request of such winning bidder, the Village will assist in the timely conversion of the Registered Bonds into book-entry bonds with DTC as described herein.

MATURITIES* – MARCH 30

$ 25,000 ... 2013	$125,000 ... 2018	$140,000 ... 2022
25,000 ... 2014	125,000 ... 2019	140,000 ... 2023
120,000 ... 2015	130,000 ... 2020	145,000 ... 2024
120,000 ... 2016	130,000 ... 2021	145,000 ... 2025
120,000 ... 2017		155,000 ... 2026

Consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

**Subject to change.*

The 2012B Bonds due March 30, 2013-2019, inclusive, are non-callable. The 2012B Bonds due March 30, 2020-2026, inclusive, are callable in whole or in part on any date on or after March 30, 2019, at a price of par and accrued interest. If less than all the 2012B Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed three percent (3%). All bids must be for all of the 2012B Bonds, must be for not less than $1,630,000.

Award of the 2012B Bonds: The 2012B Bonds will be awarded on the basis of true interest cost, determined in the following manner. **True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the 2012B Bonds from the payment dates thereof to the dated date and to the bid price.** For the purpose of calculating true interest cost, the 2012B Bonds shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage.

The 2012B Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale whose bid produces the lowest true interest cost rate to the Village as determined by the Village's Financial Advisor, which determination shall be conclusive and binding on all bidders; *provided*, that the Village reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The discount, if any, is subject to pro rata adjustment if the maturity amounts of the 2012B Bonds are changed, allowing the same dollar amount of profit per $1,000 bond as submitted on the Official Bid Form. The dollar amount of profit must be written on the Official Bid Form for any adjustment to be allowed, and is subject to verification.

The true interest cost of each bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the Village's Financial Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The Village or its Financial Advisor will notify the bidder to whom the 2012B Bonds will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-32. The winning bidder will be required to pay the standard MSRB charge for 2012B Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

Each bid shall be accompanied by a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company or a Financial Surety Bond for **TWO PERCENT OF PAR** payable to the Treasurer of the Village as evidence of good faith of the bidder (the "Deposit"). The Deposit of the successful bidder will be retained by the Village pending delivery of the 2012B Bonds and all others will be promptly returned. Should the successful bidder fail to take up and pay for the 2012B Bonds when tendered in accordance with this Notice of Sale and said bid, said Deposit shall be retained as full and liquidated damages to the Village caused by failure of the bidder to carry out the offer of purchase. Such Deposit will otherwise be applied on the purchase price upon delivery of the 2012B Bonds. No interest on the Deposit will accrue to the purchaser.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago
Corporate Trust
One West Monroe
Chicago, IL 60603
ABA # 071003405
Credit to: 1853281001 Speer Bidding Escrow
RE: Village of Vernon Hills, Lake County, Illinois
bid for $1,645,000* General Obligation Bonds, Series 2012B

**Subject to change.*

The wire shall arrive in such account no later than 30 minutes prior to the date and time of the sale of the 2012B Bonds. Contemporaneously with such wire transfer, the bidder shall send an email to biddingescrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such bidder is not awarded the 2012B Bonds. The Village and any bidder who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful bidder; (ii) if the bid is accepted, the Deposit shall be forwarded to the Village; (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the bidder; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

If a Financial Surety Bond is used for the Deposit, it must be from an insurance company licensed to issue such a bond in the State of Illinois and such bond must be submitted to Speer prior to the opening of the bids. The Financial Surety 2012B Bond must identify each bidder whose deposit is guaranteed by such Financial Surety Bond. If the 2012B Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the Village in the form of a certified or cashier's check or wire transfer as instructed by Speer, or the Village not later than 3:00 P.M. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Village to satisfy the Deposit requirement.

The Village covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Village for the benefit of the beneficial owners of the 2012B Bonds on or before the date of delivery of the 2012B Bonds as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter. The Village represents that it is in compliance with each and every undertaking previously entered into it pursuant to the Rule.

The Underwriter's obligation to purchase the 2012B Bonds shall be conditioned upon the Village delivering the Undertaking on or before the date of delivery of the 2012B Bonds.

By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the Village in the 2012B Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder consents to and waives any conflict of interest arising from any adverse position to the Village in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

The 2012B Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about February 28, 2012. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the Village except failure of performance by the purchaser, the Village may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the 2012B Bonds will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the 2012B Bonds, and any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the 2012B Bonds, as that term is defined in the Rule. By awarding the 2012B Bonds to any underwriter or underwriting syndicate, the Village agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the 2012B Bonds are awarded, up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Village shall treat the senior managing underwriter of the syndicate to which the 2012B Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the 2012B Bonds agrees thereby that if its bid is accepted by the Village it shall enter into a contractual relationship with all Participating Underwriters of the 2012B Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful bidder agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the 2012B Bonds. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The Village will, at its expense, deliver the 2012B Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the Village will also furnish to the purchaser the following documents, each dated as of the date of delivery of the 2012B Bonds: (1) the unqualified opinion of Chapman and Cutler LLP, Chicago, Illinois, that the 2012B Bonds are lawful and enforceable obligations of the Village in accordance with their terms and are payable from ad valorem taxes levied against all taxable property of the Village, except that the rights of the owners of the 2012B Bonds and the enforceability of the 2012B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; (2) the opinion of said attorneys that the interest on the 2012B Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the 2012B Bonds; and (3) a no litigation certificate by the Village .

The Village intends to designate the 2012B Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the 2012B Bonds. Copies of such Official Statement or additional information may be obtained from Mr. Larry M. Nakrin, Village Treasurer, 290 Evergreen Drive, Vernon Hills, Illinois 60061 or an electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Sales Calendar" from the Independent Public Finance Consultants to the Village, Speer Financial, Inc., One North LaSalle Street, Suite 4100, Chicago, Illinois 60602, telephone (312) 346-3700.

/s/ **LAURENCE M. NAKRIN**
Village Treasurer
VILLAGE OF VERNON HILLS
Lake County, Illinois

/s/ **ROGER BYRNE**
President
VILLAGE OF VERNON HILLS
Lake County, Illinois