



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
APRIL 30, 2016**

VILLAGE OF VERNON HILLS, ILLINOIS

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
April 30, 2016

Prepared by Finance Department

Nikki Larson
Finance Director

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INTRODUCTORY SECTION

VILLAGE OF VERNON HILLS, ILLINOIS

LIST OF PRINCIPAL OFFICIALS

April 30, 2016

ELECTED OFFICIALS

VILLAGE BOARD OF TRUSTEES

Roger Byrne, Village President

Thomas Koch, Village Trustee

Cynthia Hebda, Village Trustee

Barbara Williams, Village Trustee

Michael Marquardt, Village Trustee

Tim Grieb, Village Trustee

James Schultz, Village Trustee

APPOINTED OFFICIALS

John Kalmar, Village Manager/Village Clerk

Joe Carey, Assistant Village Manager/Deputy Village Clerk

David Brown, Director of Public Works/Village Engineer

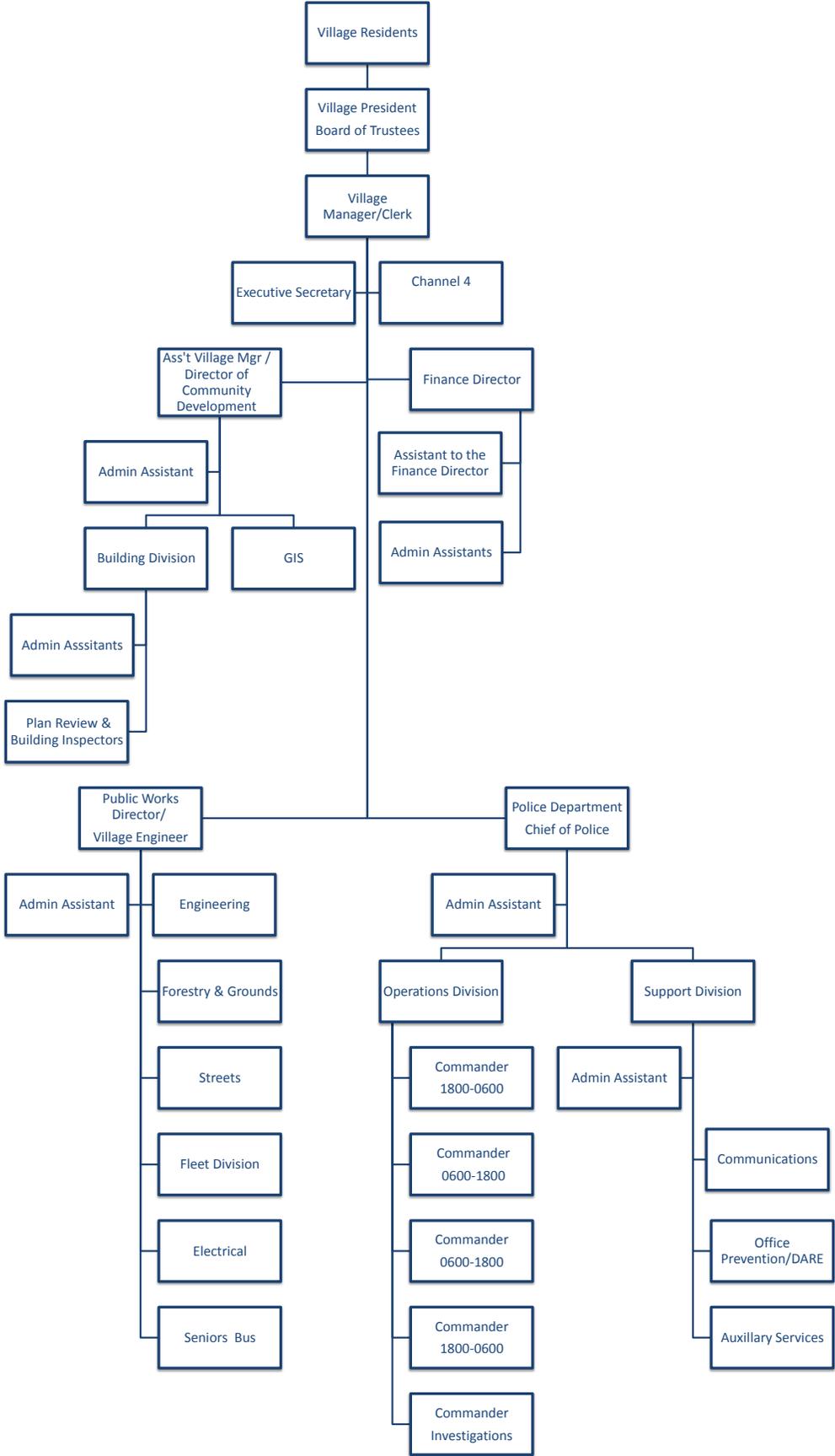
Mark Fleischhauer, Chief of Police

Michael Atkinson, Building Commissioner

Robert Kenny, Village Attorney

Nikki Larson, Finance Director

VILLAGE OF VERNON HILLS ORGANIZATIONAL STRUCTURE





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Village of Vernon Hills
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2015

Executive Director/CEO

October 10, 2016

To the Village President, Board of Trustees and Residents of the Village of Vernon Hills:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year that ended on April 30, 2016.

This report consists of management's representations concerning the finances of the Village. Management assumes full responsibility for the completeness and reliability of the information presented herein. To provide a reasonable basis for making these representations, the Village management has established a comprehensive internal control framework that is designed to protect the Village's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their anticipated benefits, the Village's objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This transmittal letter should be read in conjunction with the Management Discussion and Analysis section of this report. Because this letter allows for more subjectivity than the management discussion and analysis, it is the appropriate vehicle for discussing the Village's goals, plans, processes and underlying assumptions. Accordingly, the transmittal letter serves an important role in explaining the Village's finances. This report includes all funds of the Village

Profile of the Government

The Village of Vernon Hills, incorporated in 1958 and encompassing 7.7 square miles, is located in central Lake County approximately 35 miles north of downtown Chicago. The Village is located near Interstate 94 (Chicago-Milwaukee Tollway), which allows easy access to Chicago's International O'Hare Airport, Milwaukee's Mitchell Airport and downtown Chicago. The Village has experienced significant growth in the past five years in both retail and residential markets and is a major center of employment and commerce. According to the 2010 Census, the Village of Vernon Hills population reached 25,113 residents, qualifying it as a Home Rule statutory authority under the Illinois Constitution.

The Village provides a diverse but limited array of services. Its major functions are police services; construction and maintenance of Village streets, storm water management facilities, and related infrastructure; building and facility maintenance; commercial and residential construction review and inspection; development review; and general administrative services. The Village's Communications Center utilizes both the telecommunicators employed by the Village of Vernon Hills Police Department and the telecommunicators employed by Countryside Fire Protection District, to provide services to each of our jurisdictions as well as Village of Libertyville, Village of Lincolnshire and Knollwood Fire Department. The Village actively works on development and redevelopment including the establishment of a Tax Increment District and the use of sales tax rebates. The Village also operates a cable studio, and owns and maintains a Metra train station.

The Village also owns a nine-hole golf course, which is operated by Kemper Sports. It also owns an eighteen-hole golf course, which was built by Plote Construction and is leased and operated by White Deer Run, LLC through 2024. The Village provides community events including concerts and festivals at its Arbortheater and local parks. It also owns the Vernon Hills Athletic Complex, which is managed jointly with the Vernon Hills Park District. The Park District also provides many recreational services for Village residents. Complimentary recreational services are provided by the Lake County Forest Preserve, which provides forested scenic areas, and bike trails adjacent to the Village limits. Water and sanitary sewer services are provided by Lake County. Fire protection for the majority of the Vernon Hills area is provided by Countryside Fire Protection District, while the remainder is serviced by the Lincolnshire - Riverwoods Fire Protection District. The Village is served by two library districts, two townships, four elementary school districts, and three high school districts. The Vernon Hills Park District, the fire protection districts, library districts, townships, school districts and Lake County governments have not met the established criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

Dispatch Services and Consolidation

In July of 2010, the Village signed an agreement with the Countryside Fire Protection District that provided for a joint dispatch center. The agreement provided for the relocation of Countryside's dispatchers to the Village's Police Communications Center. In March of 2012, a five-year agreement was reached between the three parties whereby Libertyville would pay the other two parties for dispatching costs. The first year of the agreement which began August 1, 2012, when Libertyville moved its dispatch over to Vernon Hills. On October 1, 2013 Lincolnshire moved its dispatch function to Vernon Hills. In January 2015, the State of Illinois passed new legislation requiring the consolidation of local dispatch centers. As part of this new legislation, local agencies are required to consolidate their Emergency Telephone System Boards and participate in a joint dispatch center. Vernon Hills is in the process of enacting this formal consolidation, which must be completed by January 2017.

Local Economy

The Village of Vernon Hills has 3.9 million square feet of retail space. The most significant component of that retail space is the Hawthorn Shopping Mall, which was completed in 1974 and subsequently expanded. The Mall has 1.30 million square feet of leasable retail space and is anchored by Sears, Carson Pirie Scott & Co., J.C. Penney's and Macy's. Early in FY 2014, the Village entered into an agreement with the Mall's owners to assist in renovations at the Mall. The agreement is for a ten-year term whereby the Village will rebate the base 1% sales tax generated by the non-anchor stores in the Mall, with optional renewal periods for a maximum of five additional years. The project included the conversion of approximately 40,000 square feet of existing space to a Dave and Busters restaurant, bar and arcade facility which opened in March of 2014. It also included the conversion of 25,000 square feet restaurant and to two additional restaurants: Maggiano's Little Italy and Smashburger. Also added in FY 2015-16 was a 2,000 square foot Claim Company restaurant. This is the second Claim Company location in the Chicagoland area.

Lastly, the Mall renovations also included the addition of a 65,000 square foot 12 screen, digital, state of the art AMC Theatre, which opened in April 2015. Two restaurant spaces were also constructed adjacent to the Theatre, with which the Mall is currently in negotiations to fill. Each of these spaces are approximately 6,400 square feet.

The Village subsequently added a quarter percent Home Rules Sales Tax effective January 1, 2015. The revenues from this tax, projected at \$2.4 million per year, will assist the Village with its growing operational and capital needs.

In 2008, the Shoppes at Gregg's Landing opened, which included 206,000 square foot of retail with Lowe's and Staples stores. Additionally, in June of 2011, a 70,000 square foot Mariano's Fresh Market opened in this same location. In order to assist the developer with land costs to enable Mariano's to locate in Vernon Hills, the Village offered the developer 37% of the sales tax generated for fifteen years or until \$955,000 net present value is realized, whichever occurs first. It is anticipated that this agreement will be terminated early in the fall of 2016 due to the success of the grocer. An AAA Car Care Center also opened in Gregg's Landing in August of 2014. A 286,000 square foot Menard's on the North parcel of the development received Board approval in 2014. While preliminary infrastructure work has been completed by the developer, the building construction is anticipated to begin in 2017.

The Marketplace Shopping Center, which opened in 1994, also includes significant retail space. It is currently anchored by an 111,000 square foot Home Depot, and includes a Bed Bath and Beyond, Ashley Furniture, Joanne's Fabrics and DSW (Designer Shoe Warehouse). Marketplace lost a couple of major outlot tenants early in Calendar Year 2009, which led to several sales tax incentive agreements to assist in recruiting new retailers. One major Marketplace loss in early 2009 was the closing of the 110,000 square feet Home Expo. To assist in replacing this tenant, the Village entered into a seven year sales tax sharing agreement with Steinhafels, a leading furniture store out of Wisconsin. Steinhafels is entitled to 40% of the sales tax generated for the Village in the

first four years and then 41% in the last three years, until a net present value of \$600,000 (discounted at 5%) is reached. Steinhafels opened in August of 2011.

In 2008, another vacancy occurred in Marketplace with the closing of the 33,000 square foot Circuit City. Shortly afterwards, the Village entered into an agreement to bring CompUSA/Tiger Direct to the site, by allowing the developer to keep everything above the first \$100,000 of sales tax generated for nine years or unless the developer's net present value goal of \$518,000 (discounted at 5%) was reached before the end of that term. Comp USA/Tiger Direct opened in February of 2011 and closed in 2015; which terminated this agreement. During this period, the Village did not remit any sales tax revenue to the developer. This space has recently been purchased by Ashley Furniture, which is anticipated to be relocating into this space in fall of 2016.

The Rivertree Court shopping center was completed in 1988 and contains 299,000 square feet of retail space including Best Buy, Old Navy, and T.J. Maxx. In FY 2009-10, the Rivertree Movie Theatre closed. The Village entered into an economic incentive agreement with the owners of the center in order to attract a 50,000 square foot Gordmans store. The agreement provides the center 75% of sales tax generated for ten years, or unless the \$385,000 net present value (discounted at 5%) target is realized before the end of that term. The store opened in September of 2011. Rivertree also filled vacancies with a Chick-Fil-A restaurant and a Ross clothing store, which opened in 2013. Remodeling of various in-line spaces has also occurred in order to accommodate the addition of Kid to Kid, Carter's clothing store, Michael's, Pier 1 Imports, Harlem Furniture and a Mod Pizza within the center.

The Hawthorn Hills Square, a shopping center with 203,000 square feet of retail space, opened in 1986. During FY 2009, Linen's & Things and Wick's Furniture closed, creating significant vacancies in the center. In order to assist Hawthorn Hills attract new tenants, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52,000 square foot Dick's Sporting Goods store to the center. Dick's opened in September of 2010. Subsequently, Kimco purchased the retail center from Chase. The 20-year agreement, beginning in October of 2010, has 70% of the new sales tax rebated to the property owner in the first five years, 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 Kimco's \$1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years. Other smaller retailers that have been added to the center include a Five Below, Ulta Beauty, PetSmart, Chuck E. Cheese's and a Noodles and Company.

Also among the major retail centers in Vernon Hills is the 297,000 square foot Townline Commons shopping center, which was completed in 1990 and is anchored by Walmart, and Toys "R" Us. Economic conditions caused the Plunkett Furniture in the center to close in 2009. The vacancy was filled by a 28,000 square foot HH Gregg, electronics/appliance store. In order to assist in attracting tenants, the Village agreed to a sales tax incentive agreement with the owners of the center to share 50% of all sales tax revenues generated by the project for ten years or sooner if a \$603,000 net present value (discounted at 5%) figure is reached. HH Gregg opened in August of 2011 and recently

announced plans to close in 2016. A Bob's Discount Furniture has taken over the lease for this space. Currently, Walmart is working on plans to relocate from Townline Commons to a location outside of Village limits. These negotiations may have an impact on the Village's sales tax revenue in future years.

Vernon Hills also has 837,000 square feet of freestanding retail. Freestanding retail includes a 170,000 square foot Super Target, a 128,000 square foot Sam's Club, an 87,000 square foot Kohl's, a 37,000 square foot Babies "R" US and a 37,000 square foot Walter E. Smithe Furniture. Sam's Club recently received approval to expand their footprint to include a fueling station adjacent to their existing store.

The March 2016 vacancy rate for all retail space in Vernon Hills was 2.5%, down from 9.9% in March of 2010.

In FY 2016, a 51,000 square foot building adjacent to Westfield was redeveloped to include a 290 seat Uncle Julio's Mexican Restaurant, a Northwestern Medical facility and a few small retail stores. In addition, several vacant restaurant buildings are currently undergoing renovations for new tenants, including a 5,500 square foot Yu's Mandarin restaurant and a 4,500 square foot McAlister's Deli, with an adjacent 1,800 square foot vacant space. These facilities are anticipated to open in late fall of 2016.

In July of 1997, the mail order, warehouse and corporate facility for CDW opened a 224,000 square foot facility in Continental Executive Park. CDW subsequently became a Fortune 1000 Company. In 2000, CDW opened a new facility in Vernon Hills containing over 200,000 square feet, which included a childcare facility and employee fitness center. In December of 2014, the Village extended an economic incentive agreement with CDW, which will be in effect through the end of 2029. The agreement has a tiered sharing structure with a maximum rebate level of 56.3%, which is applicable as long as CDW's taxable sales are at least \$200 million annually. In the event that sales fall between \$65 million and \$200 million, the rebate drops to 39.5%, and then drops to 23% if sales fall between \$50 million and \$65 million.

All of the above mentioned economic incentive agreements are done in full compliance with State law including applicable prevailing wage laws. As a result of recent retail development and a continued economic recovery, sales tax continues to rebound past pre-recession levels. Sales tax in FY 2015-16 is 2.3% above FY 2014-15 levels and 37.3% above the FY 2009-10 recession level.

Corporate Environment

In 1986, Van Vlissingen and Company developed a 320-acre office and manufacturing park now known as Corporate Woods. Among the largest buildings in Corporate Woods are the 130,000 square foot Richard Wolf Medical Instrument Corporation building, 235,000 square foot Mitsubishi building and the 161,000 square foot Z.F. Industries building. In 2008, a Lifetime Fitness facility opened in Corporate Woods.

In 1988, Prentiss/Copley developed a 600 acre office park known as Continental Executive Parke. It includes the 260,000 square foot Cole Parmer building and the 200,000 square foot Baxter Credit Union/ Pac Sib building. Adjacent to the Continental Executive Parke is the 70 acre American Hotel Register site. It consists of a 258,000 square foot original American Hotel Register headquarters building and a 201,000 square foot American Hotel Register distribution center.

The Village has four hotels to supplement the office parks and visitors: a 148-unit Hotel Indigo, a 119-unit Holiday Inn Express, a 124-unit Homestead Village and a 128-unit Extended Stay America. A 5% Hotel/Motel Tax was extended on these facilities on October 1, 1999. Hotel/Motel revenues are recovering from the deep decline it experienced after the 2008 recession. In FY 2015-16 Hotel/Motel revenue increased by 4.0% over the FY 2014-15 level. The Village also has an Amusement Tax that is imposed on two movie theatres. In FY 2015-16, the Amusement Tax receipts has tripled from the FY 2014-15 level due to the opening of the new AMC Theater in Hawthorn Shopping Mall.

Residential Development

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. Of the 2,100 homes approved for the development, as of April 30, 2016, 1,948 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. The course began operation in 1998 and the lease agreement calls for the lease to terminate on December 31, 2024. The Village has the right to exercise a buyout option in 2018, and the Golf Course will automatically revert to the Village in 2024. The Village receives a share of gross revenues at an escalating rate of 0.25% from 2012 through 2019, 10% in 2020 and 2021, 15% in 2022 and, finally reaches 20% in 2023 and 2024.

In FY 2015-16, construction of the Oaks of Vernon Hills was completed. This development includes 288 luxury apartment units, 48 townhouse units, and a clubhouse.

Tax Increment Financing District

The Village created the Vernon Hills Town Center (VHTC) Tax Increment Financing (TIF) District for the Northwest and Southwest corner of Routes 45 and 21 on May 21, 2002. Prior to the 2008-2009 downturn, Opus North built a 66 unit condo building as well as 20 of the 47 town home units approved for the site. In FY 2008-09, the development added a Starbuck's and a Roti's Mediterranean Grill. In FY 2009-10, a six-story mixed use building with 84 luxury apartments was completed, with underground parking and 10,000 square feet of retail. In 2011 and 2012, a 15,000 square foot retail center was constructed with a Tom & Eddie's Restaurant, a Real Urban Barbeque, a Halsted Street Deli, a Yogen Frusz, a Beer Market and a dance studio. In 2015, Chitown Development purchased the last two undeveloped parcels. They sold one parcel to

Lexington Homes, who has begun construction on the remaining 27 townhomes approved on the former Opus site. They are expected to complete construction by spring of 2017. Chitown has proposed a six-story apartment building with 85 dwelling units on the remaining parcel, which will be subject to Village review and approval.

For Calendar year 2009, the TIF District had a \$3,645,858 incremental assessed valuation resulting in a \$236,288 tax extension. For 2015, the most recent year, the incremental assessed valuation is \$13,649,852 resulting in a \$1,216,824 extension.

Debt Service

In September of 2014, Standard and Poor's upgraded the Village's General Obligation rating from an AA+ to an AAA. Moody's Investor Service has also maintained a rating of Aaa for the Village's General Obligation debt.

In December of 2015, the Village issued \$7,260,000 in General Obligation Bonds. Of that amount, \$1,500,000 was issued to reimburse the Village for funds that were provided to the Vernon Hills Park District to purchase a restaurant property adjacent to Little Bear Lake. The acquisition of this property will facilitate better recreational usage of this property. Another \$505,000 was used to purchase Public Safety telecommunication equipment in preparation for the mandated transition of radio networks to the statewide StarCom radio network. This new equipment will allow Vernon Hills Officers and Dispatchers to seamlessly communicate with public safety officials across the State of Illinois.

The other component of this debt issue was \$5,255,000 used to advance refund the 2007 General Obligation Alternate Revenue Bonds. The 2007 bonds were issued both for the renovation of the Communications Center and for the infrastructure in the Village's Tax Increment District.

Economic Outlook

In FY 2015, the Village Board was presented with a proposal by Regency Centers for the development of 53 acres on the Northeast Corner of State Route 60 and State Route 21. The mixed use proposal includes 274,000 square foot of retail development and 260 luxury apartment units. The developer has requested \$20 million in development assistance, for which the Village is considering a new Tax Increment District. This request is currently under review, taking into consideration any impact of the request on the Village's financial stability with an emphasis on protecting the Village's bond rating.

In consideration of this and any other upcoming economic development proposals, the Village must take into consideration the State of Illinois budget crisis and the potential impacts to shared revenues. As originally set forth in the Illinois Governor's 2015 State budget message was the proposal of a 50% reduction in the share of the State's Local Distributive Fund (LGDF)/income tax to local governments. For Vernon Hills, this could mean as much as \$1.2 million in lost revenue. To date, the State has continued to pay the full share of this revenue to municipalities. However, it is important to note that the

Village has already considered alternatives to offset any potential loss of State revenue, and is confident that it has the tools in place to react accordingly to any changes that may be passed down to municipalities, in both the short and long term.

Pensions

The Village has made a concerted effort to ensure a very realistic plan for funding its Police Pension Fund. The Fund continues to utilize the Entry Age Normal Cost Method to allocate the timing of pension cost and has lowered the investment rate assumptions from 7.0% to 6.0%. In FY 2015, the Fund returned to utilizing a retirement age assumption that has the distribution of retirement ages ending at age 57. In FY 2015-16, the Fund adopted the Academy of Actuaries standard that valuations be done using the 2015 Mortality Improvement Scale instead of the 2000 Mortality Table.

The actuarial assumptions and methods the Village uses resulted in the Police Pension Fund having a 62.4% funding level based on April 30, 2016 data when calculated using the actuarial value of assets. The Village's funding level for the Illinois Municipal Retirement Fund as of December 31, 2015 is 84.22% funded using an actuarial value for assets.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Vernon Hills for its comprehensive annual financial report for the fiscal year ended April 30, 2015. This was the fourteenth consecutive year that the Village has received this prestigious award.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive financial report, whose contents conform to program standards. Such reports must satisfy Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and the Village intends to submit this report to the GFOA for its consideration.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Significant support was also provided by the staff of the Village Manager's Office, Assistant Village Manager/Director of Community Development Joe Carey and the Community Development Department, Police Chief Mark Fleischhauer and the Police Department, as well as Public Works Director/Village Engineer Dave Brown and the Public Works Department.

The leadership and support provided by the Village President Byrne and the Board of Trustees were essential to the preparation of this report and the quality of the Village's financial position.

Sincerely,

A handwritten signature in black ink, appearing to be 'John Kalmar', with a long horizontal line extending to the right.

John Kalmar
Village Manager

A handwritten signature in black ink, appearing to be 'Nikki Larson', written in a cursive style.

Nikki Larson, CPA, CPFO
Finance Director / Treasurer

FINANCIAL SECTION



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Village of Vernon Hills, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Vernon Hills, Illinois, as of and for the year ended April 30, 2016, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Vernon Hills, Illinois as of April 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Vernon Hills, Illinois' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Sikich LLP

Naperville, Illinois
October 10, 2016

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

Our discussion and analysis of the Village of Vernon Hills' financial performance provides an overview of the Village of Vernon Hills' financial activities for the fiscal year ended April 30, 2016. Please read it in conjunction with the transmittal letter which begins on page iv and the Village of Vernon Hills' financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- In FY 2015-16 the Village of Vernon Hills' net position declined by 23.06% or \$25,621,121 to \$85,492,766. This was a drop of \$24,648,575 more than FY 2014-15 when net position declined by 972,545 or 0.9%. The major reason for this decline is the implementation of Governmental Accounting Standards Board (GASB) Statement number 68, which requires governmental agencies to report the entire net pension liability in their government-wide financial statements. This change accounted for the majority of the increase in liabilities from \$28,331,144 in FY 2014-15 to \$61,190,767 in FY 2015-16.
- Revenues increased by \$4,675,481, or 18.4% from FY 2014-15 levels, while expenses increased by \$6,456,750 or 24.5%.
- A major factor that contributed to growth in revenues included \$3,197,930 of revenues generated in FY 2015-16 that resulted from the first full year of a quarter percent Home Rule Sales Tax.
- The expenses for General Government increased by \$5,210,161 or 70.0% from FY 2014-15 levels. This is primarily related to the reclassification of an expense that was previously netted against revenue. This change is offset by an increase in revenue as well.
- Public Safety expenses increased by \$644,817 or 5.2% from FY 2014-15 levels. The major contributor was Personal Services costs.
- Business-type Activity net position decreased by 30.4% or \$89,531 to \$205,038 as Golf Course revenues decreased by \$8,538 or by 1.9% from FY 2014-15 levels, while expenses increased by \$11,757 or by 2.3%.
- Within the General Fund, revenues exceeded expenditures by \$3,439,717; however, after \$1,315,383 of net transfers out of the fund, and a prior period adjustment, the fund balance increased by \$2,124,334. This was an improvement from the FY 2014-15 decline of \$197,591 in the General Fund.
- Expenditures in the General Fund were up \$3,377,042 or 17.2% from FY 2014-15 levels. The increase in expenditure is primarily related to a reclassification of expense that is offset by an increase in revenues.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

FINANCIAL HIGHLIGHTS – Continued

- The General Fund Expenditure Category that experienced the most significant increase was General Government which was up 4,371,065 or 113.7% due to a change in report presentation.
- Within the General Fund, revenues increased by \$5,240,917 or 24.7% from the FY 2014-15 level. The first full year of the Village's recently implemented quarter percent Home Rule Sales Tax contributed \$3,197,930.
- Within the Tax Increment Fund expenditures and legally mandated transfers related to debt refinancing exceeded revenues by \$800,191 or bringing the fund balance to a deficit balance of (\$153,789).
- In FY 2014-15, the Village created a Bond Construction Fund to account for the renovation of the Police Station. It was funded by \$2,005,000 of proceeds from a General Obligation Bond issued in December, 2015. After \$5,315,284 in construction expenditures in FY 2015-16 fund balance decreased to \$64,951 as of April 30, 2016.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 4 - 6) provide information about the activities of the Village of Vernon Hills as a whole and present a longer-term view of the Village of Vernon Hills' finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village of Vernon Hills' operation in more detail than the government-wide statements by providing information about the Village of Vernon Hills' most significant funds. The remaining statements provide financial information about activities for which the Village of Vernon Hills acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Village of Vernon Hills' finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 4 - 6 of this report.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

The Statement of Net Position reports information on all of the Village of Vernon Hills' assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Vernon Hills is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Village of Vernon Hills' property tax base and the condition of the Village of Vernon Hills' roads, is needed to assess the overall health of the Village of Vernon Hills.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Vernon Hills that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Vernon Hills include general government, public safety, streets and roads, and culture and recreation. The business-type activities of the Village of Vernon Hills include golf operations.

The Village of Vernon Hills does not include any separate legal entity in its report that would be considered a "component unit." A "component unit" is defined as a legally separate unit for which a government is financially accountable for it. Financial information for the component unit is reported separately from the financial information presented for the primary government itself. The Village does have a "blended component unit" with the Police Pension Fund. Blended component units are separate legal entities that meet the component unit criteria 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.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Vernon Hills, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Vernon Hills can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Village of Vernon Hills' near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Village of Vernon Hills maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Tax Increment Fund, Bond Construction Fund, Motor Fuel Tax Fund, and Dispatch Center Fund. Out of these, all but the Motor Fuel Tax and Dispatch Funds are considered major funds. The Village of Vernon Hills adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison schedule for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 - 10 of this report.

Proprietary Funds

The Village of Vernon Hills maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village of Vernon Hills utilizes an enterprise fund to account for its golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village of Vernon Hills' various functions.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

The Village of Vernon Hills uses an internal service fund to account for its fleet of vehicles and equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Golf Course Fund, a major enterprise fund and for the Equipment Replacement Fund, an internal service fund.

The basic proprietary fund financial statements can be found on pages 11-14 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village of Vernon Hills' own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 15-16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village of Vernon Hills' Illinois Municipal Retirement Fund (IMRF), police employee pension, and other postemployment benefits obligations as well as budgetary comparison schedules for the General Fund and major special revenue funds. Required supplementary information can be found on pages 54-63 of this report. The budgetary comparison schedules for all other funds are presented immediately following the required supplementary information on pensions and can be found on pages 64-77 of this report.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Village of Vernon Hills, assets exceeded liabilities by \$85.3 million. The prior year, assets/deferred outflows exceeded liabilities/deferred inflows by \$110.8 million.

	Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 34.6	37.2	(0.3)	(0.2)	34.3	37.0
Capital Assets	102.3	101.9	0.5	0.5	102.8	102.4
Deferred Outflow of Resources	9.6	-	-	-	9.6	-
Total Assets/Deferred Outflows	146.5	139.1	0.2	0.3	146.7	139.4
Long-Term Debt Outstanding	(54.4)	(23.4)	-	-	(54.4)	(23.4)
Other Liabilities	(6.8)	(4.9)	-	-	(6.8)	(4.9)
Total Liabilities/Deferred Inflows	(61.2)	(28.3)	-	-	(61.2)	(28.3)
Net Position						
Net investment in capital assets	79.6	82.2	0.5	0.5	80.1	82.7
Restricted	2.0	6.4	-	-	2.0	6.4
Unrestricted (Deficit)	3.7	22.2	(0.3)	(0.2)	3.4	22.0
Total Net Position	85.3	110.8	0.2	0.3	85.5	111.1

About 93.3 percent of the Village of Vernon Hills' net position, or a total of \$80.1 million reflect the Village's investment in capital assets (for example, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village of Vernon Hills uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the Village of Vernon Hills' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 2.4 percent or \$2.0 million, of the Village of Vernon Hills' net position represents resources that are subject to external restrictions on how they may be used. The remaining 4.3 percent, or \$3.7 million, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 3.2	3.9	0.4	0.4	3.6	4.3
Operating Grants/Contributions	0.7	0.9	-	-	0.7	0.9
Capital Grants/Contributions	0.2	-	-	-	0.2	-
General Revenues						
Sales Tax	14.0	11.4	-	-	14.0	11.4
Home Rule Sales Tax	3.2	-	-	-	3.2	-
Utility Tax	1.3	1.3	-	-	1.3	1.3
Intergovt. Unrestricted						
State Income Tax	2.7	2.5	-	-	2.7	2.5
Telecommunications Tax	1.2	1.1	-	-	1.2	1.1
Other Taxes and Fees	3.0	3.4	-	-	3.0	3.4
Interest Income	0.1	0.3	-	-	0.1	0.3
Total Revenues	29.6	24.8	0.4	0.4	30.0	25.2
Expenses:						
General Government	10.8	5.1	-	-	10.8	5.1
Public Safety	11.9	11.2	-	-	11.9	11.2
Streets and Roads	8.7	8.4	-	-	8.7	8.4
Economic Development	-	-	-	-	-	-
Culture and Recreation	0.2	0.2	-	-	0.2	0.2
Interest on Long-Term Debt	0.7	0.8	-	-	0.7	0.8
Golf Course	-	-	0.5	0.5	0.5	0.5
Total Expenses	32.3	25.7	0.5	0.5	32.8	26.2
Increase (Decrease) in Net Position	(2.7)	(0.9)	(0.1)	(0.1)	(2.8)	(1.0)
Change in Accounting Principle/Adjustment	(22.8)	-	-	-	(22.8)	-
Net Position-Beginning as Restated	110.8	111.7	0.3	0.4	111.1	112.1
Net Position-Ending	85.3	110.8	0.2	0.3	85.5	111.1

Total net position fell by \$2.8 million. After factoring in the change in accounting principle and a prior period adjustment, ending net position totaled \$85.5 million. In FY 2014-15, net position fell by \$1.0 million. The net position for governmental activities fell by \$2.7 million, total compared to a \$0.9 million decline in FY 2014-15. Business-type activities fell by \$0.1 million, the same amount as in FY 2014-15.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities

The Village's \$2.7 million decrease in its governmental net position represented a 2.5% decrease; after applying changes in accounting principles and a prior period restatement, the decline is 23.0% less than the prior year. Revenues increased by \$4.7 million or 18.6%, while expenses increased by \$6.6 million or by 25.2%. Highlights of the changes from FY 2014-15 included:

- General Revenues increased by \$5,405,893 which is 26.8% above FY 2014-15 levels. This increase is largely attributable to the first full year of the new Home Rule Sales Tax which generated \$3,197,930. The 1% share Municipal Sales Tax also reflects an increase of \$2,579,495. This change is due to a change in the reporting of Sales Tax, which used to be reported less related expenditures. This increase is offset by a comparable increase in expenditures in the General Fund.
- Charges for Services declined by \$684,976 or 15.7% from FY 2014-15 levels; a large portion of which can be attributed to a decline in the category of Licenses and Permits reflecting a decrease in construction related revenues in Vernon Hills.
- Public Safety expenses increased by \$183,858 or 2.2% from FY 2015-16 levels.
- Streets and Roads expenses increased by \$246,121 or by 2.9% from FY 2014-15 levels, while program revenues decreased by \$175,879 or 20.7%.
- General Government expenses increased by \$5,679,624 or 111.2% from FY 2014-15 levels, due to a reclassification of an expense that was not previously reported separately. Program revenues declined by \$469,463 or 20.2%, this decline was driven by the drop in Licenses and Permits.
- Interest expenses declined by \$175,041 or 20.53% from FY 2014-15 levels.

The \$2.7 million decline in Governmental Activities net position in FY 2015-16 was a bigger decline than the \$0.9 million decline in FY 2014-15 and the \$0.7 million decline in FY 2012-13.

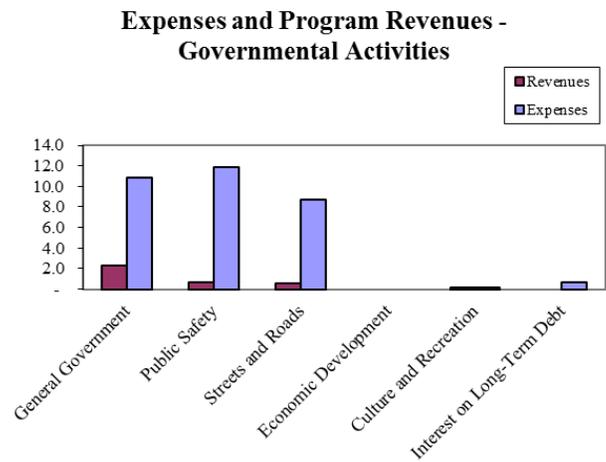
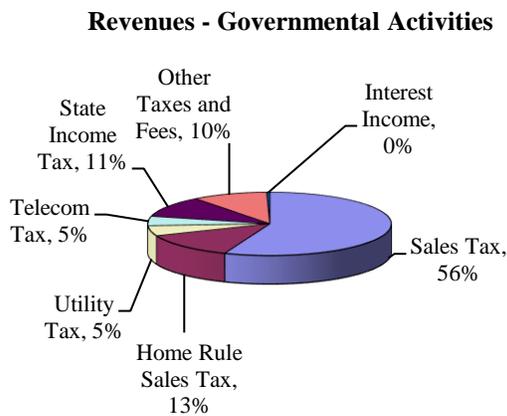
VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

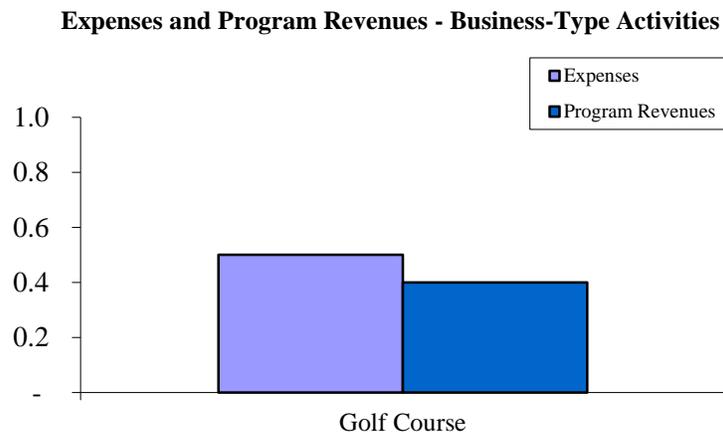
Governmental Activities – Continued

The following tables graphically depict the major revenue sources of the Village of Vernon Hills. It depicts very clearly the reliance on taxes to fund governmental activities. The most significant revenue is the sales tax, but the state income tax, the utility tax, and the telecommunications tax are all significant.



Business-Type Activities

As the graph below demonstrates, the \$530,174 of golf course expenses exceeded program revenues that amounted to \$440,539 for Charges for Services. Revenues decreased by \$8,538 from FY 2014-15 levels, while expenses increased by \$11,757 from FY 2014-15 levels.



VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Village of Vernon Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, the unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. For all governmental funds, the Village expenditures exceeded revenues by \$4,548,550; which is offset slightly by the refinancing of General Obligation Bonds and a prior period adjustment reclassifying revenue into the correct period. Overall, there was a net decrease in Fund Balance totaling \$2,831,676. Several major factors contributed to this result:

- In FY 2015-16, the General Fund balance increased by \$2,124,334 to \$25,618,125. Revenues exceeded expenditures by \$3,439,717 but predominately due to \$3,197,930 collected for the first full year of Home Rule Sales Tax.
- Expenditures in the General Fund were up by \$451,185 or 2.3% from FY 2014-15 levels. This increase was largely moderated by conservative spending due to uncertainty surrounding the State of Illinois budget crisis.
- General Fund Public Safety costs increased \$192,884, or 2.3%; the largest component of the increase was an increase in Personal Service costs.
- A \$1,293,200 General Fund transfer was received by the Dispatch Center Fund. That amount approximately covered the Village's net cost for its share of the consolidated dispatch services.
- The General Fund transferred \$122,183 to the Tax Increment Fund to fulfill its contribution in lieu of a property tax, which is required under Illinois Compiled Statutes.
- Revenues in the General Fund increased by \$5,240,920 from the FY 2014-15 level. This change is partially attributable to the first full year of Home Rule Sales Tax, and also due to a change in the presentation of revenue that was not previously reported separately.
- Investment Income decreased by \$175,995 to \$107,425 largely because of market fluctuations.
- The category within the General Fund that saw the largest decrease was Licenses and Permits which decreased by \$353,918 or 26.6% as a result of less construction activity.
- Within the Tax Increment Fund expenditures exceeded revenues and legally mandated transfers into the fund by \$1,012,215, however, after the refinancing of outstanding bonds, the fund balance decreased to a deficit level of (\$153,789). It is anticipated that this deficit will be rectified in the coming year. Fund revenues were \$1,222,220 which is a 4.0% increase from FY 2014-15 levels.
- The Police Station Renovation Bond Construction Fund was established to account for the Renovation project. General Obligation Bonds were issued in FY 2014-15 to fund this project. Expenditures in the amount of \$5,315,284 draw the ending fund balance down to \$64,951.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Proprietary Funds

The Village of Vernon Hills' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Village's Golf Course Fund is the fund through which the Village's nine-hole golf course is operated. Resident weekday and weekend rates were \$16 and \$18 respectively (increased from \$15 and \$17 in 2012). Beginning in Calendar Year 2015, the equivalent nonresident rates were \$20 and \$22 respectively (increased from \$17 and \$19 in 2012 to \$18 and \$20 respectively for 2013 and 2014). There is also a season pass for residents, which was \$475 per year (increased from \$425 in 2012). The nonresident season pass rate is \$575. In the Village's clubhouse, golf merchandise is sold and there is a food and beverage operation, which can be rented out for special functions. In FY 2015-16, the Golf Course Generated \$440,539 of revenues and had \$530,174 of expenses resulting in a loss. The decline in net position brought the net position to a level of \$205,038.

GENERAL FUND BUDGETARY HIGHLIGHTS

Transfers are routinely made between expenditure accounts during the year. Increases to the budget occur routinely early in the fiscal year as a result of the Village's policy of carrying forward into the current fiscal year encumbrances or commitments budgeted but not expended in the prior fiscal year. Overall, the General Fund FY 2015-16 original budget's net decrease was \$78,863. Throughout the year, the largest increase occurred in the General Fund capital outlay budget. That budget was increased by \$1,500,000 in order to accommodate an intergovernmental contribution to assist in the funding of a land purchase, which was not anticipated at the time of budget adoption. Another \$45,000 was transferred from budgeted reserve funds to conduct a feasibility analysis for a proposed Tax Increment Finance District in the northeast corner of the Village. Transfers into the General Judiciary budget totaled \$209,758 from budgeted reserves to cover unanticipated levels of legal costs. Finally, the Village budget process does not budget for depreciation.

While most revenues surpassed projection in FY 2015-16, a few revenues fell short. The most significant shortfall was in the General Fund's Utility Tax category, where \$1,400,000 was budgeted and \$1,334,151 was recognized. Also in the Hotel/Motel Tax \$398,000 was budgeted and \$380,093 was recognized. Both of these revenues can vary seasonally, dependent on winter and summer climates. Fines and Forfeitures were budgeted at \$399,000, but came in at \$307,387.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Capital Assets - Net of Depreciation (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4.6	4.6	0.3	0.3	4.9	4.9
Construction in Progress	-	0.5	-	-	-	0.5
Land Improvements	6.6	7.1	0.1	0.1	6.7	7.2
Buildings and Improvements	18.1	14.6	0.1	0.1	18.2	14.7
Equipment/Vehicles	1.5	1.2	-	-	1.5	1.2
Infrastructure	71.6	73.9	-	-	71.6	73.9
Total	\$ 102.4	101.9	0.5	0.5	102.9	102.4

This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, storm sewers, water detention facilities and dams (net of accumulated depreciation). The Village of Vernon Hills' investment in capital assets for its governmental and business type activities as of April 30, 2016 was \$102.9 million. This change represented an increase of \$0.5 million, or 0.5% from FY 2014-15. Additional information on the Village of Vernon Hills' capital assets can be found in note 3 on pages 26-27 of this report.

This year's major additions included (in millions):

Construction in Progress	\$ 0.41
Building and Improvements	3.50
	\$ <u>3.96</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

At year-end, the Village of Vernon Hills had total outstanding long-term debt of \$22.9 million as compared to \$22.8 million the previous year. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding (in Millions)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 21.8	15.0	-	-	21.8	15.0
Alternate Revenue Bonds	1.1	1.1	-	-	1.1	1.1
TIF Revenue Bonds/Notes	-	6.7	-	-	-	6.7
Total	22.9	22.8	-	-	22.9	22.8

In November 2015, issued \$5,255,000 in General Obligation Bonds to refinance the remainder of the outstanding Senior Lien Tax Increment Revenue Bonds from 2007. The Village also issued \$2,005,000 in General Obligation Bonds to finance an intergovernmental contribution towards a land purchase and the purchase of mandated StarCom Radio network equipment for the Village's emergency dispatch center. The Village is required to change to StarCom Equipment from its existing Lake County radio network due to new regulations issued by the Illinois Commerce Commission and Illinois legislature.

As part of the rating process, Standard and Poor's reconfirmed the Village's General Obligation AAA rating for all of the Village's new and outstanding debt. Moody's Rating agency has also upheld their Aaa rating for the Village's outstanding debt.

General Obligation debt began the year with a \$14,960,000 balance. The Village issued \$7,260,000 was issued for the Advance Refunding of the 2007 Alternate Revenue Bonds and \$2,005,000 in new debt. The amount of General Obligation Debt retired in FY 2015-16 was \$385,000 leaving an April 30, 2016 balance of \$21,835,000 for General Obligation Bonds. Additional information on the Village of Vernon Hills' debt administration can be found in note 4 on pages 28-32 of this report.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting and revising the FY 2015-16 budget and fees charged for its services. One of those factors is the economy. Vernon Hills' average unemployment rate for calendar year 2015 was 4.4%. That was lower than Vernon Hills' average annual unemployment rates for 2014, which was 2.5%, and for 2013 and 2012, which were both 6.5%. The 4.4% unemployment rate for 2015 compares favorably to the Lake County unemployment rate for 2015 of 5.5% and the State of Illinois unemployment rate for 2015 of 5.9%. The U. S. Census Bureau 5-year (2010-2014) estimated household median income value for Vernon Hills is \$89,667 which is 115 percent of the Lake County level and 157 percent of the State of Illinois level. The Median Value of owner-occupied housing units (2010-2014) is estimated at \$315,900, 127% of the Lake County level and 180% of the State of Illinois level.

The Village does not levy a property tax. The Village's budget is heavily dependent on sales tax, the majority of which is generated by non-residents. For Calendar Year 2015, the total sales tax before economic incentive rebate was \$14.1 million. This was \$435,786 more than in Calendar Year 2014, representing a 3.2% increase. For Calendar Year 2015, the most significant category dollar amount increase was in Furniture and H.H. and Radio, which saw an increase of \$550,820, or 9.8%, from Calendar Year 2014 to a Calendar Year 2015 level of \$6.2 million. The most significant dollar amount reduction from Calendar Year 2014 was in the category of General Merchandise, which saw a decline of \$193,851, or 7.8% decline to a level of \$2.3 million in Calendar Year 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Vernon Hills' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Office of the Finance Director, Village of Vernon Hills, 290 Evergreen Drive, Vernon Hills, IL 60061.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 27,769,893	\$ -	\$ 27,769,893
Receivables			
Taxes	5,149,053	-	5,149,053
Accounts	23,251	8,035	31,286
Accrued interest	51,040	-	51,040
Other	117,133	-	117,133
Prepaid expenses	387,621	1,519	389,140
Inventory	-	16,379	16,379
Due from other governments	841,846	-	841,846
Internal balances	257,065	(257,065)	-
Due from fiduciary funds	8,493	-	8,493
Capital assets not being depreciated	4,568,623	302,282	4,870,905
Capital assets being depreciated (net of accumulated depreciation)	97,744,737	154,733	97,899,470
Total assets	136,918,755	225,883	137,144,638
DEFERRED OUTFLOWS OF RESOURCES			
Pension items - IMRF	1,685,717	-	1,685,717
Pension items - Police Pension	7,282,368	-	7,282,368
Unamortized loss on refunding	670,388	-	670,388
Total deferred outflows of resources	9,638,473	-	9,638,473
Total assets and deferred outflows of resources	146,557,228	225,883	146,783,111
LIABILITIES			
Accounts payable	792,692	14,212	806,904
Accrued payroll	515,205	-	515,205
Deposits payable	526,277	-	526,277
Unearned revenue	230,810	6,633	237,443
Other payables	3,005,751	-	3,005,751
Accrued interest payable	88,100	-	88,100
Long-term liabilities			
Due within one year	1,601,267	-	1,601,267
Due in more than one year	54,409,820	-	54,409,820
Total liabilities	61,169,922	20,845	61,190,767
DEFERRED INFLOWS OF RESOURCES			
Pension items - Police Pension	99,578	-	99,578
Total deferred inflows of resources	99,578	-	99,578
Total liabilities and deferred inflows of resources	61,269,500	20,845	61,290,345
NET POSITION			
Net investment in capital assets	79,574,960	457,015	80,031,975
Restricted for			
Public safety	638,417	-	638,417
Streets and roads	1,270,219	-	1,270,219
Metra parking	81,142	-	81,142
Unrestricted (deficit)	3,722,990	(251,977)	3,471,013
TOTAL NET POSITION	\$ 85,287,728	\$ 205,038	\$ 85,492,766

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 10,785,366	\$ 1,856,949	\$ -	\$ -
Public safety	11,866,591	1,258,030	189	11,325
Roads and streets	8,673,207	-	672,055	-
Economic development	1,488	-	-	-
Culture and recreation	287,664	124,238	-	147,740
Interest and fees	677,677	-	-	-
Total governmental activities	32,291,993	3,239,217	672,244	159,065
Business-Type Activities				
Golf Course	530,174	440,539	-	-
Total business-type activities	530,174	440,539	-	-
TOTAL PRIMARY GOVERNMENT	\$ 32,822,167	\$ 3,679,756	\$ 672,244	\$ 159,065

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
	\$ (8,928,417)	\$ -	\$ (8,928,417)
	(10,597,047)	-	(10,597,047)
	(8,001,152)	-	(8,001,152)
	(1,488)	-	(1,488)
	(15,686)	-	(15,686)
	(677,677)	-	(677,677)
	(28,221,467)	-	(28,221,467)
	-	(89,635)	(89,635)
	-	(89,635)	(89,635)
	(28,221,467)	(89,635)	(28,311,102)
General Revenues			
Taxes			
Utility	1,334,151	-	1,334,151
Home rule sales	3,197,930	-	3,197,930
Hotel/motel	380,093	-	380,093
911 surcharge	309,960	-	309,960
Road and bridge	212,406	-	212,406
Telecommunication	1,190,196	-	1,190,196
Tax increment	1,221,604	-	1,221,604
Other	871,620	-	871,620
Intergovernmental			
Sales tax	14,006,145	-	14,006,145
State income tax	2,676,354	-	2,676,354
Investment income	115,636	104	115,740
Miscellaneous	41,088	-	41,088
Total	25,557,183	104	25,557,287
CHANGE IN NET POSITION	(2,664,284)	(89,531)	(2,753,815)
NET POSITION, MAY 1	110,819,318	294,569	111,113,887
Prior period adjustment	(1,194,763)	-	(1,194,763)
Change in accounting principle	(21,672,543)	-	(21,672,543)
NET POSITION, MAY 1, RESTATED	87,952,012	294,569	88,246,581
NET POSITION, APRIL 30	\$ 85,287,728	\$ 205,038	\$ 85,492,766

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2016

	General	Tax Increment	Bond Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 23,835,711	\$ 514,160	\$ 69,819	\$ 1,799,858	\$ 26,219,548
Receivables					
Taxes	5,013,294	-	-	135,759	5,149,053
Accounts	23,251	-	-	-	23,251
Accrued interest	48,989	2,051	-	-	51,040
Other	34,847	-	-	82,286	117,133
Prepaid items	387,621	-	-	-	387,621
Due from other governments	841,846	-	-	-	841,846
Due from fiduciary fund	8,493	-	-	-	8,493
Advances to other funds	257,065	-	-	-	257,065
TOTAL ASSETS	\$ 30,451,117	\$ 516,211	\$ 69,819	\$ 2,017,903	\$ 33,055,050
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 669,394	\$ -	\$ 4,868	\$ 118,430	\$ 792,692
Accrued payroll	449,245	-	-	65,960	515,205
Deposits payable	526,277	-	-	-	526,277
Due to other funds	-	670,000	-	-	670,000
Unearned revenue	230,810	-	-	-	230,810
Other payables	3,005,751	-	-	-	3,005,751
TOTAL LIABILITIES	4,881,477	670,000	4,868	184,390	5,740,735
FUND BALANCES					
Nonspendable					
Advances	257,065	-	-	-	257,065
Prepaid items	387,621	-	-	-	387,621
Long-term receivable	840,307	-	-	-	840,307
Restricted					
Metra parking	81,142	-	-	-	81,142
Capital projects	-	-	64,951	-	64,951
Streets and roads	-	-	-	1,270,219	1,270,219
Public safety	75,123	-	-	563,294	638,417
Unassigned (deficit)	23,928,382	(153,789)	-	-	23,774,593
Total fund balances (deficit)	25,569,640	(153,789)	64,951	1,833,513	27,314,315
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,451,117	\$ 516,211	\$ 69,819	\$ 2,017,903	\$ 33,055,050

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

December 31, 2015

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 27,314,315
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	102,313,360
Less amount reported in internal service funds below	(523,025)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
General obligation bonds payable	(21,835,000)
Tax increment revenue note	(1,115,000)
Premium on bonds payable	(325,752)
Compensated absences payable	(931,334)
Other postemployment benefit obligation	(198,750)
Interest payable	(88,100)
Unamortized loss on refunding	670,388
Net pension liability for the is shown as a liability on the statement of net position	
Illinois Municipal Retirement Fund	(5,664,187)
Police Pension Fund	(25,941,064)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position	
Illinois Municipal Retirement Fund	1,685,717
Police Pension Fund	7,182,790
The net position of the Internal Service Fund is included in the governmental activities in the statement of net position	<u>2,743,370</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 85,287,728</u></u>

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2016

	General	Tax Increment	Bond Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,862,751	\$ 1,221,604	\$ -	\$ 309,960	\$ 11,394,315
Intergovernmental	14,165,399	-	-	672,055	14,837,454
Licenses permits, and fees	978,799	-	-	-	978,799
Charges for services	1,002,388	-	-	950,643	1,953,031
Fines and forfeitures	307,387	-	-	-	307,387
Investment income	107,425	616	795	6,800	115,636
Miscellaneous	41,088	-	-	-	41,088
Total revenues	26,465,237	1,222,220	795	1,939,458	29,627,710
EXPENDITURES					
Current					
General government	8,214,056	-	-	-	8,214,056
Public safety	8,717,611	-	-	2,333,358	11,050,969
Streets and roads	4,560,218	-	-	-	4,560,218
Economic development	-	1,488	-	-	1,488
Culture and recreation	287,664	-	-	-	287,664
Capital outlay	638,597	-	5,264,162	1,267,663	7,170,422
Debt service					
Principal retirement	385,000	260,000	-	-	645,000
Interest and fiscal charges	222,374	494,591	51,122	-	768,087
Payment to escrow agent	-	1,478,356	-	-	1,478,356
Total expenditures	23,025,520	2,234,435	5,315,284	3,601,021	34,176,260
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,439,717	(1,012,215)	(5,314,489)	(1,661,563)	(4,548,550)
OTHER FINANCING SOURCES (USES)					
Transfers in	100,000	122,183	-	1,293,200	1,515,383
Transfers (out)	(1,415,383)	-	-	(100,000)	(1,515,383)
Bond proceeds, at par	-	5,255,000	2,005,000	-	7,260,000
Bond premiums	-	136,341	51,310	-	187,651
Payment to escrow agent	-	(5,301,500)	-	-	(5,301,500)
Total other financing sources (uses)	(1,315,383)	212,024	2,056,310	1,193,200	2,146,151
NET CHANGE IN FUND BALANCES	2,124,334	(800,191)	(3,258,179)	(468,363)	(2,402,399)
FUND BALANCES, MAY 1	23,849,071	646,402	3,323,130	2,327,388	30,145,991
Prior period adjustment	(403,765)	-	-	(25,512)	(429,277)
FUND BALANCES, MAY 1, RESTATED	23,445,306	646,402	3,323,130	2,301,876	29,716,714
FUND BALANCES (DEFICIT), APRIL 30	\$ 25,569,640	\$ (153,789)	\$ 64,951	\$ 1,833,513	\$ 27,314,315

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,402,399)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized on the statement of net position and depreciated on the statement of activities	3,966,817
Depreciation expense does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds	(3,697,154)
Governmental funds report bond refundings as expenditures; however, they are capitalized and amortized in the statement of activities	
Proceeds from the issuance of long-term debt	(7,260,000)
Payment to escrow agent	6,779,856
Premium on bonds issued	(187,651)
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	
Compensated absences	502,878
Net other postemployment benefit obligation	(38,489)
Principal repayment	645,000
Change in interest payable	127,329
Amortization of bond premium	17,925
Amortization of the loss on refunding is reported as interest expense on the statement of activities	(54,845)
The change in the net pension liability is reported only in the statement of activities	
Illinois Municipal Retirement Fund	(2,292,195)
Police Pension Fund	(7,616,586)
The change in deferred outflows of resources is reported only in the statement of activities	
Illinois Municipal Retirement Fund	1,468,418
Police Pension Fund	7,182,790
The change in net position of internal service funds is reported in governmental activities	<u>194,022</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,664,284)</u>

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

April 30, 2016

	Business-Type Activities	Governmental Activities
	Golf Course	Internal Service
CURRENT ASSETS		
Cash	\$ -	\$ 1,550,345
Accounts receivable	8,035	-
Prepaid expenses	1,519	-
Inventory	16,379	-
Due from other funds	-	670,000
	25,933	2,220,345
NONCURRENT ASSETS		
Capital assets		
Capital assets not being depreciated	302,282	-
Capital assets being depreciated		
Cost	2,127,467	1,842,737
Accumulated depreciation	(1,972,734)	(1,319,712)
	154,733	523,025
Net capital assets being depreciated		
Net capital assets	457,015	523,025
Total noncurrent assets	457,015	523,025
Total assets	482,948	2,743,370
CURRENT LIABILITIES		
Accounts payable	14,212	-
Unearned revenue	6,633	-
	20,845	-
Total current liabilities		
LONG-TERM LIABILITIES		
Advances from other funds	257,065	-
Total long-term liabilities	257,065	-
Total liabilities	277,910	-
NET POSITION		
Net investment in capital assets	457,015	-
Unrestricted	(251,977)	2,743,370
TOTAL NET POSITION	\$ 205,038	\$ 2,743,370

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended April 30, 2016

	Business-Type Activities	Governmental Activities
	Golf Course	Internal Service
OPERATING REVENUES		
Charges for services	\$ 440,539	\$ 278,217
Total operating revenues	440,539	278,217
OPERATING EXPENSES		
Operations	465,393	55,450
Total operating expenses excluding depreciation	465,393	55,450
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(24,854)	222,767
Depreciation	64,696	68,745
OPERATING INCOME (LOSS)	(89,550)	154,022
NON-OPERATING REVENUES (EXPENSES)		
Interest income	104	-
Interest expense	(85)	-
Gain on sale of capital assets	-	40,000
Total non-operating revenues (expenses)	19	40,000
CHANGE IN NET POSITION	(89,531)	194,022
NET POSITION, MAY 1	294,569	2,549,348
NET POSITION, APRIL 30	\$ 205,038	\$ 2,743,370

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended April 30, 2016

	Business-Type Activities	Governmental Activities
	Golf Course	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 433,037	\$ -
Receipts from internal service transactions	-	278,217
Payments to suppliers	(205,407)	(55,450)
Payments to employees	(253,944)	-
	(26,314)	222,767
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund transactions	26,295	-
	26,295	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest and fiscal charges	(85)	-
	(85)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	-	(129,100)
Interest received	104	-
	104	(129,100)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	93,667
CASH AND CASH EQUIVALENTS, MAY 1	-	1,456,678
CASH AND CASH EQUIVALENTS, APRIL 30	-	\$ 1,550,345
CASH		
Cash and cash equivalents	\$ -	\$ 1,550,345
TOTAL CASH	\$ -	\$ 1,550,345

(This statement is continued on the following page.)

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS**

For the Year Ended April 30, 2016

	Business-Type Activities	Governmental Activities
	Golf Course	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (89,550)	\$ 154,022
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	64,696	68,745
Changes in current assets and liabilities		
Accounts receivable	(8,035)	-
Inventory	2,309	-
Accounts payable	3,733	-
Unearned revenue	533	-
NET CASH FROM OPERATING ACTIVITIES	\$ (26,314)	\$ 222,767

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

April 30, 2016

	Pension Trust	Agency
	Police Pension	Development
ASSETS		
Cash and short-term investments	\$ 1,802,082	\$ 115,367
Investments at fair value		
U.S. Treasury securities	1,655,928	-
U.S. agency securities	630,061	-
Negotiable certificates of deposit	936,805	-
Municipal bonds	1,230,965	-
Corporate bonds	9,731,674	-
Mutual funds	18,062,399	-
Equities	5,586,890	-
	37,834,722	-
Total investments		
Receivables		
Accrued interest	61	-
	61	-
Total receivables		
	39,636,865	\$ 115,367
Total assets		
LIABILITIES		
Accounts payable	-	\$ 87,174
Due to primary government	8,493	-
Deposits payable	-	28,193
	8,493	\$ 115,367
Total liabilities		
NET POSITION RESTRICTED FOR PENSIONS		
	\$ 39,628,372	

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

For the Year Ended April 30, 2016

ADDITIONS

Contributions	
Employer	\$ 1,541,722
Employee	<u>424,846</u>
Total contributions	<u>1,966,568</u>
Investment income	
Net depreciation in fair value of investments	(1,144,763)
Interest	<u>849,425</u>
Total investment income	(295,338)
Less investment expenses	<u>143,805</u>
Net investment income	<u>(439,143)</u>
Total additions	<u>1,527,425</u>

DEDUCTIONS

Benefits and refunds	1,685,984
Administrative expenses	<u>78,032</u>
Total deductions	<u>1,764,016</u>

NET DECREASE (236,591)

**NET POSITION RESTRICTED
FOR PENSIONS**

MAY 1	<u>39,864,963</u>
APRIL 30	<u>\$ 39,628,372</u>

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Vernon Hills, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

a. Reporting Entity

The Village, incorporated in 1958, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include public 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 Village is a municipal corporation governed by an elected president and six-member board. As required by GAAP, these financial statements present the Village (the primary government). The Police Pension Trust Fund has been included as a fiduciary fund due to the fiduciary responsibility exercised over the Police Pension Fund.

b. Fund Accounting

The Village uses funds to report on its financial position and the changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain village functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a village's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust where the interest earnings can be used for governmental services (permanent fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Village (internal service funds). The Village uses internal service funds to account for the equipment replacement activities.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. The Village utilizes pension trust funds to account for the single-employer defined benefit police pension plan. The Village utilizes agency funds to account for assets that the Village holds in a fiduciary capacity or on behalf of others as their agent.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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.

The Bond Construction Fund is used to account for the costs of the project to renovate the Police Station.

The Village reports the following major proprietary fund:

The Golf Course Fund is used to account for the transactions of the Municipal Golf Course.

Additionally, the Village reports the following internal service fund:

The Equipment Replacement Fund is used to account for the accumulation of funds to replace large equipment. Departments are charged for the use of the equipment.

The Village reports the following fiduciary fund:

The Police Pension Fund is used to account for the accumulation of resources to pay pension costs to the Village's police officers.

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except the agency funds which do not have a measurement focus). Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants, contributions, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenue/expenses are incidental to the operations of these funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days except for two revenues collected and remitted by the state, sales and telecommunications taxes, which use a 90-day period. The Village recognizes property taxes when they become both measurable and available in the year intended to finance. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

Those revenues susceptible to accrual are property taxes, franchise fees, utility taxes, licenses, interest revenue, and charges for services. Sales tax and telecommunication tax owed to the state at year end on behalf of the Village are also recognized as revenue. Fines (excluding fines collected by the Cook County Court) and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Village reports unavailable/deferred/unearned revenue on its financial statements. Unavailable/deferred/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unavailable/deferred/unearned revenues also arise when resources are received by the Village before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures.

In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability/deferred inflows of resources is removed from the financial statements and revenue is recognized.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents on the statement of net position are considered to be cash on hand, demand deposits, or 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.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer is reported at a \$1 per share value, which equals the Village's fair value in the pool.

Investments

Investments with a maturity less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. All investments of the pension trust fund are reported at fair value. Fair value has been based on quoted market prices at April 30, 2016 for debt and equity securities and contract values for mutual funds.

f. Property Taxes

Property taxes attach as an enforceable lien on January 1, 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 and September 1. The County collects such taxes and remits them periodically. The Village has not levied a property tax for the current fiscal year, except for property taxes received through tax increment financing.

g. 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.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. 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:

Assets	Years
Land improvements	20-30
Building and improvements	45
Equipment/vehicles	5-30
Infrastructure	10-50

h. 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.

i. Prepays/Inventories

Prepays/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.

j. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the financial statements. Short-term interfund loans, if any, are classified as interfund receivables/payables. Long-term interfund loans are classified as advances to/from other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision-making authority. Formal actions are documented in ordinances approved by the Board of Trustees and can only be modified by subsequent ordinances. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to members of the management team by the Board through the annual budget approval process. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

The Village has established a fund balance target policy for some of its funds. The policy requires that unrestricted fund balances in the General Fund should represent no less than 67% of annual operating and debt service expenditures. The Motor Fuel Tax Fund should have fund balance targeted at a minimum level of 67% of an annual budgeted road program. The Golf Course Fund should have unrestricted net position of no less than three months of operating expenses (excluding debt service and capitalized asset expenses) at the end of the golf season. The Equipment Replacement Fund should have unrestricted net position of appropriate twelve months of fund activity, subject to the discretion of the Board of Trustees and management (excluding debt service and capitalized asset expenses).

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Village considers committed funds to be expended first followed by assigned funds and then unassigned funds.

l. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are governed by the Village's investment policy and separate policies governing the Police Pension Fund as well as Illinois Compiled Status (ILCS).

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.

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 (IMET).

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.

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 OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions

Custodial credit risk for deposits 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 for all deposits, 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 of America 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 April 30, 2016, the entire amount of the bank balance of deposits was covered by collateral, federal depository, or equivalent insurance.

b. Investments

The following table presents the investments and maturities of the Village's debt securities as of April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
IMET	\$ 532,679	\$ -	\$ 532,679	\$ -	\$ -
U.S. agency obligations	6,749,275	1,499,350	5,249,925	-	-
TOTAL	\$ 7,281,954	\$ 1,499,350	\$ 5,782,604	\$ -	\$ -

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 case 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. agency securities 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. agency securities 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 FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are implicitly guaranteed by the United States Government. However, the Village's investment policy does not specifically limit the Village to these types of investments. The U.S. agency obligations are rated AA+ and IMET and Illinois Funds are rated AAA by a national rating agency.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. At April 30, 2016, the Village did not have greater than 5% of its overall portfolio invested in any one investment. This is in accordance with the Village's investment policy, which limits investments as follows: 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 GNMA's. 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. 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.

3. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and land right of way	\$ 4,568,623	\$ -	\$ -	\$ 4,568,623
Construction in progress	461,409	3,499,694	3,961,103	-
Total capital assets not being depreciated	<u>5,030,032</u>	<u>3,499,694</u>	<u>3,961,103</u>	<u>4,568,623</u>
Capital assets being depreciated				
Land improvements	13,636,530	-	-	13,636,530
Buildings and improvements	22,639,674	3,961,103	-	26,600,777
Equipment/vehicles	5,022,906	489,393	110,910	5,401,389
Infrastructure	120,783,454	146,830	-	120,930,284
Total capital assets being depreciated	<u>162,082,564</u>	<u>4,597,326</u>	<u>110,910</u>	<u>166,568,980</u>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
(Continued)				
Less accumulated depreciation for				
Land improvements	\$ 6,507,524	\$ 533,861	\$ -	\$ 7,041,385
Buildings and improvements	7,980,703	550,164	-	8,530,867
Equipment/vehicles	3,782,536	228,189	110,910	3,899,815
Infrastructure	46,898,491	2,453,685	-	49,352,176
Total accumulated depreciation	<u>65,169,254</u>	<u>3,765,899</u>	<u>110,910</u>	<u>68,824,243</u>
Total capital assets being depreciated, net	<u>96,913,310</u>	<u>831,427</u>	<u>-</u>	<u>97,744,737</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 101,943,342</u>	<u>\$ 4,331,121</u>	<u>\$ 3,961,103</u>	<u>\$ 102,313,360</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 302,282	\$ -	\$ -	\$ 302,282
Total capital assets not being depreciated	<u>302,282</u>	<u>-</u>	<u>-</u>	<u>302,282</u>
Capital assets being depreciated				
Land improvements	745,882	-	-	745,882
Buildings and improvements	1,019,002	-	-	1,019,002
Equipment/vehicles	362,583	-	-	362,583
Total capital assets being depreciated	<u>2,127,467</u>	<u>-</u>	<u>-</u>	<u>2,127,467</u>
Less accumulated depreciation for				
Land improvements	678,233	19,631	-	697,864
Buildings and improvements	881,797	30,490	-	912,287
Equipment/vehicles	348,008	14,575	-	362,583
Total accumulated depreciation	<u>1,908,038</u>	<u>64,696</u>	<u>-</u>	<u>1,972,734</u>
Total capital assets being depreciated, net	<u>219,429</u>	<u>(64,696)</u>	<u>-</u>	<u>154,733</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 521,711</u>	<u>\$ (64,696)</u>	<u>\$ -</u>	<u>\$ 457,015</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 773,796
Public safety	328,982
Streets and road	2,594,376
Equipment replacement	<u>68,745</u>
TOTAL DEPRECIATION EXPENSE -	
GOVERNMENTAL ACTIVITIES	<u>\$ 3,765,899</u>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

	Fund Debt Retired By	Balances May 1, Reclassified	Additions	Reductions/ Refundings	Balances April 30	Due Within One Year
\$7,850,000 General Obligation Bonds, Series 2012A due in annual installments of \$300,000 to \$1,000,000 with interest from 2.00% to 2.25%. The last payment is due December 30, 2026.	Tax Increment	\$ 7,850,000	\$ -	\$ -	\$ 7,850,000	\$ 300,000
\$1,625,000 General Obligation Bonds, Series 2012B due in annual installments of \$15,000 to \$155,000 with interest from 2.00% to 2.40%. The last payment is due March 30, 2026.	General	1,480,000	-	115,000	1,365,000	120,000
\$5,630,000 General Obligation Bonds, Series 2014 due in annual installments of \$195,000 to \$820,000 with interest from 2.00% to 3.50%. The last payment is due March 30, 2034.	General (Police Station)	3,520,000	-	130,000	3,390,000	155,000
	General (Communication Center)	1,115,000	-	140,000	975,000	155,000
	Tax Increment	995,000	-	-	995,000	-
\$2,005,000 General Obligation Bonds, Series 2015A due in annual installments of \$80,000 to \$150,000 with interest from 2.00% to 3.25%. The last payment is due March 30, 2034.	General	-	2,005,000	-	2,005,000	110,000
\$5,255,000 General Obligation Refunding Bonds, Series 2015B due in annual installments of \$440,000 to \$575,000 with interest from 2.00% to 2.50%. The last payment is due December 30, 2026.	Tax Increment	-	5,255,000	-	5,255,000	575,000
TOTAL		\$ 14,960,000	\$ 7,260,000	\$ 385,000	\$ 21,835,000	\$ 1,415,000

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

b. 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 Village. Alternate revenue source bonds currently outstanding are as follows:

	Fund Debt Retired By	Balances May 1, Reclassified	Additions	Reductions/ Refundings	Balances April 30	Due Within One Year
\$3,790,000 Alternate Revenue Refunding Bonds, Series 2005 due in annual installments of \$15,000 to \$390,000 with interest from 3.000% to 4.125%. The last payment is due March 30, 2021.	General	\$ 1,115,000	\$ -	\$ -	\$ 1,115,000	\$ -
TOTAL		\$ 1,115,000	\$ -	\$ -	\$ 1,115,000	\$ -

c. 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:

	Fund Debt Retired By	Balances May 1, Reclassified	Additions	Reductions/ Refundings	Balances April 30	Due Within One Year
\$7,000,000 Senior Lien Tax Increment Revenue Bonds, Series 2007 due in annual installments of \$90,000 to \$1,375,000 with interest from 5.50% to 6.25%. The last payment is due December 30, 2026.	Tax Increment	\$ 6,715,000	\$ -	\$ 6,715,000	\$ -	\$ -
TOTAL		\$ 6,715,000	\$ -	\$ 6,715,000	\$ -	\$ -

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

d. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 1,415,000	\$ 525,273	\$ 1,940,273
2018	1,470,000	459,177	1,929,177
2019	1,630,000	429,776	2,059,776
2020	1,715,000	397,177	2,112,177
2021	1,755,000	362,875	2,117,875
2022	1,825,000	327,776	2,152,776
2023	1,875,000	291,276	2,166,276
2024	1,920,000	252,953	2,172,953
2025	1,895,000	210,515	2,105,515
2026	2,140,000	168,562	2,308,562
2027	2,010,000	117,563	2,127,563
2028	285,000	68,400	353,400
2029	290,000	59,850	349,850
2030	305,000	51,150	356,150
2031	310,000	42,000	352,000
2032	320,000	32,700	352,700
2033	335,000	23,100	358,100
2034	340,000	11,638	351,638
TOTAL	\$ 21,835,000	\$ 3,831,761	\$ 25,666,761

Fiscal Year	Governmental Activities		
	Alternate Revenue Bonds		
	Principal	Interest	Total
2017	\$ -	\$ 45,905	\$ 45,905
2018	-	45,905	45,905
2019	355,000	45,905	400,905
2020	370,000	31,350	401,350
2021	390,000	16,087	406,087
TOTAL	\$ 1,115,000	\$ 185,152	\$ 1,300,152

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

e. Changes in Long-Term Liabilities

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

	Balances May 1, Restated	Additions	Reductions	Balances April 30	Current Portion
General obligation bonds	\$ 14,960,000	\$ 7,260,000	\$ 385,000	\$ 21,835,000	\$ 1,415,000
Alternate revenue bonds	1,115,000	-	-	1,115,000	-
TIF revenue bonds/notes**	6,715,000	-	6,715,000	-	-
Compensated absences payable*	1,434,212	186,267	689,145	931,334	186,267
Net pension liability - IMRF*	3,371,992	2,292,195	-	5,664,187	-
Net pension liability - Police* Pension	18,324,478	7,616,586	-	25,941,064	-
Net other postemployment benefit obligations*	160,261	38,489	-	198,750	-
Unamortized bond premium	156,025	187,652	17,925	325,752	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 46,236,968	\$ 17,581,189	\$ 7,807,070	\$ 56,011,087	\$ 1,601,267

* The General Fund has typically been used in prior years to liquidate the compensated absences payable, net other postemployment benefit obligations, and net pension liability.

** The General Fund and Tax Increment Fund have typically been used in prior years to make payments on the alternate revenue bonds.

As discussed in Note 11, beginning balances were restated to record the opening net pension liability amounts for the Illinois Municipal Retirement Fund and the Police Pension Fund for the implementation of GASB Statement No. 68.

f. Pledged Revenues

The Village issued the Series 2005 General Obligation Refunding Bonds (Alternate Revenue Source), payable from a pledge of the Village's sales and use taxes, to advance refund a portion of the Village's General Obligation Bonds, (Alternate Revenue Source), Series 2001, and are being repaid by the General Fund. The remaining pledge of sales and use taxes is displayed in Note 4d, debt service requirements to maturity, with the pledge expiring March 30, 2021, when the bonds are paid off. During the current fiscal year, the pledged revenue of sales and use taxes of \$45,905 was approximately .26% of the pledged debt service.

4. LONG-TERM DEBT (Continued)

g. Refunding

On November 5, 2015, the Village issued \$5,255,000 General Obligation Refunding Bonds, Series 2015B to advance refund the Senior Lien Tax Increment Revenue Bonds, Series 2007. The proceeds of the bonds related to the advance refunding were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The defeased bonds of \$6,455,000 were called on December 30, 2015. Through the refunding transaction the Village achieved a cash flow savings of \$1,780,820 and an economic gain of \$1,393,244.

5. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; efforts and omissions; natural disasters; and injuries to the Village's employees. 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.

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 Cooperation 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 IMLRMA.

6. CONTINGENT LIABILITIES

a. 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.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CONTINGENT LIABILITIES (Continued)

b. 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.

c. Economic Incentive

The Village has entered into economic development agreements with companies in the Village to provide sales tax rebates. The agreements require the Village to rebate to the companies different levels of additional sales tax generated by the facilities through the fiscal year 2045, with potential remaining rebates totaling \$31,010,205. The total rebate expenditures incurred to date since inception on these rebates as of April 30, 2016 is \$56,904,470. The Village incurred sales tax rebate expense of \$4,263,070 for the fiscal year ended April 30, 2016.

7. LOAN RECEIVABLE

During the fiscal year ended April 30, 2013, the Village entered into an intergovernmental agreement with the Vernon Hills Park District (the Park District) to arrange for the purchase of a YMCA athletic and recreational facility. The Village agreed to provide the required funding for the Park District's purchase of the property which included earnest money of \$100,000 for the contract payable with the Park District's tender of the purchase agreement as well as \$1,925,000 at closing. As such, a loan receivable due from the Park District to the Village was established, and was to be paid in installments of \$202,500 commencing December 31, 2016 and ending December 31, 2025. On March 3, 2013, the agreement was amended whereby the Park District impact fee payments received in 2014 and 2015 from the Oaks Development Project would be applied to the principal amount of the loan balance, and all or any portion of the Park District impact fees from other developments during the years of 2014 through 2018 may be applied to the loan balance, and that the commencement of the scheduled loan payments would begin in 2019. The loan receivable balance as of April 30, 2016 was \$840,307 and was included as part of due from other governments.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LOAN RECEIVABLE (Continued)

Principal maturities of this note receivable for future periods are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2017	\$ -
2018	-
2019	28,010
2020	84,031
2021	84,031
2022-2026	420,153
2027-2031	224,082
TOTAL	<u>\$ 840,307</u>

8. INDIVIDUAL FUND DISCLOSURES

a. Interfund Receivables/Payables

Individual fund interfund receivables/payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fiduciary	\$ 8,493
Internal Service	Tax Increment	670,000
TOTAL		<u>\$ 678,493</u>

The purposes of the significant interfund receivable/payables to other funds are as follows:

- \$670,000 due from the Tax Increment Fund to the Internal Service Fund is to fund development and/or debt expenditures. The Village will pay this back at the end of the TIF if sufficient funds are available.

b. Long-Term Advances

Individual fund long-term advances are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Golf Course	\$ 257,065
TOTAL		<u>\$ 257,065</u>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Long-Term Advances (Continued)

The purposes of the significant long-term advances are as follows:

- \$257,065 advanced to the Golf Course Fund from the General Fund is for operating deficits and a golf cart and well loan. Repayment is not expected within one year.

c. Transfers In/Out

Individual fund transfers are as follows:

	Transfers In	Transfers Out
General	\$ 100,000	\$ 1,415,383
Tax Increment	122,183	-
Nonmajor Governmental	1,293,200	100,000
TOTAL	\$ 1,515,383	\$ 1,515,383

The purposes of the significant transfers are as follows:

- \$100,000 transferred from a Nonmajor Governmental Funds to the General Fund is to close the Nonmajor Governmental Fund.
- \$122,183 transferred from the Tax Increment Fund to the General Fund is to provide a 10% revenue match that is required by TIF statute for communities that do not levy a property tax. This amount will not be repaid.
- \$1,293,200 transferred from the General Fund to a Nonmajor Governmental Fund is to fund operations as E911 and dispatch service revenues are not sufficient to cover dispatch operations. This amount will not be repaid.

d. Deficit Fund Balances

The following funds reported deficit fund balances at April 30, 2016:

Fund	Deficit Fund Balance
Tax Increment Fund	\$ 153,789

9. EMPLOYEE RETIREMENT SYSTEMS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; and the Police Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by ILCS and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or www.imrf.org.

a. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Membership

At December 31, 2015 (most recent information available), IMRF and membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>67</u>
 TOTAL	 <u><u>152</u></u>

Benefits Provided

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. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for the calendar year ended December 31, 2015 was 11.69% of covered payroll.

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.47%
Cost of living adjustments	3.00%
Asset valuation method	Market value

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2041 (base year 2014). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Discount Rate

The discount rate used to measure the IMRF total pension liability was 7.47%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Village's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.47% used to determine the total pension liability.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Change in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 26,525,957	\$ 23,153,965	\$ 3,371,992
Changes for the period			
Service cost	569,084	-	569,084
Interest	1,977,263	-	1,977,263
Difference between expected and actual experience	165,305	-	165,305
Changes in assumptions	74,515	-	74,515
Employer contributions	-	638,252	(638,252)
Employee contributions	-	247,974	(247,974)
Net investment income	-	115,926	(115,926)
Benefit payments and refunds	(823,589)	(823,589)	-
Other (net transfer)	-	(508,180)	508,180
Net changes	1,962,578	(329,617)	2,292,195
BALANCES AT DECEMBER 31, 2015	\$ 28,488,535	\$ 22,824,348	\$ 5,664,187

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2016, the Village recognized pension expense of \$1,489,312.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

At April 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 134,004	\$ -
Changes in assumption	60,405	-
Contributions made after measurement date	1,283,131	-
Net difference between projected and actual earnings on pension plan investments	208,177	-
TOTAL	<u><u>\$ 1,685,717</u></u>	<u><u>\$ -</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized as pension expense as follows:

<u>Year Ending April 30,</u>	
2017	\$ 574,371
2018	366,194
2019	366,194
2020	366,193
2021	12,765
Thereafter	-
TOTAL	<u><u>\$ 1,685,717</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.47% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47%) or 1 percentage point higher (8.47%) than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net pension liability	\$ 9,732,547	\$ 5,664,187	\$ 2,346,933

Police Pension Plan

Plan Administration

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by ILCS (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

Plan Membership

At April 30, 2016, the Police Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	23
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	43
TOTAL	66

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired as a police officer prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half 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 annual benefit 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. Employees with at least eight years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer 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.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit 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. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding calendar year.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Contributions

Employees are required by ILCS 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 and the administrative costs as actuarially determined by an enrolled actuary. The Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the Village has adopted a pension funding policy that funds 100% of the past service cost on a closed basis by the year 2040. For the year ended April 30, 2016, the Village's contribution was 36.36% of covered payroll.

Investment Policy

ILCS limits the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, the Illinois Public Treasurer's Illinois Funds, money market accounts that invest in United States Government securities, obligations of the U.S. Treasury and U.S. agencies, federally insured certificates of deposit, guaranteed investment contracts, funds managed, operated, and administered by banks that invest in securities that are obligations of the United States Government, interest bearing bonds or tax anticipation warrants of the State of Illinois, or any count, township, or municipal corporation of the State of Illinois, and corporate bonds. The investment policy was not changed during the year.

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
US. Fixed Income	36.00%	2.70%
High Yield	1.60%	6.50%
U.S. Large Cap Growth Equity	15.40%	8.00%
U.S. Large Cap Value Equity	15.40%	7.70%
U.S. Mid Cap Growth Equity	2.30%	9.00%
U.S. Mid Cap Value Equity	4.10%	8.30%

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Plan Administration (Continued)

Police Pension Plan (Continued)

Investment Policy (Continued)

Asset Class	Target	Long-Term Expected Real Rate of Return
U.S. Small Cap Growth Equity	2.20%	9.90%
U.S. Small Cap Value Equity	1.10%	9.00%
Europe Equity	7.10%	7.50%
Japan Equity	2.00%	7.40%
Emerging Markets Equity	2.20%	9.50%
Real Estate Investment Trusts	2.40%	7.00%
Infrastructure	2.70%	6.20%
Equity Return Assets	1.30%	4.70%

ILCS limits the Fund's investments in equities, mutual funds, and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in March 2016 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2016 are listed in the table above.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities, mutual funds, and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Concentrations

There were no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments, except for four mutual funds that represented 9%, 6%, 6%, and 5% of the Fund's investments at April 30, 2016.

Investment Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.07%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury securities	\$ 1,655,928	\$ -	\$ 775,469	\$ 730,392	\$ 150,067
U.S. agency securities	630,061	32	218,183	405,493	6,353
Negotiable certificates of deposit	936,805	-	723,051	213,754	-
Municipal bonds	1,230,965	-	276,316	954,649	-
Corporate bonds	9,731,674	441,852	3,946,491	4,645,097	698,234
TOTAL	\$ 14,185,433	\$ 441,884	\$ 5,939,510	\$ 6,949,385	\$ 854,654

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and requiring that municipal and corporate bonds must be rated as investment grade by one of the two largest rating services at the time of purchase. The U.S. Treasury securities were rated Aaa, the U.S. agency securities were rated Aaa to Aa3, the municipal bonds were rated Aa1 to A2 and the corporate bonds were rated Aaa to Baa3 by Moody's.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay
Remaining amortization period	25 years
Assumptions	
Inflation	2.50%
Salary increases	4.75%
Investment rate of return	6.00%
Retirement age	50 to 57
Asset valuation method	Market value

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the April 30, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Changes in assumptions related to mortality were made since the prior measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 6% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5%) or 1 percentage point higher (7%) than the current rate:

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
Net pension liability	\$ 36,420,581	\$ 25,941,064	\$ 17,494,547

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT MAY 1, 2015	\$ 58,189,441	\$ 39,864,963	\$ 18,324,478
Changes for the period			
Service cost	1,279,519	-	1,279,519
Interest	3,440,787	-	3,440,787
Difference between expected and actual experience	(99,578)	-	(99,578)
Changes in assumptions	4,445,251	-	4,445,251
Employer contributions	-	1,541,722	(1,541,722)
Employee contributions	-	424,846	(424,846)
Net investment income	-	(439,143)	439,143
Benefit payments and refunds	(1,685,984)	(1,685,984)	-
Administrative expense	-	(78,032)	78,032
Net changes	7,379,995	(236,591)	7,616,586
BALANCES AT APRIL 30, 2016	\$ 65,569,436	\$ 39,628,372	\$ 25,941,064

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2016, the Village recognized pension expense of \$1,975,518. At April 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 99,578
Changes in assumption	4,445,251	-
Net difference between projected and actual earnings on pension plan investments	2,837,117	-
TOTAL	\$ 7,282,368	\$ 99,578

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Fund will be recognized in pension expense as follows:

<u>Year Ending April 30,</u>	
2017	\$ 1,627,344
2018	1,627,344
2019	1,627,344
2020	1,627,344
2021	673,414
TOTAL	\$ 7,182,790

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and any employer contributions are governed by ILCS and by the Village. 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 and governmental activities.

b. Benefits Provided

The Village provides postemployment 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 or meet COBRA requirements.

All health care benefits are provided through the Village's third party indemnity health 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. Eligibility in village sponsored health care plans may be continued at a separate premium upon eligibility for federally sponsored health care benefits.

c. Membership

At April 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	-
Active vested employees	11
Active nonvested employees	86
	<hr/>
TOTAL	119
	<hr/> <hr/>
Participating employers	1
	<hr/> <hr/>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

The Village provides the contribution percentages between the Village and employees through the union contracts and personnel policy. All retirees contribute 100% of the premium to the plan to cover the cost of providing the benefits to the retirees via the plan (pay as you go) which results in an implicit subsidy to the Village as defined by GASB Statement No. 45. For the fiscal year ended April 30, 2016, the Village contributed \$96,799. The Village is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 210,871	\$ 149,016	70.67%	\$ 137,107
2015	127,800	104,646	81.88%	160,261
2016	197,669	159,180	80.53%	198,750

The net OPEB obligation (NOPEBO) as of April 30, 2016 was calculated as follows:

Annual required contribution	\$ 196,601
Interest on net OPEB obligation	6,410
Adjustment to annual required contribution	<u>(5,342)</u>
Annual OPEB cost	197,669
Contributions made	<u>159,180</u>
Increase in net OPEB obligation	38,489
Net OPEB obligation, beginning of year	<u>160,261</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 198,750</u>

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Funded Status and Funding Progress. The funded status of the plan as of April 30, 2016 was as follows:

Actuarial accrued liability (AAL)	\$ 3,235,469
Actuarial value of plan position	-
Unfunded actuarial accrued liability (UAAL)	3,235,469
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 8,317,352
UAAL as a percentage of covered payroll	38.90%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required 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 financial statements, presents multi-year 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.

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, 2016 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), 4% salary increase, an initial annual healthcare cost trend rate of 7% with an ultimate rate of 5%, which includes a 3% inflation assumption. The actuarial value of assets was not determined as the Village has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll on an open 30-year basis.

VILLAGE OF VERNON HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

11. CHANGE IN ACCOUNTING PRINCIPLE

	<u>Increase (Decrease)</u>
CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	
Change in accounting principle	
To write-off the police pension plan net pension asset	\$ (193,372)
To record the deferred outflow for IMRF contributions outside the measurement period	217,299
To record the Police Pension Plan net pension liability	(18,324,478)
To record the IMRF net pension liability	<u>(3,371,992)</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	<u>\$ (21,672,543)</u>

With the implementation of GASB Statement Nos. 68 and 71, the Village is required to retroactively record the net pension liability, the deferred outflow for contributions made outside the measurement date and write off the net pension asset.

12. PRIOR PERIOD ADJUSTMENT

Fund balance in the General Fund was increased at May 1, 2015 by \$403,765 in order to correct recognition of sales tax and local use tax revenues. Fund balance in the Dispatch Center Fund was decreased at May 1, 2015 by \$25,512 in order to correct recognition of 911 surcharge revenue. Net position in the governmental activities was increased at May 1, 2015 by \$244,351 in order to correct recognition of the unamortized bond premiums and unamortized loss on refundings on prior bond issuances. Net position of the Governmental Activities was decreased by \$1,009,837 in order to correct revenue recognition. Overall governmental activities' net position was decreased by \$1,194,763 as a result of these prior period adjustments.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 8,693,082	\$ 8,888,082	\$ 9,862,751
Intergovernmental	10,047,000	10,047,000	14,165,399
Licenses, permits, and fees	783,350	838,350	978,799
Charges for services	1,103,383	1,188,883	1,002,388
Fines and forfeitures	399,000	399,000	307,387
Investment income	319,200	319,200	107,425
Miscellaneous	51,000	119,170	41,088
	<hr/>	<hr/>	<hr/>
Total revenues	21,396,015	21,799,685	26,465,237
EXPENDITURES			
Current			
General government	4,126,455	4,320,600	8,214,056
Public safety	9,186,213	9,196,942	8,717,611
Streets and roads	5,280,310	5,377,169	4,560,218
Culture and recreation	269,090	304,657	287,664
Capital outlay	824,451	2,607,199	638,597
Debt service			
Principal retirement	255,000	385,000	385,000
Interest and fiscal charges	109,659	221,629	222,374
	<hr/>	<hr/>	<hr/>
Total expenditures	20,051,178	22,413,196	23,025,520
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<hr/>	<hr/>	<hr/>
	1,344,837	(613,511)	3,439,717
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	100,000
Transfers (out)	(1,418,700)	(1,415,400)	(1,415,383)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,418,700)	(1,415,400)	(1,315,383)
NET CHANGE IN FUND BALANCES	<hr/>	<hr/>	<hr/>
	\$ (73,863)	\$ (2,028,911)	2,124,334
FUND BALANCES, MAY 1			23,849,071
Prior period adjustment			<hr/> (403,765)
FUND BALANCES, MAY 1, RESTATED			<hr/> 23,445,306
FUND BALANCES, APRIL 30			<hr/> <u>\$ 25,569,640</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 1,255,000	\$ 1,255,000	\$ 1,221,604
Interest	-	-	616
Total revenues	<u>1,255,000</u>	<u>1,255,000</u>	<u>1,222,220</u>
EXPENDITURES			
Economic development			
Contractual services	1,800	1,800	1,488
Debt Service			
Principal retirement	260,000	260,000	260,000
Interest and fiscal charges	809,411	809,411	494,591
Payment to escrow agent	-	1,464,215	1,478,356
Total expenditures	<u>1,071,211</u>	<u>2,535,426</u>	<u>2,234,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>183,789</u>	<u>(1,280,426)</u>	<u>(1,012,215)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	125,500	125,500	122,183
Bond proceeds, at par	-	-	5,255,000
Bond premiums	-	125,500	136,341
Payment to escrow agent	-	(5,250,785)	(5,301,500)
Total other financing sources (uses)	<u>125,500</u>	<u>(4,999,785)</u>	<u>212,024</u>
CHANGE IN FUND BALANCE	<u>\$ 309,289</u>	<u>\$ (6,280,211)</u>	<u>(800,191)</u>
FUND BALANCE, MAY 1			<u>646,402</u>
FUND BALANCE (DEFICIT), APRIL 30			<u><u>\$ (153,789)</u></u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

April 30, 2016

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	\$ -	\$ 2,354,030	0.00%	\$ 2,354,030	\$ 8,153,057	28.87%
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	-	2,495,272	0.00%	2,495,272	10,403,109	23.99%
2016	-	3,235,469	0.00%	3,235,469	8,317,352	38.90%

N/A - information not available

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

	<u>2016</u>
Actuarially determined contribution	\$ 665,535
Contributions in relation to the actuarially determined contribution	<u>665,535</u>
CONTRIBUTION DEFICIENCY (Excess)	<u><u>\$ -</u></u>
Covered-employee payroll	5,546,865
Contributions as a percentage of covered-employee payroll	12.00%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 29 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually, and postretirement benefit increases of 3.0% compounded annually.

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND**

Last Seven Fiscal Years

	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	\$ 1,042,676	\$ 1,172,743	\$ 1,235,724	\$ 1,175,962	\$ 1,291,079	\$ 1,431,746	\$ 1,541,713
Contribution in relation to the actuarially determined contribution	1,082,676	1,173,015	1,235,740	1,176,050	1,291,118	1,433,326	1,541,722
CONTRIBUTION DEFICIENCY (Excess)	\$ (40,000)	\$ (272)	\$ (16)	\$ (88)	\$ (39)	\$ (1,580)	\$ (9)
Covered-employee payroll	\$ 3,930,392	\$ 3,841,881	\$ 3,896,995	\$ 3,939,001	\$ 4,150,950	\$ 4,113,314	\$ 4,240,142
Contributions as a percentage of covered-employee payroll	27.55%	30.53%	31.71%	29.86%	31.10%	34.85%	36.36%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of May 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 25 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 6.00% annually, projected salary increase assumption of 4.75% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

April 30, 2016

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 29,280	\$ 39,322	74.46%
2012	29,280	36,742	79.69%
2013	93,135	131,481	70.84%
2014	149,016	210,370	70.84%
2015	104,646	147,732	70.84%
2016	159,180	196,601	80.97%

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

	<u>2016</u>
TOTAL PENSION LIABILITY	
Service cost	\$ 569,084
Interest	1,977,263
Changes of benefit terms	-
Differences between expected and actual experience	165,305
Changes of assumptions	74,515
Benefit payments, including refunds of member contributions	<u>(823,589)</u>
Net change in total pension liability	1,962,578
Total pension liability - beginning	<u>26,525,957</u>
TOTAL PENSION LIABILITY - ENDING	<u><u>\$ 28,488,535</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 638,252
Contributions - member	247,974
Net investment income	115,926
Benefit payments, including refunds of member contributions	(823,589)
Other (net transfer)	<u>(508,180)</u>
Net change in plan fiduciary net position	(329,617)
Plan fiduciary net position - beginning	<u>23,153,965</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u><u>\$ 22,824,348</u></u>
EMPLOYER'S NET PENSION LIABILITY	<u><u>\$ 5,664,187</u></u>
Plan fiduciary net position as a percentage of the total pension liability	80.1%
Covered-employee payroll	\$ 5,546,865
Employer's net pension liability as a percentage of covered-employee payroll	102.1%

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

April 30, 2016

	2016	2015
TOTAL PENSION LIABILITY		
Service cost	\$ 1,279,519	\$ 1,225,860
Interest	3,440,787	3,075,506
Changes of benefit terms	-	-
Differences between expected and actual experience	(99,578)	47,689
Changes in mortality assumptions	4,445,251	3,339,164
Benefit payments, including refunds of member contributions	(1,685,984)	(1,514,416)
	7,379,995	6,173,803
Net change in total pension liability		
Total pension liability - beginning	58,189,441	52,015,638
	TOTAL PENSION LIABILITY - ENDING	\$ 58,189,441
	\$ 65,569,436	\$ 58,189,441
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 1,541,722	\$ 1,433,326
Contributions - member	424,846	424,420
Net investment income	(439,143)	2,597,567
Benefit payments, including refunds of member contributions	(1,685,984)	(1,514,416)
Administrative expense	(78,032)	(73,458)
	(236,591)	2,867,439
Net change in plan fiduciary net position		
Plan fiduciary net position - beginning	39,864,963	36,997,524
	PLAN FIDUCIARY NET POSITION - ENDING	\$ 39,864,963
	\$ 39,628,372	\$ 39,864,963
EMPLOYER'S NET PENSION LIABILITY	\$ 25,941,064	\$ 18,324,478
Plan fiduciary net position		
as a percentage of the total pension liability	60.4%	68.5%
Covered-employee payroll	\$ 4,240,142	\$ 4,113,314
Employer's net pension liability		
as a percentage of covered-employee payroll	611.8%	445.5%

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND**

April 30, 2016

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	(1.07%)	6.90%

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2016

1. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted (at the fund level) for the General, Special Revenue, Capital Projects, Golf Course (Enterprise), Equipment Replacement (Internal Service) Funds, except for the VHAC site development fund. The annual appropriated budget for the Golf Course Fund is set at the overall expenditure level. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

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 from, 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.

2. INDIVIDUAL FUND DISCLOSURES

The following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>
General	\$ 22,413,196	\$ 22,977,035

**COMBINING AND INDIVIDUAL FINANCIAL FUND
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund.

TAX INCREMENT FUND

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.

BOND CONSTRUCTION FUND

The Bond Construction Fund is used to account for the costs of the project to renovate the Police Station.

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING BALANCE SHEET - BY SUBFUND
GENERAL FUND

For the Year Ended April 30, 2016

	General	Summer Celebration	Metra Parking	DUI	Drug Forfeiture	Capital	Eliminations	Total
ASSETS								
Cash and investments	\$ 28,881,092	\$ (31,983)	\$ 83,562	\$ 51,083	\$ 24,040	\$ (5,172,083)	\$ -	\$ 23,835,711
Receivables								
Taxes	5,013,294	-	-	-	-	-	-	5,013,294
Accounts	23,251	-	-	-	-	-	-	23,251
Accrued interest	48,989	-	-	-	-	-	-	48,989
Other	34,847	-	-	-	-	-	-	34,847
Prepaid items	373,371	14,250	-	-	-	-	-	387,621
Due from other governments	841,846	-	-	-	-	-	-	841,846
Due from fiduciary fund	8,493	-	-	-	-	-	-	8,493
Advances to other funds	257,065	-	-	-	-	-	-	257,065
TOTAL ASSETS	\$ 35,482,248	\$ (17,733)	\$ 83,562	\$ 51,083	\$ 24,040	\$ (5,172,083)	\$ -	\$ 30,451,117
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 633,671	\$ 4,266	\$ 2,420	\$ -	\$ -	\$ 29,037	\$ -	\$ 669,394
Accrued payroll	449,245	-	-	-	-	-	-	449,245
Deposits payable	526,277	-	-	-	-	-	-	526,277
Unearned revenue	230,810	-	-	-	-	-	-	230,810
Other payables	3,005,751	-	-	-	-	-	-	3,005,751
Total liabilities	4,845,754	4,266	2,420	-	-	29,037	-	4,881,477
FUND BALANCES								
Nonspendable								
Advances	257,065	-	-	-	-	-	-	257,065
Prepaid items	373,371	14,250	-	-	-	-	-	387,621
Long-term receivable	840,307	-	-	-	-	-	-	840,307
Restricted								
Metra parking	-	-	81,142	-	-	-	-	81,142
Public safety	-	-	-	51,083	24,040	-	-	75,123
Unassigned (deficit)	29,165,751	(36,249)	-	-	-	(5,201,120)	-	23,928,382
Total fund balances (deficit)	30,636,494	(21,999)	81,142	51,083	24,040	(5,201,120)	-	25,569,640
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,482,248	\$ (17,733)	\$ 83,562	\$ 51,083	\$ 24,040	\$ (5,172,083)	\$ -	\$ 30,451,117

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BY SUBFUND
GENERAL FUND

For the Year Ended April 30, 2016

	General	Summer Celebration	Metra Parking	DUI	Drug Forfeiture	Capital	Eliminations	Total
REVENUES								
Taxes	\$ 9,650,345	\$ -	\$ -	\$ -	\$ -	\$ 212,406	\$ -	\$ 9,862,751
Intergovernmental	14,017,659	-	-	-	-	147,740	-	14,165,399
Licenses, permits, and fees	978,799	-	-	-	-	-	-	978,799
Charges for services	774,622	123,938	103,828	-	-	-	-	1,002,388
Fines and forfeitures	307,387	-	-	-	-	-	-	307,387
Investment income	107,362	63	-	-	-	-	-	107,425
Miscellaneous	39,430	-	-	-	1,658	-	-	41,088
Total revenues	25,875,604	124,001	103,828	-	1,658	360,146	-	26,465,237
EXPENDITURES								
Current								
General government	8,214,056	-	-	-	-	-	-	8,214,056
Public safety	8,717,611	-	-	-	-	-	-	8,717,611
Streets and roads	4,501,640	-	58,578	-	-	-	-	4,560,218
Culture and recreation	127,588	160,076	-	-	-	-	-	287,664
Capital outlay	-	-	-	-	21,273	617,324	-	638,597
Debt service								
Principal retirement	385,000	-	-	-	-	-	-	385,000
Interest and fiscal charges	222,374	-	-	-	-	-	-	222,374
Total expenditures	22,168,269	160,076	58,578	-	21,273	617,324	-	23,025,520
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,707,335	(36,075)	45,250	-	(19,615)	(257,178)	-	3,439,717

(This schedule is continued on the following page.)

	General	Summer Celebration	Metra Parking	DUI	Drug Forfeiture	Capital	Eliminations	Total
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Transfers (out)	(1,415,383)	-	-	-	-	-	-	(1,415,383)
Total other financing sources (uses)	(1,315,383)	-	-	-	-	-	-	(1,315,383)
NET CHANGE IN FUND BALANCES	2,391,952	(36,075)	45,250	-	(19,615)	(257,178)	-	2,124,334
FUND BALANCES, MAY 1	28,648,307	14,076	35,892	51,083	43,655	(4,943,942)	-	23,849,071
Prior period adjustment	(403,765)	-	-	-	-	-	-	(403,765)
FUND BALANCES, MAY 1, RESTATED	28,244,542	14,076	35,892	51,083	43,655	(4,943,942)	-	23,445,306
FUND BALANCES, APRIL 30	\$ 30,636,494	\$ (21,999)	\$ 81,142	\$ 51,083	\$ 24,040	\$ (5,201,120)	\$ -	\$ 25,569,640

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Utility tax	\$ 1,400,000	\$ 1,400,000	\$ 1,334,151
Telecommunication tax	955,000	1,150,000	1,190,196
State income tax	2,486,187	2,486,187	2,676,354
Home rule sales tax	2,460,000	2,460,000	3,197,930
Other taxes	791,192	791,192	871,620
Hotel/motel taxes	398,000	398,000	380,093
Road and bridge tax	202,703	202,703	212,406
Intergovernmental			
Sales tax	10,033,000	10,033,000	14,006,145
Grants	14,000	14,000	159,254
Licenses, permits, and fees	783,350	838,350	978,799
Charges for services			
Fees and charges for services	949,033	1,034,533	878,151
Event fees and charges for services	-	-	300
Summer celebration fees	154,350	154,350	123,938
Fines and forfeitures	399,000	399,000	307,387
Investment income	319,200	319,200	107,425
Miscellaneous	51,000	119,170	41,088
TOTAL REVENUES	\$ 21,396,015	\$ 21,799,685	\$ 26,465,237

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
EXPENDITURES			
General government			
Administration			
Personal services	\$ 1,040,532	\$ 1,066,532	\$ 1,081,740
Contractual services	1,170,696	1,089,982	5,260,019
Commodities	36,650	30,533	16,107
Equipment	32,245	32,245	21,954
Total administration	2,280,123	2,219,292	6,379,820
Judiciary			
Contractual services	507,500	717,258	616,090
Total judiciary	507,500	717,258	616,090
President/trustee			
Personal services	54,862	54,862	54,902
Contractual services	20,875	20,875	13,111
Commodities	3,150	3,150	795
Total president/trustee	78,887	78,887	68,808
Community development			
Personal services	910,598	910,598	838,745
Contractual services	46,189	46,893	38,154
Commodities	16,800	15,061	7,197
Equipment	20,081	21,116	20,796
Total community development	993,668	993,668	904,892
Committees			
Personal services	3,200	3,200	651
Contractual services	19,375	19,375	7,530
Commodities	7,100	7,100	4,825
Equipment	1,200	1,200	156
Total committees	30,875	30,875	13,162
Resident direct benefit			
Contractual services	139,050	139,050	101,589
Commodities	63,350	63,568	41,613
Total resident direct benefit	202,400	202,618	143,202

(This schedule is continued on the following pages.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
EXPENDITURES (Continued)			
General government (Continued)			
General Purpose			
Personal services	\$ 33,002	\$ 33,002	\$ 42,017
Contractual services	-	45,000	46,065
Total general purpose	33,002	78,002	88,082
Total general government	4,126,455	4,320,600	8,214,056
Public safety			
Police department			
Personal services	8,470,020	8,464,020	8,224,348
Contractual services	302,180	305,833	245,086
Commodities	213,723	222,527	186,799
Equipment	189,440	192,311	52,352
Total police department	9,175,363	9,184,691	8,708,585
Fire and police commission			
Personal services	500	500	-
Contractual services	10,150	11,551	9,026
Commodities	200	200	-
Total fire and police commission	10,850	12,251	9,026
Total public safety	9,186,213	9,196,942	8,717,611
Streets and roads			
Public works			
Personal services	2,722,388	2,722,388	2,568,538
Contractual services	1,287,246	1,359,110	991,745
Commodities	944,390	953,302	658,082
Equipment	273,986	282,386	283,275
Total public works	5,228,010	5,317,186	4,501,640
Metra parking			
Contractual services	52,300	54,141	56,483
Commodities	-	5,842	2,095
Total metra parking	52,300	59,983	58,578
Total streets and roads	5,280,310	5,377,169	4,560,218

(This schedule is continued on the following page.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
EXPENDITURES (Continued)			
Culture and recreation			
Events			
Contractual services	\$ 85,395	\$ 87,363	\$ 84,228
Commodities	15,845	49,344	43,360
Total events	<u>101,240</u>	<u>136,707</u>	<u>127,588</u>
Summer celebration			
Contractual services	128,950	129,050	125,450
Commodities	38,900	38,900	34,626
Total summer celebration	<u>167,850</u>	<u>167,950</u>	<u>160,076</u>
Total culture and recreation	<u>269,090</u>	<u>304,657</u>	<u>287,664</u>
Capital outlay			
Public works			
Engineering/architecture	-	10,000	-
Drug forfeiture	-	-	21,273
Community infrastructure development			
Street construction	344,000	344,000	252,329
Land	-	1,500,000	385
Fixed equipment	45,000	45,000	10,000
Information technology equipment	84,240	84,240	39,200
Machinery	20,811	20,811	20,330
Remodel	75,400	84,740	18,940
Construction	230,000	324,392	185,654
Engineering/architecture	25,000	194,016	90,486
Total capital outlay	<u>824,451</u>	<u>2,607,199</u>	<u>638,597</u>
Debt service			
Principal retirement	255,000	385,000	385,000
Interest and fiscal charges	109,659	221,629	222,374
Total debt service	<u>364,659</u>	<u>606,629</u>	<u>607,374</u>
TOTAL EXPENDITURES	<u><u>\$ 20,051,178</u></u>	<u><u>\$ 22,413,196</u></u>	<u><u>\$ 23,025,520</u></u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
BOND CONSTRUCTION FUND**

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ -	\$ -	\$ 795
Total revenues	-	-	795
EXPENDITURES			
Capital Outlay			
Engineering/architecture	-	74,447	74,447
Equipment	-	281,095	281,094
Remodel	-	5,252,713	4,908,621
Debt Service			
Interest and fiscal charges	-	-	51,122
Total expenditures	-	5,608,255	5,315,284
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(5,608,255)	(5,314,489)
OTHER FINANCING SOURCES (USES)			
Bond proceeds, at par	-	-	2,005,000
Bond premiums	-	-	51,310
Total other financing sources (uses)	-	-	2,056,310
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (5,608,255)</u>	(3,258,179)
FUND BALANCE, MAY 1			<u>3,323,130</u>
FUND BALANCE, APRIL 30			<u><u>\$ 64,951</u></u>

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Motor Fuel Tax 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.

Dispatch Center Fund

The Dispatch Center Fund is used to account for the costs and revenues designated to dispatch services.

CAPITAL PROJECTS FUNDS

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. This site will be used for a multitude of athletic and recreational purposes.

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2016

	<u>Special Revenue</u>		
	<u>Motor Fuel Tax</u>	<u>Dispatch Center</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,292,467	\$ 507,391	\$ 1,799,858
Receivables			
Taxes	57,152	78,607	135,759
Other	-	82,286	82,286
	<hr/>		
TOTAL ASSETS	\$ 1,349,619	\$ 668,284	\$ 2,017,903
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 79,400	\$ 39,030	\$ 118,430
Accrued Payroll	-	65,960	65,960
	<hr/>		
Total liabilities	79,400	104,990	184,390
	<hr/>		
FUND BALANCES			
Restricted			
Streets and roads	1,270,219	-	1,270,219
Public safety	-	563,294	563,294
	<hr/>		
Total fund balances	1,270,219	563,294	1,833,513
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,349,619	\$ 668,284	\$ 2,017,903
	<hr/> <hr/>		

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended April 30, 2016

	Special Revenue		Capital Projects	Total
	Motor Fuel Tax	Dispatch Center	VHAC Development	
REVENUES				
Taxes	\$ -	\$ 309,960	\$ -	\$ 309,960
Intergovernmental	672,055	-	-	672,055
Charges for services	-	950,643	-	950,643
Interest	4,951	1,849	-	6,800
Total revenues	677,006	1,262,452	-	1,939,458
EXPENDITURES				
Current				
Public safety	-	2,333,358	-	2,333,358
Capital outlay	1,267,663	-	-	1,267,663
Total expenditures	1,267,663	2,333,358	-	3,601,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(590,657)	(1,070,906)	-	(1,661,563)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,293,200	-	1,293,200
Transfers (out)	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	1,293,200	(100,000)	1,193,200
NET CHANGE IN FUND BALANCES	(590,657)	222,294	(100,000)	(468,363)
FUND BALANCES, MAY 1	1,860,876	366,512	100,000	2,327,388
Prior period adjustment	-	(25,512)	-	(25,512)
FUND BALANCES, MAY 1, RESTATED	1,860,876	341,000	100,000	2,301,876
FUND BALANCES, APRIL 30	\$ 1,270,219	\$ 563,294	\$ -	\$ 1,833,513

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental	\$ 728,740	\$ 728,740	\$ 672,055
Interest	20,000	20,000	4,951
Total revenues	<u>748,740</u>	<u>748,740</u>	<u>677,006</u>
EXPENDITURES			
Capital outlay	<u>1,301,000</u>	<u>1,623,161</u>	<u>1,267,663</u>
Total expenditures	<u>1,301,000</u>	<u>1,623,161</u>	<u>1,267,663</u>
CHANGE IN FUND BALANCE	<u>\$ (552,260)</u>	<u>\$ (874,421)</u>	(590,657)
FUND BALANCE, MAY 1			<u>1,860,876</u>
FUND BALANCE, APRIL 30			<u>\$ 1,270,219</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DISPATCH CENTER FUND**

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
911 surcharge	\$ 318,000	\$ 318,000	\$ 309,960
Charges for services	935,723	935,723	950,643
Interest	2,500	2,500	1,849
Miscellaneous	141,000	141,000	-
Total revenues	1,397,223	1,397,223	1,262,452
EXPENDITURES			
Public safety			
Personal services	1,844,341	1,844,341	1,776,975
Contractual services	671,204	672,368	517,573
Commodities	147,225	147,479	4,183
Equipment	27,600	33,936	34,627
Total expenditures	2,690,370	2,698,124	2,333,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,293,147)	(1,300,901)	(1,070,906)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,293,200	1,293,200	1,293,200
Total other financing sources (uses)	1,293,200	1,293,200	1,293,200
CHANGE IN FUND BALANCE	\$ 53	\$ (7,701)	222,294
FUND BALANCE, MAY 1			366,512
Prior period adjustment			(25,512)
			341,000
FUND BALANCE, MAY 1, RESTATED			341,000
FUND BALANCE, APRIL 30			\$ 563,294

(See independent auditor's report.)

MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Golf Course Fund

The Golf Course Fund is used to account for the transactions of the Municipal Golf Courses.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGETARY BASIS
GOLF COURSE FUND

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ 440,539
Total operating revenues	-	-	440,539
OPERATING EXPENSES			
Operations	550,000	550,000	465,393
Total operating expenses excluding depreciation	550,000	550,000	465,393
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(550,000)	(550,000)	(24,854)
Depreciation	-	-	64,696
OPERATING INCOME (LOSS)	(550,000)	(550,000)	(89,550)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	-	104
Interest expense	-	-	(85)
Total non-operating revenues (expenses)	-	-	19
CHANGE IN NET POSITION	<u>\$ (550,000)</u>	<u>\$ (550,000)</u>	(89,531)
NET POSITION, MAY 1			<u>294,569</u>
NET POSITION, APRIL 30			<u>\$ 205,038</u>

(See independent auditor's report.)

NONMAJOR PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies other governmental unit, or to other governmental units, on a cost-reimbursement basis.

Equipment Replacement Fund

The Equipment Replacement Fund is used to account for the accumulation of funds to replace large equipment. Departments are charged for the use of the equipment.

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND

For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 278,217	\$ 278,217	\$ 278,217
Total operating revenues	278,217	278,217	278,217
OPERATING EXPENSES			
Operations	1,141,000	1,194,129	55,450
Total operating expenses	1,141,000	1,194,129	55,450
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(862,783)	(915,912)	222,767
Depreciation	-	-	68,745
OPERATING INCOME (LOSS)	(862,783)	(915,912)	154,022
NON-OPERATING REVENUES (EXPENSES)			
Prior year budgeted surplus	863,000	863,000	-
Gain on sale of capital assets	-	-	40,000
Total non-operating revenues (expenses)	863,000	863,000	40,000
CHANGE IN NET POSITION	\$ 217	\$ (52,912)	194,022
NET POSITION, MAY 1			2,549,348
NET POSITION, APRIL 30			\$ 2,743,370

(See independent auditor's report.)

FIDUCIARY FUNDS

AGENCY FUND

The Development Fund is used to account for refundable deposits held by the Village to ensure the completion of public improvements by private developers.

VILLAGE OF VERNON HILLS, ILLINOIS

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEVELOPMENT - AGENCY FUND**

For the Year Ended April 30, 2016

	Balances			Balances
	May 1	Additions	Deletions	April 30
ASSETS				
Cash and investments	\$ 28,217	\$ 87,174	\$ 24	\$ 115,367
TOTAL ASSETS	<u>\$ 28,217</u>	<u>\$ 87,174</u>	<u>\$ 24</u>	<u>\$ 115,367</u>
LIABILITIES				
Accounts payable	\$ -	\$ 87,174	\$ -	\$ 87,174
Deposits payable	28,217	-	24	28,193
TOTAL LIABILITIES	<u>\$ 28,217</u>	<u>\$ 87,174</u>	<u>\$ 24</u>	<u>\$ 115,367</u>

(See independent auditor's report.)

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
ALTERNATIVE REVENUE REFUNDING BONDS, SERIES 2005**

April 30, 2016

Date of Issue	May 10, 2001
Date of Maturity	March 30, 2021
Authorized Issue	\$3,790,000
Interest Rates	3.000% to 4.125%
Interest Dates	March 30 and September 30
Principal Maturity Date	September 30
Payable at	Bank One

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ -	\$ 45,905	\$ 45,905	2016	\$ 22,953	2017	\$ 22,952
2018	-	45,905	45,905	2017	22,953	2018	22,952
2019	355,000	45,905	400,905	2018	22,953	2019	22,952
2020	370,000	31,350	401,350	2019	15,675	2020	15,675
2021	390,000	16,087	406,087	2020	8,044	2021	8,043
	<u>\$ 1,115,000</u>	<u>\$ 185,152</u>	<u>\$ 1,300,152</u>		<u>\$ 92,578</u>		<u>\$ 92,574</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2012A**

April 30, 2016

Date of Issue	February 28, 2012
Date of Maturity	December 30, 2026
Authorized Issue	\$7,850,000
Interest Rates	2.00% to 2.25%
Interest Dates	June 30 and December 30
Principal Maturity Date	December 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				June 30	Amount	December 30	Amount
2017	\$ 300,000	\$ 162,000	\$ 462,000	2016	\$ 81,000	2016	\$ 81,000
2018	450,000	156,000	606,000	2017	78,000	2017	78,000
2019	600,000	147,000	747,000	2018	73,500	2018	73,500
2020	650,000	135,000	785,000	2019	67,500	2019	67,500
2021	675,000	122,000	797,000	2020	61,000	2020	61,000
2022	725,000	108,500	833,500	2021	54,250	2021	54,250
2023	750,000	94,000	844,000	2022	47,000	2022	47,000
2024	800,000	79,000	879,000	2023	39,500	2023	39,500
2025	900,000	63,000	963,000	2024	31,500	2024	31,500
2026	1,000,000	45,000	1,045,000	2025	22,500	2025	22,500
2027	1,000,000	22,500	1,022,500	2026	11,250	2026	11,250
	<u>\$ 7,850,000</u>	<u>\$ 1,134,000</u>	<u>\$ 8,984,000</u>		<u>\$ 567,000</u>		<u>\$ 567,000</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2012B**

April 30, 2016

Date of Issue	February 28, 2012
Date of Maturity	March 30, 2026
Authorized Issue	\$1,625,000
Interest Rates	2.0% to 2.4%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ 120,000	\$ 29,100	\$ 149,100	2017	\$ 14,550	2018	\$ 14,550
2018	125,000	26,700	151,700	2018	13,350	2019	13,350
2019	125,000	24,200	149,200	2019	12,100	2020	12,100
2020	130,000	21,700	151,700	2020	10,850	2021	10,850
2021	130,000	19,100	149,100	2021	9,550	2022	9,550
2022	140,000	16,500	156,500	2022	8,250	2023	8,250
2023	145,000	13,700	158,700	2023	6,850	2024	6,850
2024	145,000	10,510	155,510	2024	5,255	2025	5,255
2025	150,000	7,320	157,320	2025	3,660	2026	3,660
2026	155,000	3,720	158,720	2026	1,860	2027	1,860
	<u>\$ 1,365,000</u>	<u>\$ 172,550</u>	<u>\$ 1,537,550</u>		<u>\$ 86,275</u>		<u>\$ 86,275</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2014 - POLICE STATION**

April 30, 2016

Date of Issue	December 30, 2014
Date of Maturity	March 30, 2034
Authorized Issue	\$3,520,000
Interest Rates	2.0% to 3.5%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ 155,000	\$ 89,322	\$ 244,322	2016	\$ 44,661	2017	\$ 44,661
2018	160,000	86,223	246,223	2017	43,112	2018	43,111
2019	160,000	83,022	243,022	2018	41,511	2019	41,511
2020	165,000	79,823	244,823	2019	39,912	2020	39,911
2021	165,000	76,522	241,522	2020	38,261	2021	38,261
2022	170,000	73,223	243,223	2021	36,612	2022	36,611
2023	175,000	69,823	244,823	2022	34,912	2023	34,911
2024	180,000	66,060	246,060	2023	33,030	2024	33,030
2025	180,000	61,920	241,920	2024	30,960	2025	30,960
2026	185,000	57,510	242,510	2025	28,755	2026	28,755
2027	190,000	52,700	242,700	2026	26,350	2027	26,350
2028	195,000	47,475	242,475	2027	23,738	2028	23,737
2029	200,000	41,625	241,625	2028	20,813	2029	20,812
2030	210,000	35,625	245,625	2029	17,813	2030	17,812
2031	215,000	29,325	244,325	2030	14,663	2031	14,662
2032	220,000	22,875	242,875	2031	11,438	2032	11,437
2033	230,000	16,275	246,275	2032	8,138	2033	8,137
2034	235,000	8,225	243,225	2033	4,113	2034	4,112
	<u>\$ 3,390,000</u>	<u>\$ 997,573</u>	<u>\$ 4,387,573</u>		<u>\$ 498,792</u>		<u>\$ 498,781</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2014 - COMMUNICATION CENTER**

April 30, 2016

Date of Issue	December 30, 2014
Date of Maturity	March 30, 2027
Authorized Issue	\$1,115,000
Interest Rates	2.00% to 2.75%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ 155,000	\$ 22,208	\$ 177,208	2016	\$ 11,104	2017	\$ 11,104
2018	165,000	19,108	184,108	2017	9,554	2018	9,554
2019	165,000	15,808	180,808	2018	7,904	2019	7,904
2020	90,000	12,508	102,508	2019	6,254	2020	6,254
2021	-	10,707	10,707	2020	5,354	2021	5,353
2022	-	10,707	10,707	2021	5,354	2022	5,353
2023	-	10,707	10,707	2022	5,354	2023	5,353
2024	-	10,707	10,707	2023	5,354	2024	5,353
2025	-	10,707	10,707	2024	5,354	2025	5,353
2026	195,000	10,707	205,707	2025	5,354	2026	5,353
2027	205,000	5,638	210,638	2026	2,819	2027	2,819
	<u>\$ 975,000</u>	<u>\$ 139,512</u>	<u>\$ 1,114,512</u>		<u>\$ 69,759</u>		<u>\$ 69,753</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2014 - TAX INCREMENT FUND**

April 30, 2016

Date of Issue	December 30, 2014
Date of Maturity	March 30, 2025
Authorized Issue	\$995,000
Interest Rates	2.00% to 2.45%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ -	\$ 21,595	\$ 21,595	2016	\$ 10,798	2017	\$ 10,797
2018	-	21,595	21,595	2017	10,798	2018	10,797
2019	-	21,595	21,595	2018	10,798	2019	10,797
2020	85,000	21,595	106,595	2019	10,798	2020	10,797
2021	175,000	19,895	194,895	2020	9,948	2021	9,947
2022	175,000	16,395	191,395	2021	8,198	2022	8,197
2023	180,000	12,895	192,895	2022	6,448	2023	6,447
2024	190,000	9,025	199,025	2023	4,513	2024	4,512
2025	190,000	4,655	194,655	2024	2,328	2025	2,327
	<u>\$ 995,000</u>	<u>\$ 149,245</u>	<u>\$ 1,144,245</u>		<u>\$ 74,627</u>		<u>\$ 74,618</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BONDS, SERIES 2015A**

April 30, 2016

Date of Issue	November 5, 2015
Date of Maturity	March 30, 2034
Authorized Issue	\$2,005,000
Interest Rates	2.00% to 3.25%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				September 30	Amount	March 30	Amount
2017	\$ 110,000	\$ 72,138	\$ 182,138	2016	\$ 46,425	2016	\$ 25,713
2018	130,000	49,225	179,225	2017	24,613	2017	24,612
2019	130,000	46,625	176,625	2018	23,313	2018	23,312
2020	135,000	44,025	179,025	2019	22,013	2019	22,012
2021	140,000	41,325	181,325	2020	20,663	2020	20,662
2022	140,000	38,525	178,525	2021	19,263	2021	19,262
2023	140,000	35,725	175,725	2022	17,863	2022	17,862
2024	150,000	32,925	182,925	2023	16,463	2023	16,462
2025	80,000	28,425	108,425	2024	14,213	2024	14,212
2026	85,000	26,025	111,025	2025	13,013	2025	13,012
2027	85,000	23,475	108,475	2026	11,738	2026	11,737
2028	90,000	20,925	110,925	2027	10,463	2027	10,462
2029	90,000	18,225	108,225	2028	9,113	2028	9,112
2030	95,000	15,525	110,525	2029	7,763	2029	7,762
2031	95,000	12,675	107,675	2030	6,338	2030	6,337
2032	100,000	9,825	109,825	2031	4,913	2031	4,912
2033	105,000	6,825	111,825	2032	3,413	2032	3,412
2034	105,000	3,412	108,412	2033	1,706	2033	1,706
	<u>\$ 2,005,000</u>	<u>\$ 525,850</u>	<u>\$ 2,530,850</u>		<u>\$ 273,289</u>		<u>\$ 252,561</u>

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B**

April 30, 2016

Date of Issue	November 5, 2015
Date of Maturity	December 30, 2027
Authorized Issue	\$5,255,000
Interest Rates	2.0% to 2.5%
Interest Dates	June 30 and December 30
Principal Maturity Date	December 30
Payable at	The Bank of New York Mellon Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total	Interest Due On			
				June 30	Amount	December 30	Amount
2017	\$ 575,000	\$ 128,910	\$ 703,910	2016	\$ 72,997	2016	\$ 55,913
2018	440,000	100,326	540,326	2017	50,163	2017	50,163
2019	450,000	91,525	541,525	2018	45,763	2018	45,762
2020	460,000	82,525	542,525	2019	41,263	2019	41,262
2021	470,000	73,325	543,325	2020	36,663	2020	36,662
2022	475,000	63,925	538,925	2021	31,963	2021	31,962
2023	485,000	54,425	539,425	2022	27,213	2022	27,212
2024	455,000	44,725	499,725	2023	22,363	2023	22,362
2025	395,000	34,488	429,488	2024	17,244	2024	17,244
2026	520,000	25,600	545,600	2025	12,800	2025	12,800
2027	530,000	13,250	543,250	2026	6,625	2026	6,625
	<u>\$ 5,255,000</u>	<u>\$ 713,024</u>	<u>\$ 5,968,024</u>		<u>\$ 365,057</u>		<u>\$ 347,967</u>

(See independent auditor's report.)

STATISTICAL SECTION

This part of the Village of Vernon Hills, Illinois' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Village's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	87-100
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the sales tax.	101-107
Debt Capacity These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	108-111
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	112-114
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	115-116

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF VERNON HILLS, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 26,034,819	\$ 101,767,949	\$ 97,942,912	\$ 95,356,202
Restricted	4,843,742	4,461,603	3,329,155	3,025,617
Unrestricted	20,749,058	23,237,045	21,924,140	19,072,498
TOTAL GOVERNMENTAL ACTIVITIES	\$ 51,627,619	\$ 129,466,597	\$ 123,196,207	\$ 117,454,317
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 777,357	\$ 822,680	\$ 836,773	\$ 769,845
Restricted	-	-	-	-
Unrestricted	(15,983)	(97,704)	(227,551)	(174,380)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 761,374	\$ 724,976	\$ 609,222	\$ 595,465
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 26,812,176	\$ 102,590,629	\$ 98,779,685	\$ 96,126,047
Restricted	4,843,742	4,461,603	3,329,155	3,025,617
Unrestricted	20,733,075	23,139,341	21,696,589	18,898,118
TOTAL PRIMARY GOVERNMENT	\$ 52,388,993	\$ 130,191,573	\$ 123,805,429	\$ 118,049,782

*The Village implemented GASB Statement No. 68 for the fiscal year ended April 30, 2016.

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015	2016*
\$ 91,757,779	\$ 87,283,367	\$ 85,102,245	\$ 83,986,644	\$ 82,205,307	\$ 79,574,960
3,349,329	3,495,103	2,627,039	2,831,873	6,391,658	1,989,778
20,422,612	23,283,224	24,665,002	24,904,019	22,222,353	3,722,990
<u>\$ 115,529,720</u>	<u>\$ 114,061,694</u>	<u>\$ 112,394,286</u>	<u>\$ 111,722,536</u>	<u>\$ 110,819,318</u>	<u>\$ 85,287,728</u>
\$ 786,545	\$ 718,458	\$ 651,621	\$ 586,405	\$ 521,711	\$ 457,015
-	-	-	-	-	-
(234,087)	(284,478)	(241,159)	(222,509)	(227,142)	(251,977)
<u>\$ 552,458</u>	<u>\$ 433,980</u>	<u>\$ 410,462</u>	<u>\$ 363,896</u>	<u>\$ 294,569</u>	<u>\$ 205,038</u>
\$ 92,544,324	\$ 88,001,825	\$ 85,753,866	\$ 84,573,049	\$ 82,727,018	\$ 80,031,975
3,349,329	3,495,103	2,627,039	2,831,873	6,391,658	1,989,778
20,188,525	22,998,746	24,423,843	24,681,510	21,995,211	3,471,013
<u>\$ 116,082,178</u>	<u>\$ 114,495,674</u>	<u>\$ 112,804,748</u>	<u>\$ 112,086,432</u>	<u>\$ 111,113,887</u>	<u>\$ 85,492,766</u>

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
EXPENSES				
Governmental Activities				
General government	\$ 4,851,163	\$ 4,933,995	\$ 7,409,619	\$ 5,361,615
Public safety	8,373,183	8,996,733	8,916,041	8,785,116
Roads and streets	3,923,585	10,586,487	8,607,486	7,233,167
Economic development	778,073	7,146,756	2,573,388	1,147,173
Culture and recreation	273,675	301,480	308,954	245,328
Interest and fees	553,919	1,296,357	1,407,974	1,361,865
Total governmental activities expenses	<u>18,753,598</u>	<u>33,261,808</u>	<u>29,223,462</u>	<u>24,134,264</u>
Business-Type Activities				
Golf course	652,563	605,598	648,762	544,291
Total business-type activities expenses	<u>652,563</u>	<u>605,598</u>	<u>648,762</u>	<u>544,291</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 19,406,161</u>	<u>\$ 33,867,406</u>	<u>\$ 29,872,224</u>	<u>\$ 24,678,555</u>
PROGRAM REVENUES				
Governmental Activities				
Charges for services				
General government	\$ 3,452,952	\$ 2,958,577	\$ 2,090,182	\$ 1,839,779
Public safety	516,298	457,078	407,813	278,121
Culture and recreation	99,274	190,913	210,327	170,780
Operating grants and contributions	1,242,470	1,073,990	909,002	617,688
Capital grants and contributions	-	-	252,000	-
Total governmental activities program revenues	<u>5,310,994</u>	<u>4,680,558</u>	<u>3,869,324</u>	<u>2,906,368</u>
Business-Type Activities				
Charges for services				
Golf course	554,905	567,712	532,529	530,478
Total business-type activities program revenues	<u>554,905</u>	<u>567,712</u>	<u>532,529</u>	<u>530,478</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 5,865,899</u>	<u>\$ 5,248,270</u>	<u>\$ 4,401,853</u>	<u>\$ 3,436,846</u>
NET REVENUES (EXPENSES)				
Governmental activities	\$ (13,442,604)	\$ (28,581,250)	\$ (25,354,138)	\$ (21,227,896)
Business-type activities	(97,658)	(37,886)	(116,233)	(13,813)
TOTAL PRIMARY GOVERNMENT NET REVENUES (EXPENSES)	<u>\$ (13,540,262)</u>	<u>\$ (28,619,136)</u>	<u>\$ (25,470,371)</u>	<u>\$ (21,241,709)</u>

2011	2012	2013	2014	2015	2016*
\$ 5,148,289	\$ 4,075,361	\$ 4,410,123	\$ 4,619,060	\$ 5,105,742	\$ 10,785,366
8,619,448	9,523,631	10,113,838	10,507,422	11,202,863	11,866,591
6,850,515	6,912,853	7,452,181	7,802,713	8,427,086	8,673,207
326,276	46,854	-	4,463	-	1,488
260,935	259,249	270,889	277,671	258,590	287,664
1,464,042	1,462,816	954,884	901,283	852,718	677,677
22,669,505	22,280,764	23,201,915	24,112,612	25,846,999	32,291,993
495,572	588,635	493,135	514,147	518,417	530,174
495,572	588,635	493,135	514,147	518,417	530,174
\$ 23,165,077	\$ 22,869,399	\$ 23,695,050	\$ 24,626,759	\$ 26,365,416	\$ 32,822,167
\$ 2,164,926	\$ 1,793,322	\$ 2,015,985	\$ 2,595,479	\$ 2,326,412	\$ 1,856,949
255,714	275,768	1,028,096	1,195,253	1,288,454	1,258,030
184,693	223,620	225,229	226,199	300,789	124,238
712,457	739,126	724,013	751,035	847,934	672,244
627,222	116,706	6,121	5,358	28,902	159,065
3,945,012	3,148,542	3,999,444	4,773,324	4,792,491	4,070,526
452,503	470,103	469,562	467,568	449,077	440,539
452,503	470,103	469,562	467,568	449,077	440,539
\$ 4,397,515	\$ 3,618,645	\$ 4,469,006	\$ 5,240,892	\$ 5,241,568	\$ 4,511,065
\$ (18,724,493)	\$ (19,132,222)	\$ (19,202,471)	\$ (19,339,288)	\$ (21,054,508)	\$ (28,221,467)
(43,069)	(118,532)	(23,573)	(46,579)	(69,340)	(89,635)
\$ (18,767,562)	\$ (19,250,754)	\$ (19,226,044)	\$ (19,385,867)	\$ (21,123,848)	\$ (28,311,102)

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities				
Taxes				
Utility	\$ 1,437,886	\$ 1,475,406	\$ 1,416,128	\$ 1,351,570
Home rule sales	-	-	-	-
Hotel/motel	364,879	359,784	298,914	248,826
911 surcharge	328,771	331,258	361,267	311,658
Road and bridge	156,811	175,219	188,350	193,805
Telecommunication	1,539,095	1,569,859	1,586,588	1,454,587
Tax increment	68,684	81,149	17,053	-
Other	421,834	443,527	453,988	412,477
Intergovernmental				
Sales tax	10,067,439	10,364,210	9,836,554	9,153,021
State income tax	2,014,206	2,200,234	2,056,595	1,801,143
Investment income	1,314,040	1,909,544	935,625	225,103
Miscellaneous	271,609	179,250	158,384	143,437
Total governmental activities	17,985,254	19,089,440	17,309,446	15,295,627
Business-Type Activities				
Investment income	1,846	1,488	479	56
Total business-type activities	1,846	1,488	479	56
TOTAL PRIMARY GOVERNMENT	\$ 17,987,100	\$ 19,090,928	\$ 17,309,925	\$ 15,295,683
CHANGE IN NET POSITION				
Governmental activities	\$ 4,542,650	\$ (9,491,810)	\$ (8,044,692)	\$ (5,932,269)
Business-type activities	(95,812)	(36,398)	(115,754)	(13,757)
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 4,446,838	\$ (9,528,208)	\$ (8,160,446)	\$ (5,946,026)

*The Village implemented GASB Statement No. 68 for the fiscal year ended April 30, 2016.

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015	2016*
\$ 1,446,045	\$ 1,409,506	\$ 1,418,186	\$ 1,404,549	\$ 1,345,000	\$ 1,334,151
-	-	-	-	727,413	3,197,930
270,764	296,728	323,334	351,087	369,509	380,093
293,660	442,088	343,609	319,399	325,797	309,960
202,379	208,235	200,903	205,572	201,923	212,406
1,269,772	1,352,296	1,335,120	1,258,098	1,117,728	1,190,196
232,544	772,159	1,048,583	1,281,321	1,174,513	1,221,604
456,616	464,146	486,456	534,105	581,481	871,620
9,508,242	10,334,171	10,547,878	10,773,512	11,426,650	14,006,145
1,807,219	2,127,725	2,376,128	2,398,252	2,530,028	2,676,354
249,076	188,188	98,374	73,881	295,485	115,636
1,143,974	68,954	44,992	67,762	55,764	41,088
16,880,291	17,664,196	18,223,563	18,667,538	20,151,291	25,557,183
62	54	55	13	13	104
62	54	55	13	13	104
\$ 16,880,353	\$ 17,664,250	\$ 18,223,618	\$ 18,667,551	\$ 20,151,304	\$ 25,557,287
\$ (1,844,202)	\$ (1,468,026)	\$ (978,908)	\$ (671,750)	\$ (903,217)	\$ (2,664,284)
(43,007)	(118,478)	(23,518)	(46,566)	(69,327)	(89,531)
\$ (1,887,209)	\$ (1,586,504)	\$ (1,002,426)	\$ (718,316)	\$ (972,544)	\$ (2,753,815)

VILLAGE OF VERNON HILLS, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010*
GENERAL FUND				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,962,416	1,612,801	1,480,580	1,475,234
Unreserved	17,973,238	20,542,721	20,394,982	18,425,428
TOTAL GENERAL FUND	\$ 19,935,654	\$ 22,155,522	\$ 21,875,562	\$ 19,900,662
ALL OTHER GOVERNMENTAL FUNDS				
Restricted	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-
Reserved	6,256,284	4,411,999	3,239,543	2,836,301
Unreserved, reported in				
Special revenue funds	(431,047)	2,725,573	(848,598)	(2,080,388)
Capital project funds	-	(145,862)	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 5,825,237	\$ 6,991,710	\$ 2,390,945	\$ 755,913

* The Village implemented GASB Statement No. 54 as of April 30, 2010.

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015	2016
\$ -	\$ 467,790	\$ 409,080	\$ 429,650	\$ 458,220	\$ 1,484,993
-	411,686	258,942	168,098	94,738	156,265
-	106,218	58,561	16,398	14,075	-
-	22,254,166	23,937,297	23,432,516	23,282,038	23,928,382
831,038	-	-	-	-	-
21,404,899	-	-	-	-	-
\$ 22,235,937	\$ 23,239,860	\$ 24,663,880	\$ 24,046,662	\$ 23,849,071	\$ 25,569,640
\$ -	\$ 3,083,417	\$ 2,368,097	\$ 2,663,775	\$ 6,296,920	\$ 1,898,464
-	(1,040,917)	(498,253)	-	-	(153,789)
2,924,765	-	-	-	-	-
(2,858,122)	-	-	-	-	-
-	-	-	-	-	-
\$ 66,643	\$ 2,042,500	\$ 1,869,844	\$ 2,663,775	\$ 6,296,920	\$ 1,744,675

VILLAGE OF VERNON HILLS, ILLINOIS

GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
Sales tax	\$ 10,067,801	\$ 10,364,210	\$ 9,648,749	\$ 9,153,972
Other taxes	6,332,166	6,619,099	6,378,613	5,774,066
Intergovernmental	1,242,470	1,073,990	909,002	617,688
Licenses, permits, and fees, fines and forfeitures, and charges for services	4,068,524	3,606,568	2,708,322	2,288,680
Investment income	1,314,040	1,909,544	935,625	225,103
Miscellaneous	271,609	179,250	158,384	143,437
TOTAL REVENUES	\$ 23,296,610	\$ 23,752,661	\$ 20,738,695	\$ 18,202,946

Data Source

Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$	9,447,706	\$ 10,251,007	\$ 10,503,422	\$ 10,680,015	\$ 11,426,650	\$ 14,006,145
	5,978,999	7,072,883	7,532,319	7,752,383	7,931,917	11,394,315
	1,339,679	855,832	730,134	756,393	876,836	831,309
	2,605,333	2,292,710	3,269,310	4,016,931	3,915,655	3,239,217
	249,076	188,188	98,374	73,881	295,485	115,636
	1,143,974	68,954	44,992	67,762	55,764	41,088
\$	20,764,767	\$ 20,729,574	\$ 22,178,551	\$ 23,347,365	\$ 24,502,307	\$ 29,627,710

VILLAGE OF VERNON HILLS, ILLINOIS

GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
General government	\$ 4,178,902	\$ 4,278,264	\$ 4,575,960	\$ 4,616,386
Public safety	8,572,206	8,779,490	8,643,644	8,490,969
Streets and roads	3,406,307	4,849,825	5,519,961	4,649,372
Economic development	778,073	7,146,756	4,350,636	922,078
Culture and recreation	273,675	301,480	308,954	245,328
Capital outlay	7,145,135	3,556,553	1,332,878	953,128
Debt service				
Principal retirement	850,000	1,035,000	1,105,000	1,150,000
Interest and fiscal charges	526,883	1,046,952	1,324,579	1,368,810
TOTAL EXPENDITURES	\$ 25,731,181	\$ 30,994,320	\$ 27,161,612	\$ 22,396,071

Data Source

Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$	3,218,639	\$ 3,282,636	\$ 3,498,692	\$ 3,668,619	\$ 3,842,991	\$ 8,214,056
	8,281,006	9,185,888	9,778,906	10,254,629	10,932,262	11,050,969
	4,046,574	4,150,824	4,796,985	5,234,011	5,883,011	4,560,218
	306	798	-	4,463	-	1,488
	260,935	259,249	270,899	277,671	258,590	287,664
	650,272	198,212	331,657	385,859	1,108,942	7,170,422
	1,190,000	1,245,000	1,315,000	2,435,000	1,720,000	645,000
	1,471,030	1,336,746	935,048	910,400	808,478	768,087
\$	19,118,762	\$ 19,659,353	\$ 20,927,187	\$ 23,170,652	\$ 24,554,274	\$ 32,697,904

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
REVENUES				
Sales tax	\$ 10,067,801	\$ 10,364,210	\$ 9,648,749	\$ 9,153,972
Other taxes	6,332,166	6,619,099	6,378,613	5,774,066
Intergovernmental	1,242,470	1,073,990	909,002	617,688
Licenses, permits, and fees, fines and forfeitures, and charges for services	4,068,524	3,606,568	2,708,322	2,288,680
Investment income	1,314,040	1,909,544	935,625	225,103
Miscellaneous	271,609	179,250	158,384	143,437
Total revenues	23,296,610	23,752,661	20,738,695	18,202,946
EXPENDITURES				
General government	4,178,902	4,278,264	4,575,960	4,616,386
Public safety	8,572,206	8,779,490	8,643,644	8,490,969
Streets and roads	3,406,307	4,849,825	5,519,961	4,649,372
Economic development	778,073	7,146,756	4,350,636	922,078
Culture and recreation	273,675	301,480	308,954	245,328
Capital outlay	7,145,135	3,556,553	1,332,878	953,128
Debt service				
Principal retirement	850,000	1,035,000	1,105,000	1,150,000
Interest and fiscal charges	526,883	1,046,952	1,324,579	1,368,810
Total expenditures	25,731,181	30,994,320	27,161,612	22,396,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,434,571)	(7,241,659)	(6,422,917)	(4,193,125)
OTHER FINANCING SOURCES (USES)				
Transfers in	770,190	8,115	147,551	-
Transfers (out)	(770,190)	(8,115)	(147,551)	-
Proceeds from bonds	5,050,000	10,628,000	1,542,192	792,808
Premium on debt issuance	-	-	-	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	5,050,000	10,628,000	1,542,192	792,808
NET CHANGE IN FUND BALANCES	\$ 2,615,429	\$ 3,386,341	\$ (4,880,725)	\$ (3,400,317)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	7.41%	8.87%	10.30%	13.23%

Data Source

Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$	9,447,706	\$ 10,251,007	\$ 10,503,422	\$ 10,680,015	\$ 11,426,650	\$ 14,006,145
	5,978,999	7,072,883	7,532,319	7,752,383	7,931,917	11,394,315
	1,339,679	855,832	730,134	756,393	876,836	831,309
	2,605,333	2,292,710	3,269,310	4,016,931	3,915,655	3,239,217
	249,076	188,188	98,374	73,881	295,485	115,636
	1,143,974	68,954	44,992	67,762	55,764	41,088
	20,764,767	20,729,574	22,178,551	23,347,365	24,502,307	29,627,710
	3,218,639	3,282,636	3,498,692	3,668,619	3,842,991	8,214,056
	8,281,006	9,185,888	9,778,906	10,254,629	10,932,262	11,050,969
	4,046,574	4,150,824	4,796,985	5,234,011	5,883,011	4,560,218
	306	798	-	4,463	-	1,488
	260,935	259,249	270,899	277,671	258,590	287,664
	650,272	198,212	331,657	385,859	1,108,942	7,170,422
	1,190,000	1,245,000	1,315,000	2,435,000	1,720,000	645,000
	1,471,030	1,336,746	935,048	910,400	808,478	768,087
	19,118,762	19,659,353	20,927,187	23,170,652	24,554,274	32,697,904
	1,646,005	1,070,221	1,251,364	176,713	(51,967)	(3,070,194)
	23,254	77,216	2,288,015	1,255,093	1,804,752	1,515,383
	(23,254)	(77,216)	(2,288,015)	(1,255,093)	(1,804,752)	(1,515,383)
	-	9,475,000	-	-	5,630,000	7,260,000
	-	37,204	-	-	-	187,651
	-	(7,602,645)	-	-	(2,142,479)	(5,301,500)
	-	1,909,559	-	-	3,487,521	2,146,151
\$	1,646,005	\$ 2,979,780	\$ 1,251,364	\$ 176,713	\$ 3,435,554	\$ (924,043)
	14.47%	13.35%	10.83%	14.49%	10.63%	4.92%

VILLAGE OF VERNON HILLS, ILLINOIS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General merchandise	\$ 3,160,430	\$ 2,955,471	\$ 2,891,816	\$ 2,782,847	\$ 2,823,025	\$ 2,633,339	\$ 2,720,545	\$ 2,597,897	\$ 2,488,384	\$ 2,294,533
Food	360,262	389,624	372,836	342,202	340,958	648,891	916,744	925,373	901,265	836,884
Drinking and eating places	804,761	775,849	7,880,202	812,685	825,607	850,877	883,552	881,340	960,573	1,038,032
Apparel	863,592	863,980	797,133	637,015	689,726	844,886	771,836	775,480	742,882	735,167
Furniture, H.H., and Radio	3,480,979	3,857,032	3,952,073	3,083,717	3,607,217	4,260,170	4,644,807	4,776,995	5,610,887	6,161,707
Lumber, building hardware	509,206	480,791	478,018	438,776	396,123	402,354	401,030	450,455	486,962	489,172
Automobile and filling stations	159,790	245,525	250,520	215,700	257,173	391,781	346,563	321,049	360,241	325,039
Drugs and miscellaneous retail	1,299,881	1,258,072	1,162,553	1,078,428	1,106,285	1,098,232	1,127,572	1,164,654	1,141,888	1,047,992
Agriculture and all others	633,262	681,030	707,998	657,960	601,514	680,022	703,322	793,580	831,229	1,037,895
Manufacturers	198,074	190,214	222,906	194,254	157,620	92,047	104,649	110,329	111,466	105,142
TOTAL*	\$ 11,470,237	\$ 11,697,588	\$ 9,923,961	\$ 10,243,584	\$ 10,805,248	\$ 11,902,599	\$ 12,620,620	\$ 12,797,152	\$ 13,635,777	\$ 14,071,563
VILLAGE DIRECT SALES										
TAX RATE	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.00%

Note: 2016 information was not available at the time this report was prepared.

*Totals do not tie to financial statements due to confidentiality agreements with certain taxpayers.

Data Sources

Illinois Department of Revenue
Village records

VILLAGE OF VERNON HILLS, ILLINOIS

DIRECT AND OVERLAPPING SALES TAX RATES

Last Ten Fiscal Years

Fiscal Year	State Rate	RTA Rate	County Rate	Village Home Rule Rate	Total Sales Tax Rate	% Distributed to Village
2007	6.00%	0.25%	0.25%	N/A	6.50%	1.00%
2008*	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2009	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2010	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2011	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2012	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2013	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2014	6.00%	0.50%	0.50%	N/A	7.00%	1.00%
2015**	6.00%	0.50%	0.50%	0.25%	7.25%	1.00%
2016	6.00%	0.50%	0.50%	0.25%	7.25%	1.00%

N/A - Information not available

* Rate changed during FY2008 from the rate that existed in FY2007 on April 1, 2008.

** Home Rule Sales Tax was implemented on January 1, 2015.

Data Source

Village and County Records

VILLAGE OF VERNON HILLS, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Farm Property	Commercial Property	Industrial Property	Total	Railroad Property	Total Taxable Assessed Value (Lake County)
2006	\$ 835,643,430	\$ 59,021	\$ 329,302,011	\$ 526,965	\$ 1,165,531,427	\$ 120,092	\$ 1,165,651,519
2007	897,297,058	57,194	337,811,382	536,714	1,235,702,348	147,146	1,235,849,494
2008	924,051,438	60,685	357,831,579	555,714	1,282,499,416	178,670	1,282,678,086
2009	928,731,639	60,953	360,691,287	544,714	1,290,028,593	171,251	1,290,199,844
2010	889,805,423	54,888	355,135,429	551,337	1,245,547,077	204,020	1,245,751,097
2011	832,609,239	55,976	347,129,444	555,771	1,180,350,430	189,118	1,180,539,548
2012	761,855,463	56,163	333,879,758	561,152	1,096,352,536	123,380	1,096,475,916
2013	710,261,831	56,052	326,597,423	594,926	1,037,510,232	127,479	1,037,637,711
2014	708,727,188	57,466	324,566,212	589,810	1,033,940,676	149,277	1,034,089,953
2015	746,989,830	58,324	331,136,869	597,831	1,078,782,854	180,024	1,078,962,878

Data Source

Lake County Clerk's and Treasurer's Office

VILLAGE OF VERNON HILLS, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING

Last Ten Levy Years

Tax Levy Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CLC Joint Action Water	0.046	0.042	0.042	0.042	0.045	0.047	0.052	0.055	0.056	0.054
Grade School 73	2.887	2.842	2.878	2.899	3.081	3.306	3.678	3.997	4.118	4.033
High School 128	2.179	2.136	2.163	2.179	2.324	2.399	2.580	2.919	2.687	2.732
Jr. College 532	0.195	0.192	0.196	0.200	0.218	0.240	0.272	0.296	0.306	0.299
Vernon Township (1)	0.094	0.092	0.092	N/A	N/A	N/A	N/A	N/A	N/A	NA
Libertyville Township (1)	N/A	N/A	N/A	0.104	0.106	0.111	0.122	0.131	0.134	0.131
Lake County	0.450	0.444	0.453	0.453	0.505	0.554	0.608	0.663	0.683	0.663
Lake County Forest Preserve	0.204	0.201	0.199	0.199	0.198	0.201	0.212	0.218	0.210	0.208
Vernon Hills Park District	0.351	0.343	0.344	0.344	0.427	0.450	0.496	0.445	0.455	0.458
Cook Memorial Library	0.222	0.219	0.222	0.222	0.238	0.254	0.282	0.303	0.312	0.304
Countryside Fire District	0.398	0.390	0.417	0.417	0.453	0.495	0.552	0.597	0.613	0.598
Village of Vernon Hills	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL**	7.026	6.901	7.006	7.059	7.595	8.057	8.854	9.624	9.574	9.480

N/A - Information not available

(1) For levy years 2001 through 2008, the largest tax code in the Village of Vernon Hills was in Vernon Township. Beginning in 2009 the largest tax code in the Village was in Libertyville Township.

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Westfield Shoppingtown Hawthorn	\$ 20,234,248	1	1.96%	\$ 16,620,647	1	1.43%
Van Vlissingen & Co				13,434,679	2	1.15%
Inland Real Estate	13,667,190	2	1.32%	10,303,990	5	0.88%
Museum Gardens II LLC	12,278,632	3	1.19%	10,673,641	4	0.92%
Leahy Vernon Hills Development	11,865,730	4	1.15%	11,803,449	3	1.01%
CDW Computer Centers, Inc.	8,911,611	5	0.86%	-		0.00%
PWA Continental Executive Park, LP	-		0.00%	9,623,500	6	0.83%
Hawthorn Hills	7,876,323	6	0.76%	-		0.00%
Walmart Stores Inc.	7,104,130	7	0.69%	6,932,939	10	0.59%
Corporate Woods Associates, LLC	6,778,298	8	0.66%	-		0.00%
VTRP Merger Sub	5,217,223	9	0.50%	-		0.00%
CNL Retirement HB2	5,197,623	10	0.50%	8,532,463	7	0.73%
Washington Mutual Bank	-		0.00%	8,301,271	8	0.71%
	-		0.00%	7,655,203	9	0.66%
	<u>\$ 99,131,008</u>		<u>9.59%</u>	<u>\$ 103,881,782</u>		<u>8.91%</u>

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

TAX INCREMENT FINANCING DISTRICT TAX EXTENSIONS AND COLLECTIONS

Last Ten Levy Years

Fiscal Year	Levy Year	Equalized Assessed Valuation	Tax Extension	Total Collections	Percent Collected
2007	2006	\$ 1,261,680	\$ 81,050	\$ 81,149	100.12%
2008	2007	267,988	17,044	17,053	100.05%
2009	2008	N/A	N/A	N/A	N/A
2010	2009	3,645,858	236,288	232,544	98.42%
2011	2010	10,990,021	772,159	772,159	100.00%
2012	2011	13,916,549	1,047,916	1,048,053	100.01%
2013	2012	15,319,383	1,281,313	1,281,321	100.00%
2014	2013	13,237,847	1,174,991	1,174,513	99.96%
2015	2014	13,414,039	1,221,833	1,221,604	99.98%
2016	2015	13,649,852	1,216,824	N/A	0.00%

Note: The Village's Tax Increment Financing District had no levy for 2008.
The 2015 levy is in collection at year end.

Data Source

Village and Lake County Records

VILLAGE OF VERNON HILLS, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Fiscal Year	Levy Year	Tax Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2006	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
2008	2007	-	-	0.00%	-	-	0.00%
2009	2008	-	-	0.00%	-	-	0.00%
2010	2009	-	-	0.00%	-	-	0.00%
2011	2010	-	-	0.00%	-	-	0.00%
2012	2011	-	-	0.00%	-	-	0.00%
2013	2012	-	-	0.00%	-	-	0.00%
2014	2013	-	-	0.00%	-	-	0.00%
2015	2014	-	-	0.00%	-	-	0.00%
2016	2015	-	-	0.00%	-	-	0.00%

Note: The Village has not levied taxes for the last ten levy years.

VILLAGE OF VERNON HILLS, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Alternate Revenue Bonds	TIF Revenue Bonds/Notes	Capital Leases Payable				
2007	\$ -	\$ 15,480,000	\$ -	\$ 67,136	\$ 15,547,136	1.66%	\$ 653.41	
2008	-	14,445,000	10,628,000	48,908	25,121,908	2.48%	1,047.31	
2009	-	13,340,000	12,170,192	27,612	25,537,804	2.63%	1,043.98	
2010	-	12,190,000	12,963,000	15,230	25,168,230	2.71%	1,028.87	
2011	-	11,000,000	12,963,000	-	23,963,000	2.51%	954.21	
2012	9,475,000	8,255,000	7,000,000	-	24,730,000	2.59%	984.75	
2013	9,460,000	6,955,000	7,000,000	-	23,415,000	2.16%	914.18	
2014	9,445,000	4,625,000	6,910,000	-	20,980,000	1.93%	819.12	
2015	14,960,000	1,115,000	6,715,000	-	22,790,000	2.07%	879.55	
2016	21,835,000	1,115,000	-	-	22,950,000	2.04%	872.16	

Note: Details of the Village's outstanding debt can be found in the notes to financial statements.

(1) See the schedule of Demographic and Economic Information for personal income and population data.

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

April 30, 2016

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village (1)	The Village's Share of Debt
Village	\$ 22,950,000	100.00%	\$ 22,950,000
School District Number 73	34,186,732	67.650%	23,127,324
School District Number 76	1,654,089	27.170%	449,416
School District Number 96	405,000	2.290%	9,275
School District Number 103	6,535,000	18.640%	1,218,124
High School District Number 120	21,534,460	1.070%	230,419
High School District Number 125	10,870,000	8.670%	942,429
High School District Number 128	6,280,000	28.310%	1,777,868
Community College Number 532	68,660,000	4.850%	3,330,010
Lake County	190,325,000	4.600%	8,754,950
Lake County Forest Preserve District	284,615,000	4.600%	13,092,290
Countryside Fire Protection District	3,730,000	61.520%	2,294,696
Central Lake County JAWA	8,905,000	17.320%	1,542,346
Mundelein Park District	835,000	0.001%	8
Vernon Hills Park District	10,167,880	99.970%	10,164,830
Total overlapping debt	<u>648,703,161</u>		<u>66,933,985</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 671,653,161</u></u>		<u><u>\$ 89,883,985</u></u>

(1) Determined by ratio of assessed valuation of property in the Village subject to taxation by the Governmental Unit to the total assessed value of property of the Governmental Unit.

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Less Amounts Available in Debt Service Fund	Total	Percentage of Equalized Assed Value (1)	Per Capita (2)
	General Obligation Bonds					
2007	\$ 15,480,000	\$ -	\$ -	\$ 15,480,000	1.33%	\$ 650.58
2008	14,445,000	-	-	14,445,000	1.43%	602.20
2009	13,340,000	-	-	13,340,000	1.38%	545.34
2010	12,190,000	-	-	12,190,000	1.31%	498.32
2011	11,000,000	-	-	11,000,000	1.15%	438.02
2012	17,730,000	-	-	17,730,000	1.86%	706.01
2013	16,415,000	-	-	16,415,000	1.51%	640.89
2014	14,070,000	-	-	14,070,000	1.29%	549.33
2015	16,075,000	-	-	16,075,000	1.46%	620.39
2016	22,950,000	-	-	22,950,000	2.04%	872.16

(1) See the schedule of Assessed Value and Actual Value of Taxable Property.

(2) See the schedule of Demographic and Economic Statistics for the per capita income data.

Note: Details of the Village's outstanding debt can be found in the notes to financial statements.

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2016

The Village is a home rule municipality.

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 50,000 an aggregate of one per cent:...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts."

To date the General Assembly has set no limits for home rule municipalities.

VILLAGE OF VERNON HILLS, ILLINOIS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	23,794	\$ 935,485	\$ 39,316	35.3	N/A	3.2%
2008	23,987	1,012,251	42,200	N/A	N/A	3.8%
2009	24,462	969,674	39,640	N/A	N/A	4.8%
2010	24,462	928,822	37,970	36.6	N/A	7.4%
2011	25,113	953,541	37,970	N/A	N/A	8.0%
2012	25,113	953,541	37,970	N/A	N/A	7.1%
2013	25,613	1,083,740	42,205	N/A	N/A	6.6%
2014	25,613	1,089,679	42,544	N/A	N/A	7.4%
2015	25,911	1,100,103	42,457	N/A	N/A	6.0%
2016	26,314	1,127,450	42,846	N/A	N/A	4.4%

N/A - Not Available

Population Data Sources:

2006 through 2009 data and 2013 data was obtained by a census estimate.

2010 data is the reuse of the 2009 data, 2011 and 2012 data was obtained by the 2010 census.

2013, 2014, and 2015 data was from census estimate.

Income Data Sources:

2007, 2008, and 2009 data is from Census estimates. The 2010, 2011, and 2012 results are from 2010 Census. 2013 through 2015 data was obtained from a census estimate.

Median Age Data:

2009 Census estimate and 2010 census result.

School Enrollment Data:

Unavailable

Economic Data:

Provided by the Illinois Department of Employment Security's Economic Information and Analysis Division for Vernon Hills. Data is for the Calendar Year that ends during that fiscal year.

VILLAGE OF VERNON HILLS, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2016			2007		
	Number of Employees	Rank	% of Total Village Population	Number of Employees	Rank	% of Total Village Population
Westfield Shoppingtown Hawthorn	2,500	1	N/A	2,500	1	N/A
Zebra Technologies Corp	900	2	N/A	900	2	N/A
American Hotel Register	400	3	N/A	400	3	N/A
Mitsubishi Electric Automation, Inc.	400	4	N/A	350	4	N/A
CDW Computer Centers, Inc.	350	5	N/A	350	4	N/A
Mercer Human Resource Consulting	340	6	N/A			
Z.F. Service North America, LLC	325	7	N/A	250	8	N/A
Cole-Palmer Instrument Co.	300	8	N/A	300	5	N/A
CareFusion, Inc.	300	9	N/A			
Richard Wolf Medical Instruments Corp	200	10	N/A	200	12	N/A
ETA/Cuisenaire	200	10	N/A			
Rust-Oleum	180	12	N/A			
Experient, Inc.	160	13	N/A			
Overture Premiums & Promotions, LLC	150	14	N/A			
Manhard Consulting				275	7	N/A
Paslode				200	9	N/A
TOTAL	6,705			5,725		

N/A - Not available

Data Source

2015 and 2007 Illinois Manufacturer's Directory and Illinois Services Directory

VILLAGE OF VERNON HILLS, ILLINOIS

FULL-TIME EQUIVALENT VILLAGE GOVERNMENTAL EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL GOVERNMENT										
Management Services	4.35	4.85	4.85	4.85	4.38	2.50	2.50	2.50	3.54	3.54
Human Resources	3.60	3.60	3.60	3.60	3.60	3.80	3.87	4.08	4.08	4.09
PUBLIC WORKS	22.00	23.50	23.50	23.50	23.74	22.91	23.54	24.83	25.47	23.85
PUBLIC SAFETY	69.00	70.50	69.50	69.50	64.75	66.59	66.88	70.71	70.63	72.28
COMMUNITY DEVELOPMENT	17.75	15.00	14.00	15.00	7.50	7.50	7.50	7.53	7.54	7.57
	<u>116.70</u>	<u>117.45</u>	<u>115.45</u>	<u>116.45</u>	<u>103.97</u>	<u>103.30</u>	<u>104.29</u>	<u>109.65</u>	<u>111.26</u>	<u>111.33</u>

Data Source

Village Records

VILLAGE OF VERNON HILLS, ILLINOIS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC WORKS										
Forestry										
Number of parkway trees planted*	131	124	119	89	121	145	291	603	1,235	876
Number of parkway trees trimmed*	750	642	1,182	1,420	1,458	1,065	1,066	1,050	1,165	1,009
Fleet services										
Number of cars/SUVs/vans maintained*	52	44	46	42	39	41	37	43	35	35
Number of light trucks maintained*	15	15	15	15	16	16	17	17	18	18
Number of heavy trucks maintained*	10	10	10	10	10	10	10	10	10	10
Number of loaders/backhoes maintained*	4	4	4	4	4	4	4	4	5	5
Number of small tractors maintained*	1	1	2	2	2	2	2	2	1	1
Number of sweepers maintained*	1	1	1	1	1	1	1	1	1	1
Number of buses maintained*	1	1	1	1	1	1	1	1	1	1
PUBLIC SAFETY										
Police										
Part I crime*	699	738	686	779	779	678	635	535	544	574
Part II crime*	1,010	1,026	717	759	687	710	557	551	628	603
Calls for service*	18,617	17,963	20,793	18,974	18,630	18,608	21,170	22,903	23,358	23,684
State tickets issued*	5,963	5,686	5,388	2,386	2,836	2,080	3,414	3,480	3,271	2,273
Compliance tickets issued*	650	702	489	156	160	125	458	1,038	1,102	587
Parking tickets issued*	3,583	3,149	2,536	1,644	2,289	1,591	2,259	2,974	3,407	2,419
COMMUNITY DEVELOPMENT										
Number of building permits issued	1,660	1,518	1,136	972	1,216	1,389	1,354	1,344	1,798	1,525
Number of building inspections	13,127	4,902	4,486	4,276	2,802	2,833	2,703	3,067	5,105	3,312
HIGHWAYS AND STREETS										
Sidewalk/bike trail programs	\$ 32,196	\$ 39,457	\$ 105,591	\$ 57,507	\$ 39,750	\$ 35,141	\$ 42,554	\$ 55,910	\$ 55,662	\$ 93,096
Annual resurfacing program	\$ 1,131,594	\$ 879,268	\$ 1,600,000	\$ 899,984	\$ 839,012	\$ 583,333	\$ 811,685	\$ 624,565	\$ 1,148,696	\$ 1,265,502

*Statistics are for the calendar year ending during that fiscal year.

Note: Indicators are not available for the general government function.

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Communications/Training center	-	-	1	1	1	1	1	1	1	1
Patrol units	35	37	37	37	34	36	36	37	37	37
PUBLIC WORKS										
Streets (lane miles)	140.9	140.5	141.1	141.1	141.7	141.7	141.7	141.7	141.7	141.7
Sidewalks (miles)	106.4	112.7	113.3	113.3	113.3	113.3	113.3	113.3	113.3	113.3
Streetlights	2,429	2,217	2,247	2,247	2,258	2,258	2,258	2,258	2,258	2,258
Traffic lights (Village owned)	4	4	5	5	5	5	5	5	5	5
RECREATION										
Athletic complex	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Community center	1	1	1	1	1	1	1	1	1	1
ADMINISTRATION										
Village hall	1	1	1	1	1	1	1	1	1	1

Data Source

Village records