

VILLAGE OF
VERNON HILLS,
ILLINOIS

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



YEAR ENDED
APRIL 30, 2012

**VILLAGE OF VERNON HILLS,
ILLINOIS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED APRIL 30, 2012

Prepared by the Finance Department

Larry Nakrin, Director of Finance/Village Treasurer

VILLAGE OF VERNON HILLS, ILLINOIS

TABLE OF CONTENTS

	PAGE
<u>INTRODUCTORY SECTION</u>	
List of Principal Officials	i
Organizational Structure	ii
Transmittal Letter	iii - xi
Certificate of Achievement for Excellence in Financial Reporting.....	xii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MD&A 1-15
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Assets	3 - 4
Statement of Activities	5 - 6
Fund Financial Statements	
Balance Sheet – Governmental Funds	7 - 8
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10 - 11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Net Assets – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Statement of Fiduciary Net Assets – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Financial Statements.....	18 - 55

VILLAGE OF VERNON HILLS, ILLINOIS

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION – Continued

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress and Employer Contributions	
Illinois Municipal Retirement Fund.....	56
Police Pension Fund	57
Other Post-Employment Benefit Plan	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	59
Motor Fuel Tax – Special Revenue Fund	60
Tax Increment – Special Revenue Fund	61

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues – Budget and Actual – General Fund	62
Schedule of Expenditures – Budget and Actual – General Fund	63 - 66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
VHAC Site Development – Capital Projects Fund.....	67
Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	
Equipment Replacement – Internal Service Fund	68
Statement of Changes in Assets and Liabilities – Development – Agency Fund	69

SUPPLEMENTAL SCHEDULES

Long-Term Debt Requirements	
General Obligation Bonds of 2012A	70
General Obligation Bonds of 2012B	71
Alternate Revenue Bonds of 2002	72
Alternate Revenue Refunding Bonds of 2004	73
Alternate Revenue Refunding Bonds of 2005	74
Alternate Revenue Bonds of 2006	75
Alternate Revenue Bonds of 2007	76
Alternate Revenue Bonds of 2007	77
Senior Lien Tax Increment Revenue Bonds of 2007.....	78

VILLAGE OF VERNON HILLS, ILLINOIS

TABLE OF CONTENTS

	PAGE
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Assets by Component – Last Nine Fiscal Years	79 - 80
Changes in Net Assets – Last Nine Fiscal Years	81 - 82
Fund Balances of Governmental Funds – Last Ten Fiscal Years	83 - 84
General Governmental Revenues by Source – Last Ten Fiscal Years	85 - 86
General Governmental Expenditures by Function – Last Ten Fiscal Years	87 - 88
Changes in Fund Balances for Governmental Funds – Last Ten Fiscal Years	89 - 90
Taxable Sales by Category – Last Ten Calendar Years	91 - 92
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	93
Assessed Value and Actual Value of Taxable Property – Last Ten Levy Years	94 - 95
Direct and Overlapping Property Tax Rates – Last Ten Levy Years	96 - 97
Principal Property Tax Payers – Current Year and Nine Years Ago	98
Property Tax Levies and Collections – Last Ten Fiscal Years	99
Tax Increment Financing District Tax Extensions and Collections – Last Ten Fiscal Years	100
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	101
Schedule of Direct and Overlapping Bonded Debt	102
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	103
Schedule of Legal Debt Margin	104
Demographic and Economic Statistics – Last Ten Fiscal Years	105
Principal Employers – Current Fiscal Year and Nine Fiscal Years Ago	106
Full-Time Equivalent Village Government Employees by Function – Last Ten Fiscal Years	107 - 108
Operating Indicators by Function/Program – Last Ten Fiscal Years	109 - 110
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	111 - 112

INTRODUCTORY SECTION

This section includes miscellaneous data regarding the Village of Vernon Hills: List of Principal Officials, Organizational Structure, Transmittal Letter from Village Manager and Director of Finance/Village Treasurer, and Certificate of Achievement for Excellence in Financial Reporting.

VILLAGE OF VERNON HILLS, ILLINOIS

**List of Principal Officials
April 30, 2012**

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

Jeanne Schwartz, Village Trustee

James Schultz, Village Trustee

APPOINTED OFFICIALS

Mike Allison, Village Manager/Village Clerk

John Kalmar, Assistant Village Manager/Deputy Village Clerk

David Brown, Director of Public Works/Village Engineer

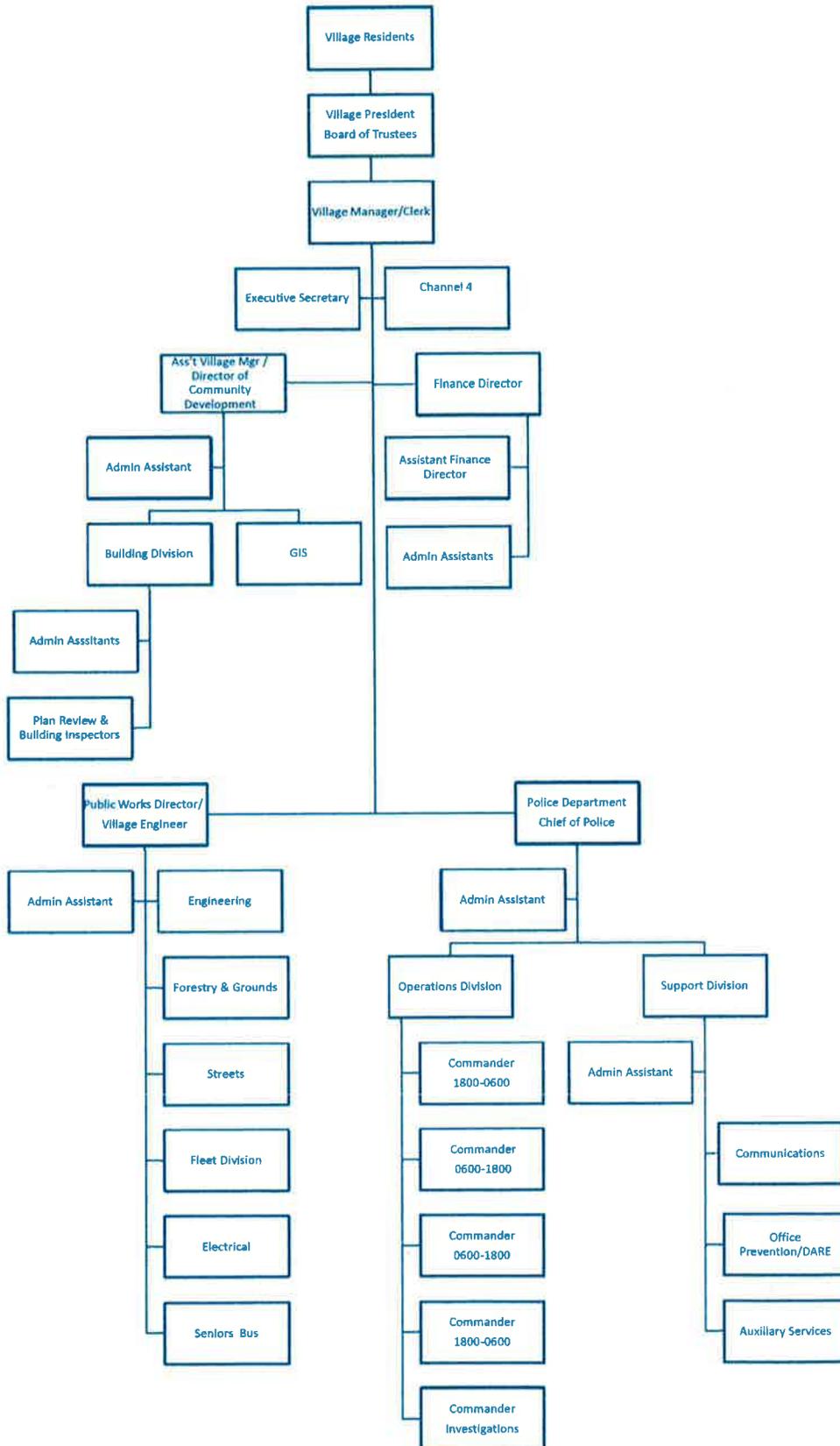
Mark Fleischhauer, Chief of Police

Michael Atkinson, Building Commissioner

Robert Kenny, Village Attorney

Larry Nakrin, Director of Finance/Village Treasurer

VILLAGE OF VERNON HILLS ORGANIZATIONAL STRUCTURE





August 13, 2012

To the Citizens of the Village of Vernon Hills:

The Comprehensive Annual Financial Report of the Village of Vernon Hills for the fiscal year ended April 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of presentation, including all disclosures, rests with the Village. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the government. All disclosures necessary to enable the reader to gain an understanding of the Village's financial activities have been included.

This report consists of management's representations concerning the finances of the Village of Vernon Hills. Consequently, management takes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Village of Vernon Hills' financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh benefits, the Village's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

This transmittal letter should be read in conjunction with the management discussion and analysis. 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.

GOVERNMENT PROFILE

This report includes all funds of the Village. 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 review and inspection; development review; and general administrative services. The Village's Communications Center serves both the telecommunicators employed by the Village of Vernon Hills Police Department and the telecommunicators employed by Countryside Fire Protection District. 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 operates a cable studio. The Village also provides a nine-hole golf course; it also owns an eighteen-hole golf course, which is leased and operated Par Development through 2024. It also owns the Vernon Hills Athletic Complex and operates it in conjunction with the Vernon Hills Parks District. The Park District provides other 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 provided by the Lincolnshire - Riverwoods Fire Protection District. The Village is served by two library districts, two townships, four grade 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.

The 2010 Census determined that the Village of Vernon Hills has a population of 25,113. As a result, the Village gained Home Rule statutory authority in 2011.

ECONOMIC CONDITION AND OUTLOOK

Vernon Hills is located in central Lake County about 35 miles north of downtown Chicago. Vernon Hills has easy access to the Chicago - Milwaukee Tollway, and accordingly, easy access to Chicago's O'Hare Airport as well as Milwaukee's Mitchell Airport. Vernon Hills is a growing area in the Chicago metropolitan area, and is a major employment center. According to Lake County Partner's analysis of Standard Industry Code information, there are 17,091 jobs in Vernon Hills in 2007. Vernon Hills is also a major center of retail shopping in Lake County.

The Village of Vernon Hills has 3.66 million square feet of retail space. The most significant component of that retail space is the Westfield Hawthorn Center, which was completed in 1974 and subsequently expanded. The Center has 1.30 million square feet of leasable retail space and is anchored by Sears Roebuck & Co., Carson Pirie Scott & Co., J.C. Pennys and Macy's.

The Marketplace Shopping Center, which opened in 1994, also brings significant retail space to Vernon Hills. It is currently anchored by an 111 thousand square foot Home Depot, and a 198 thousand square foot redevelopment completed in 2005 which brought the Village a Bed Bath and Beyond, an Old Navy, an Ashley Furniture, a Joanne's Fabrics and a DSW (Discount Shoe Warehouse). Marketplace lost a couple of major out lot tenants early in Calendar Year 2009. The Village determined that those vacancies had to be addressed with sales tax incentives. One major vacancy among the free standing stores in Marketplace was the closing of the 33 thousand square foot Circuit City. An economic incentive agreement was worked out with the owners of the former Circuit City Building to bring a CompUSA/Tiger Direct to Vernon Hills. The sharing arrangement allows the developer to keep everything above the first \$100,000 of sales tax generated for the Village for nine years or until the developer's net present value goal of \$518

thousand (discounted at 5%), whichever occurs first. Each year that the agreement is in effect, the Village keeps the first \$100,000 of sales tax generated by CompUSA/Tiger Direct annually. Comp USA/Tiger Direct opened in February of 2011. Another major Marketplace loss in early 2009 was the closing of the 110 thousand square foot Home Expo. In FY2010-11, Steinhafels, the leading furniture store in Wisconsin, decided to look at the Home Expo site for its first expansion into the Chicago area. In order to encourage a high quality upgrade of the Home Expo site, the Village agreed to a seven year sales tax sharing agreement, where Steinhafels gets 40% of the sales tax generated for the Village in the first four years and then 41% in the last three years, except that, if a net present value of \$600,000 (discounted at 5%) is reached first, the agreement ends at that time. Steinhafels opened in August of 2011.

Another larger shopping center in Vernon Hills is Rivertree Court. It was completed in 1988; it has 299 thousand square feet of retail space including Best Buy, Office Depot, and T.J. Maxx. During FY2009-10, the Rivertree Movie Theatre closed in Vernon Hills. The Village provided Inland, the owners of the center, with a sales tax incentive to renovate the theatre and dilapidated parking lot in order to bring their 50 thousand square foot Gordmans store to Vernon Hills. The incentive agreement provides Inland 75% of sales tax generated for ten years unless the \$385,000 net present value (discounted at 5%) target is realized sooner. The store opened in September of 2011.

Also among the major retail centers in Vernon Hills is the 297 thousand square foot Townline Commons, which was completed in 1990 and is anchored by Walmart, and Toys R Us. It lost Plunketts Furniture in 2009. The Plunketts vacancy was filled by a 28 thousand square foot HH Gregg, electronics/appliance store. In order to make the modifications to the old Plunketts building affordable for HH Gregg, the Village agreed to share 50% of all sales tax revenues generated by the project for ten years or sooner if a \$603 thousand net present value (discounted at 5%) figure is reached. HH Gregg opened in the August of 2011.

In 2008, the 206 thousand square foot Shoppes at Gregg's Landing opened, bringing Vernon Hills a Lowes and Staples. Additionally, in June of 2011, a 70 thousand square foot Mariano's Fresh Market opened in this shopping center. Mariano's is a high end grocery store owned by Roundy's, a Wisconsin based grocery. In order to assist the developer with land costs to enable their bringing Mariano's to Vernon Hills the Village offered the developer 37% of the sales tax generated for fifteen years or until \$955,000 net present value (discounted at 5%) is realized, whichever occurs first.

The 203 thousand square foot Hawthorn Hills Square opened in 1986. During 2008 and early in 2009 Linen's & Things and Wick's closed in Hawthorn Square, contributing to bringing that shopping center's vacancy rate to 57%. That amounted to 116 thousand square feet of vacant space. These major vacancies threatened the viability of Hawthorn Square. In order to assist Hawthorn Hills Square's developers, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52 thousand square foot Dick's Sporting Goods to the Village and to Hawthorn Hills Square. Dick's opened in early September of 2010. The 20 year agreement, beginning in October of 2010, has 70% of the new sales tax rebated to the property owner in the first five year period, 60% in the second five year period, 40% in the third five year period and 30% in the final five year period. The agreement ends once Chase's \$1.17 million net present

value (discounted at 6%) target is met, or at the end of twenty years, whichever occurs first. Hawthorn Hills Square also added a PetsMart, which is relocating from Rivertree. As a result of the agreement excluding stores that move within the Village, PetsMart is relocation within the Village, Chase is not eligible for the sales tax incentive. Other smaller retailers have come to Hawthorn Hills under the incentive agreement including Five Below and Noodles and Company.

The Village has a number of smaller shopping centers included on Route 60. One retail center on Route 60 is the 70 thousand square foot Aspen Point Shopping Center that includes a Walgreen's Drug Store and a Buffalo Wild Wings. During FY2010-11 construction was completed on a five thousand square foot free standing Chili's restaurant in the Aspen Point Shopping Center, which opened in August of 2010. Also located on Route 60, is the 99 thousand square foot Hawthorn Commons which was formerly anchored by a Dominick's. That Dominick's closed in April of 2012. The Village is aware of interest in leasing this space.

The other component of the Village's 3.66 million square feet of retail is 837 thousand square feet of freestanding retail. Of the 837 thousand square feet of freestanding retail, 15% was vacant as of July 26, 2010. Freestanding retail includes a 170 thousand square foot Target Greatland, a 128 thousand square foot Sam's Club, an 87 thousand square foot Kohl's, a 45 thousand square foot Sports Authority, a 37 thousand square foot Babies R US and a 37 thousand square foot Walter E. Smithe Furniture. The vacant 8 thousand square foot Tweeter's building was redeveloped during FY2009-10 with a Verizon Store and a Qdoba Grill which opened in June and July of 2010. The current vacancy rate for retail space in Vernon Hills is approximately 5%.

In July of 1997, the mail order, warehouse and corporate facility for CDW opened in Continental Executive Parke. The original facility was 224 thousand square feet and cost \$10.6 million. CDW has subsequently become a Fortune 1000 Company. It continued its expansion with a \$5 million new facility including a child care facility and an employee fitness center. In calendar year 2000, CDW opened a new facility in Vernon Hills containing over 200 thousand square feet. CDW is currently leasing a 140 thousand square foot building owned by Pac Trust that was formerly occupied by Allstate. The Village has an economic incentive agreement with CDW in effect through July 31, 2019 involving the rebating of sales tax. It has a maximum rebate level of 50%, which is applicable as long as the Village collects at least \$2 million annually in sales tax from CDW. If sales tax receipts fall between \$650,000 and \$2 million, the rebate is 35%. Between \$500,000 and \$650,000, the rebate is 20% and below \$500,000 there is no rebate.

As a result of some of the new retail development, sales tax rebounded to near pre-recession levels in FY2011-12. Sales tax in FY2011-12 was 8.5% above FY2010-11 levels and 12.0% above FY2009-10 levels, but it was still 1.1% below FY2007-08 levels.

Prior to 1986, few office buildings were located in the Village. One exception was the Rustoleum's international headquarters. In 1986, Van Vlissingen and Company began development in the Village of a 320-acre office and light-manufacturing park known as Corporate Woods. According to *Crains*, Corporate Woods is the 15th largest industrial park in the Chicago region. Among the largest buildings in Corporate Woods is the 130

thousand square foot Richard Wolf Medical Instrument Corporation building, 235 thousand square foot Mitsubishi building and the 161 thousand square foot Z.F. Industries building. During 2008, a Lifetime Fitness facility opened in Corporate Woods. In 1988, Prentiss/Copley began development of the 600 acre office park known as Continental Executive Parke. It includes the 260 thousand square foot Cole Parmer building and the 200 thousand 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 thousand square foot original American Hotel Register headquarters building and the followed by a 201 thousand square foot American Hotel Register distribution center.

The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, PNC Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, MB Financial Bank and the Vernon Hills Bank and Trust. A second PNC Bank was recently completed in the Tax Increment District (which is described hereafter). The Village has four hotels: the 148 unit Hotel Indigo, the 119 unit Holiday Inn Express, the 124 unit Homestead Village and the 128 unit Extended Stay America. A 5% Hotel Motel Tax was extended on these facilities on October 1, 1999. Hotel Motel Taxes were up 9.6% in FY2011-12 from the FY2010-11 level and up 19.3% from FY2009-10 level, but it was still down 17.6% from the level in FY2007-08. FY2011-12 was the first full years that the Amusement Tax base has been affected by the loss of one of its two multi-screen movie theatres. The Amusement Tax was down 19.7% from the FY2010-11 level. It was also down 27.5% from FY2010-11, the last full year of operation for the former Rivertree Movie Theatre.

In 1988, the Village annexed the Cuneo Estate, which was a 1,200-acre track of previously undeveloped land. It is zoned to include retail, office park and residential components. The residential and golf course component of this development is called Gregg's Landing. Currently, of the 2,100 homes are approved for the development, as of April 30, 2012, 1,927 were constructed or permitted for construction. The development includes an 18-hole golf course built on 320 acres of land donated by developers. The Village negotiated with Par Development to build and operate the golf course. 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 buy out options in 2013 and 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 that begins with 0.10% from 2007 through 2011, increases to 0.25% from 2012 through 2019, to 10% in 2020 and 2021, to 15% in 2022 and, finally reaches 20% in 2023 and 2024.

In June of 2012, the Victory Centre of Vernon Hills had its grand opening. The complex consists of a five story senior apartment complex with 111 units, a five story supportive living facility with 120 units and a 163 space parking deck/lot. The facility was built on 3.5 acres formerly owned by the Village. The sale of this property to Pathway Senior Living LLC for \$1 million occurred in October of 2010.

The Village has a Tax Increment Financing District which the Village developed with the College of Lake County and two developers: Opus North and VHTC. The district was

formed in order to develop the area of the Village near the intersection of Routes 45 and 21. The area was difficult to develop because of the distribution of land ownership and traffic flow obstacles. Despite set backs during the 2008-2009 downturn, the Tax Increment District has made substantial progress. For Calendar year 2009, the TIF District had a \$3,645,858 thousand incremental assessed valuation and a \$236,288 tax extension. In 2010, the incremental assessed valuation increased to \$10,990,021 and the tax extension increased to \$772,159. For 2011, the most recent year the incremental assessed valuation is \$13,916,549 resulting in a \$1,047,916 tax extension. In the Opus North development, two 66 unit condo buildings were approved for this site, of which one has been built with 66 units-all of which have occupancy permits and were either sold or rented. Opus North was also approved for a total of 47 town home units, of which only 20 have been built and occupied. In the VHTC development a Starbuck's and a Roti's Mediterranean Grill opened during FY2008-09. During FY2009-10, VHTC completed a six story mixed use building with 84 one and two bedroom luxury apartments, underground parking and 10,000 square feet of retail. Currently all 84 residential units have certificates of occupancy and have been rented out or are in the process of being rented out; while all of the retail space has been leased. A newly constructed PNC opened on the VHTC site late in October of 2011. A newly constructed 15,000 square foot retail center south of PNC is now occupied by a Tom & Eddie's Restaurant, a Real Urban Barbeque and a dance studio, with Halstead Street Deli close to ready to open in late August or early September of 2012. The Beer Market, a newly constructed 3,000 square foot free standing high end drinking establishment, opened in March of 2012. The Beer Market provides its customers with meals from several nearby restaurants.

While there was no new debt issued in FY 2011-12, \$5,963,000 of principal was refinanced which resulted in \$78,230 of issuance costs. Additionally, \$960,010 of interest was recognized. Capital expenditures in the TIF were completed in 2009-10, with \$7.18 million expended in FY2007-08, \$5.19 million expended in FY2008-09 and \$995 thousand expended in FY2009-10. Leading up to FY2011-12, \$10.63 million of TIF revenue debt was issued in FY2007-08, \$1.54 million was issued in FY2008-09 and \$793 thousand was issue in FY2009-10. Initially, during FY2007-08, the Village issued a \$7 million TIF Revenue Bond with an average coupon of 6.18%. Because, the bond was issued prior to most of the TIF development, a Capitalized Interest Fund was required as well as a Debt Service Reserve Fund. Of the \$7 million in bond proceeds, \$1,134,082 was used to fund the Capitalized Interest Fund, \$700,000 was used to fund the Debt Service Reserve Fund, \$273,204 was used for issuance costs and \$140,000 paid the underwriter's discount. The remaining \$4,752,714 was placed in the Project Construction Fund, where \$1,750,714 was used to fund Opus North's entire infrastructure improvements and \$3,002,000 was paid to VHTC. The \$3,002,000 was part of the \$6,630,000 the Village agreed to subsidize VHTC's acquisition of land and an existing building which VHTC demolished after the purchase in order to provide land for its development. The remaining \$3,628,000 payment to VHTC was financed by a Developer Note, with an 8.0% coupon, which was purchased by VHTC. During FY2008-09, a \$2,335,000 Developer Infrastructure Draw-Down Note, also with an 8.0% coupon, was authorized to be purchased by the developer. The draws that occurred in FY2008-09 totaled \$1,542,192. Subsequently, early in FY2009-10, \$487,808 was drawn down, bringing the total draw down to \$2,030,000. In order to assist VHTC in obtaining enough liquidity to offer needed incentives to retailers, the Village agreed to authorize the

assignment of those notes. As part of that process, the Redevelopment Agreement with VHTC was amended and those notes became unconditional contractual obligations of the Village. The amendment also extended the maturity of the original \$3,628,000 Note and the newly created \$2,030,000 Note until August 1, 2012 and made the notes callable at par on or after July 1, 2011. On March 29, 2010, a third Note for \$305,000 was issued to the developer with the same 8% coupon and maturity and call terms as the other notes. During FY2011-12 the \$5,963,000 of principal due on the three TIF Revenue Notes plus the accrued interest on those Notes was refinanced through the issuance of \$7,850,000 Series 2012A General Obligation Bonds. The bonds are also supported by TIF Revenues and it is the intent of the Village to pay off these bonds using TIF revenues. The General Obligation backing was used to obtain a more favorable interest rate. The True Interest Rate was 1.93% for this Bond; which had an average life of 10.73 years at the time of issuance.

During FY2011-12, the Village also issued the \$1,625,000 Series 2012 B General Obligation Bonds in order to advance refund most of the 2006 General Obligation Alternate Revenue Bonds. The bonds had a True Interest Cost of 2.06% with an average life of 8.79 years at the time of issuance. Both the Series 2012 A General Obligation Bonds and the Series 2012 B General Obligation Bonds were rated by Moody's. Moody's reconfirmed the Village's Aaa rating. Older Village General Obligation debt was rated by Standard and Poor's; their rating remains an AA.

The fiscal challenges of the 2008 recession generated interest in finding ways to maintain quality dispatch services at a lower cost. Faced with pressures from reduced headcount in our dispatch operation, 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. This relocation provided for new levels of back up between the two dispatch units. With this infrastructure in place, the Village of Vernon Hills and Countryside were able to offer the Village of Libertyville a joint police and fire dispatch center. Such an arrangement would save Libertyville the cost of operating its own dispatch center while providing revenues to defray ongoing dispatching costs borne by Countryside and the Village of Vernon Hills. 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 Libertyville would pay the other two entities a total of \$559,082, the second year would be \$610,344, the third year would be \$628,654, the fourth year would be \$647,513, and in the final year of the agreement it would be \$666,939. Additionally, over those five years, Libertyville would reimburse the Village for the \$238,000 of capital costs needed to add Libertyville to the center plus a financing cost adjusting annually to the five year Treasury rate. In order to accommodate Libertyville the Village of Vernon Hills would have to add two Telecommunicators, and Countryside would have to add two Telecommunicators. On August 1, 2012 Libertyville's dispatch function was moved to Vernon Hills.

The fiscal challenges of the recession also contributed to the unionization of Police officers in 2009. Subsequently, Sergeants were added to their bargaining unit. Telecommunicators went on to form their own bargaining unit as well. Both units are represented by the Illinois Fraternal Order of Police. A settlement with both bargaining units was reached in late 2011, increasing the wage base from its May 1, 2008 level. For

Police Officers, the applicable agreement provided a 3.5% increase on November 1, 2010, a 2.0% increase on May 1, 2011, a 1.5% increase on November 1, 2011 and a 3.5% increase on May 1, 2012. For Sergeants, the applicable agreement provided a 3.0% increase on November 1, 2010, a 2.0% increase on May 1, 2011, a 1.0% increase on November 1, 2011 and a 3.0% increase on May 1, 2012. The Telecommunicator's agreement provided for a 2.0% increase on May 1, 2010, a 2.5% increase on May 1, 2011 and a 3.0% increase on May 1, 2012. Both collective bargaining agreements expire on April 30, 2013. Non-union employees received a 2.0% increase to the May 1, 2008 pay levels on November 1, 2010. Subsequently they received a 3.0% increase on November 1, 2011 and were approved for a 1.75% increase on May 1, 2012 and a 1.75% increase on November 1, 2012.

The Village continued its efforts to maintain a very realistic plan for funding its Police Pension Fund. In FY2010-11, the actuarial report based on data from April 30, 2010 had reduced the investment rate assumptions from 7.0% to 6.5%. In FY2011-12, the actuarial report based on data from April 30, 2011 further reduced the investment rate assumption from 6.5% to 6.25%. Even with that change the funding level improved from 68.1% last year to 75.2% for this year. If the investment rate assumption had remained at 6.5%, the funding level would be 77.9%. Also in FY2011-12, changes in the State law changed the actuarial cost method from Entry Age Normal to Projected Unit Credit. The Village continues to fund the pension based on the more conservative Entry Age Normal Cost Method. If the Pension Fund used the Projected Unit Credit Cost Method it would be 80.0% funded. If the Pension Fund used the Projected Unit Credit Cost Method and continued to use the 6.5% investment rate assumption it would be 83.1% funded.

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, 2011.

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.

Vernon Hills' Village Manager Mike Allison, as well as Assistant Village Manager John Kalmar, are credentialed managers under the International City Manager's Association's program.

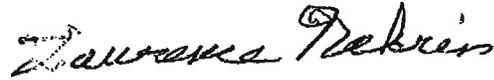
The hard work, long hours and dedication to quality of Peggy Koperski and Jayshree Taswala in the Finance Department made the preparation of the comprehensive annual financial report possible. Mary Grampo and Donna Souter are also appreciated for their

part-time efforts on behalf of the Finance Department. The staff of the Village Manager's Office, Community Development Department, the Police Department and the Public Works Department provided additional important support. The assistance and suggestions of our auditing firm, Lauterbach & Amen, LLP have contributed greatly to the success of this report and the financial operations of the Village. The leadership and support provided by the Village President and Village Board were essential to the preparation of this report.

Sincerely,



Michael S. Allison
Village Manager



Laurence Nakrin, MBA, CPA, CCM, CFA
Finance Director / Treasurer

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Village's independent auditing firm.

INDEPENDENT AUDITORS' REPORT

August 13, 2012

The Honorable Village 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, 2012, which collectively comprise the Village's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Village of Vernon Hills, Illinois' management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Village of Vernon Hills, Illinois' financial statements as a whole. The other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

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, 2012. Please read it in conjunction with the transmittal letter which begins on page iii and the Village of Vernon Hills' financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- In FY2011-12 the Village of Vernon Hills' net assets declined by 1.4% or \$1,586,504 to \$114,495,674. This was a \$300,705 improvement over FY2010-11 when net assets declined by \$1,887,209 or 1.6%.
- Revenues increased by \$5,027 from FY2010-11 levels, while expenses declined by \$295,678.
- The major contributor to the decrease in expenses was a \$1,072,928 drop in General Government, which more than offset a \$904,183 increase in Public Safety.
- The Public Safety increase was largely comprised of a \$572,250 increase in personal services costs and a \$378,252 increase in 911 costs.
- The \$1,072,928 decrease from the FY2010-11 level in General Government expenses is relative to a FY2010-11 level inflated by the one-time disposal of a parcel of land, valued at \$1,120,000. The land was disposed of through a sale to Pathway Development during FY2010-11.
- The \$5,027 increase in revenues was the effect of netting several major changes in different directions including a \$783,897 increase from FY2010-11 levels in General Revenues, a \$510,516 decrease in Capital Grants and a \$312,623 decrease in Charges for Service.
- Within the \$783,897 increase of General Revenues was additional netting. Major changes in this category included a decrease in the Miscellaneous category amounting to \$1,075,020 decrease from FY2010-11 levels, while Sales Tax increased \$825,929, Tax Increment revenues increased \$539,615 and Income Tax increased \$320,506.
- The \$1,075,020 decrease from FY2010-11 in the Miscellaneous Revenue category was largely due to the loss of the one-time \$1,000,000 revenue during FY2010-11 from the land sale to Pathway Development noted above.
- Business-type Activity Net Assets decreased by 21.4% or \$118,478 to \$433,980 as Golf Course revenues increased by \$17,592 or by 4% while expenses increased by \$93,063 or by 19% from FY2010-11 levels. Of that \$93,063 increase in expenses, \$57,227 was an increase in equipment purchases that did not meet the capitalization threshold.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

FINANCIAL HIGHLIGHTS – Continued

- The General Fund had a \$1,003,923 surplus in FY2011-12; that was down from the \$2,335,275 surplus in FY2010-11.
- General Fund revenues fell by \$601,372 from FY2010-11 levels, but FY2010-11 General Fund revenues were inflated by the one-time land sale to Pathway Development for \$1 million, as previously noted.
- In FY2011-12, the Tax Increment Fund had a \$1,817,205 surplus, reversing the \$777,734 deficit in FY2010-11. Major factors affecting this improvement included debt refinancing that improved the fund balance by \$1,924,404 and a revenue increase of \$541,791.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 - 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 3 - 6 of this report.

The Statement of Net Assets reports information on all of the Village of Vernon Hills' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Vernon Hills is improving or deteriorating. Consideration of other non financial 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 assets changed during the most recent fiscal year. All changes in net assets 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).

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

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, highways and streets, economic development, 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.

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.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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, Motor Fuel Tax Fund, Tax Increment Fund, and VHAC Site Development Fund, all of which 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 - 12 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 enterprise funds 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.

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 and for the Equipment Replacement Fund, which are considered to be major funds of the Village of Vernon Hills.

The basic proprietary fund financial statements can be found on pages 13 - 15 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 16 - 17 of this report.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

USING THIS ANNUAL REPORT – Continued

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 18 - 55 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' I.M.R.F., 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 56 - 61 of this report. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 62 - 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets 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 \$114.5 million. The prior year, assets exceeded liabilities by \$116.1 million.

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 30.4	28.3	(0.3)	(0.2)	30.1	28.1
Capital Assets	112.0	115.7	0.7	0.8	112.7	116.5
Total Assets	142.4	144.0	0.4	0.6	142.8	144.6
Long-Term Debt Outstanding	(24.0)	(23.4)	-	-	(24.0)	(23.4)
Other Liabilities	(4.3)	(5.1)	-	-	(4.3)	(5.1)
Total Liabilities	(28.3)	(28.5)	-	-	(28.3)	(28.5)
Net Assets						
Invested in Capital Assets, Net of Debt	87.3	91.8	0.7	0.8	88.0	92.6
Restricted	3.5	3.3	-	-	3.5	3.3
Unrestricted (Deficit)	23.3	20.4	(0.3)	(0.2)	23.0	20.2
Total Net Assets	114.1	115.5	0.4	0.6	114.5	116.1

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

About 77 percent of the Village of Vernon Hills' net assets, or a total of \$88.0 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 citizens'; 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 3 percent or \$3.5 million, of the Village of Vernon Hills' net assets represents resources that are subject to external restrictions on how they may be used. The remaining 20 percent, or \$23.0 million, represents unrestricted net assets 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, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 2.3	2.6	0.4	0.5	2.7	3.1
Operating Grants/Contributions	0.7	1.3	-	-	0.7	1.3
Capital Grants/Contributions	0.1	-	-	-	0.1	-
General Revenues						
Sales Tax	10.3	9.5	-	-	10.3	9.5
Utility Tax	1.4	1.4	-	-	1.4	1.4
Intergovt. Unrestricted						
State Income Tax	2.1	1.8	-	-	2.1	1.8
Telecommunications Tax	1.4	1.3	-	-	1.4	1.3
Other Taxes and Fees	2.3	1.5	-	-	2.3	1.5
Interest Income	0.2	0.3	-	-	0.2	0.3
Miscellaneous	0.1	1.1	-	-	0.1	1.1
Total Revenues	20.9	20.8	0.4	0.5	21.3	21.3
Expenses:						
General Government	4.1	5.1	-	-	4.1	5.1
Public Safety	9.5	8.6	-	-	9.5	8.6
Streets and Roads	6.9	6.9	-	-	6.9	6.9
Economic Development	-	0.3	-	-	-	0.3
Culture and Recreation	0.3	0.3	-	-	0.3	0.3
Interest on Long-Term Debt	1.5	1.5	-	-	1.5	1.5
Golf Course	-	-	0.6	0.5	0.6	0.5
Total Expenses	22.3	22.7	0.6	0.5	22.9	23.2
Increase (Decrease) in Net Assets	(1.4)	(1.9)	(0.2)	-	(1.6)	(1.9)
Net Assets-Beginning as Restated	115.5	117.4	0.6	0.6	116.1	118.0
Net Assets-Ending	114.1	115.5	0.4	0.6	114.5	116.1

Total net assets fell by \$1.6 million to \$114.5 million. In FY2010-11, net assets fell by \$1.9 million. The net assets for governmental activities fell by \$1.4 million to \$114.1 million, compared to a \$1.9 million decline in FY2010-11. Business-type activities fell by \$0.2 million to \$0.4 million.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities

The Village's \$1.6 million decrease in its governmental net assets represented a 1.4% decrease; as compared to FY2010-11 when the decline was 1.6%. Revenues increased by \$5,027 or 0.02%, while expenses decreased by \$295,678 million or by 1.3%. Highlights of the changes from FY2010-11 included:

- General Government expenses decreased by \$1.07 million from the FY2010-11 level. The FY2010-11 level was inflated by the one-time disposal of \$1,120,000 of land sold to Pathway Development.
- Public Safety expenses increased by \$904,183 from FY2010-11 levels. Within Public Safety, a major reason for the \$572,250 personal services increase was a settlement of a Collective Bargaining Agreement with Police Officer, Sergeants and Telecommunicators.
- There was also a \$378,252 increase from FY2010-11 in Public Safety expenditures for 911 resulting from improvements to the dispatch center.
- General Revenues increased by \$825,929, a 8.69% increase from FY2010-11. This happened despite the \$1,075,020 drop in the Miscellaneous Revenue category from FY2010-11 when that category was boosted by the one-time sale of a parcel of land to Pathway Development for \$1,000,000.
- There was substantial growth in other categories of within General Revenues. Sales tax increased by \$825,929 or 8.7% from the FY2010-11 level. Tax Increment revenues increased by \$539,615 or 232.1% from FY2010-11. Income Tax increased by \$320,506 or 17.7%.
- Capital Grant revenue decreased by \$510.5 thousand or 81.4% from FY2010-11 levels. Last fiscal year included substantial non-recurring Streets and Roads projects that qualified for capital grants.
- Charges for Service decreased by \$312.6 thousand or 12.0% from FY2010-11 levels. That drop was the result of a reduction from FY2010-11 levels of \$534,434 or 42.4% in licenses and permits. The reduction in license and permit fees reflected a significant drop in new construction permitted during Fiscal Year 2011-12.

The \$1.4 million decline in Governmental Activities net assets in FY2011-12 comes after a \$1.9 million decline in FY2010-11. Further improvement will be facilitated by Tax Increment interest cost reductions resulting from debt refinancing that occurred during FY2011-12. Continued Tax Increment revenue growth can assist in improving net asset performance. Additionally, another aide to net asset performance will occur as the Village's roads age, because projects that are currently classified as maintenance will be replaced by projects categorized as reconstruction.

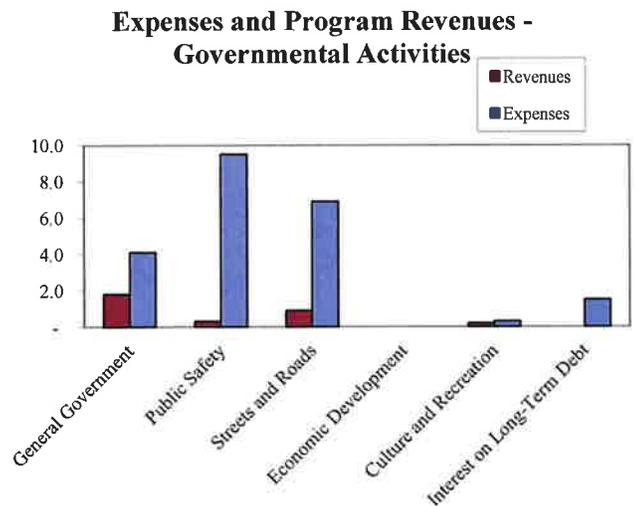
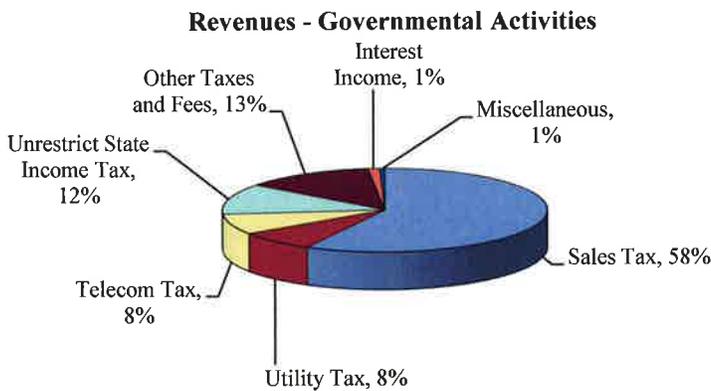
VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

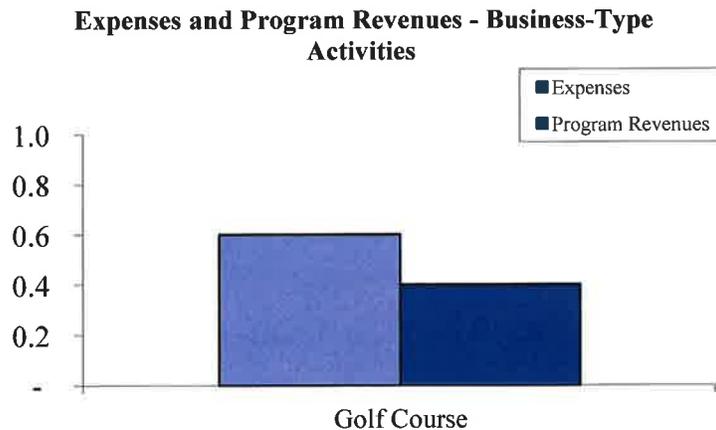
Governmental Activities – Continued

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 tax 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 \$589 thousand of golf course expenses which exceeded program revenues that amounted to \$470 thousand for charges for services. Revenues increased by \$18 thousand from FY2010-11 levels, while expenses increased by \$93 thousand from FY2010-11 levels. Equipment purchases that failed to reach the capitalization threshold accounted for \$57 thousand in increased expenses.



VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

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, 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 revenues exceeded expenditures by \$3.0 million. This is down from FY2010-11 when revenues exceeded expenditures by \$1.65 million, but it is a vast improvement over FY2009-10 when expenditures exceeded revenues by \$4.19 million. Several major factors contributed to this result:

- In FY2011-12, the General Fund balance increased by \$1.00 million to \$23.24 million. This compares to FY2010-11 when the fund balance increased by \$2.34 million and to FY2009-10, when the General Fund balance decreased by \$1.95 million.
- Expenditures in the General Fund were up by \$661 thousand or 3.8% from FY2010-11 levels. This was the result of a combination of a \$1.13 million increase in operating expenditures and a \$471 thousand reduction in capital expenditures.
- Within the General Fund, Public Safety had the largest increase at \$905 thousand. Much of this was attributable to \$572,250 of growth in personal services. Public Safety Personal Services was affected by the settlement of Collective Bargaining Agreements with Police Officer, Sergeants and Telecommunicators. This settlement included \$163,166 of retroactive payments.
- Public Safety expenditures increased by \$494 thousand in the 911 category due to improvements made to the dispatch center.
- Revenues in the General Fund decreased by \$601 thousand or 3.0% from FY2010-11 levels. That decrease comes off of an FY2010-11 base, which was inflated by \$1 million from the one time sale of a parcel of land to Pathway Development.
- In FY2011-12, Sales Tax was \$10.25 million, an increase of \$826 thousand or 8.7% relative to the FY2010-11 level. It was 12.0% above the FY2009-10 level and 6.2% above the FY2008-09 level but it was 1.1% below the FY2007-08 level.
- In FY2011-12, Income Tax increased by \$321 thousand or 17.7% above the FY2010-11 level. Income Tax is collected by the State and distributed by the State of Illinois to its municipalities on a per capita basis. Of that 17.7% increase, 7.5% is attributable to the official population in Vernon Hills in FY2011-12 relative to FY2010-11 as a result of the 2010 Census. The remainder of the growth is attributable to State wide economic trends and State tax policies.
- Licenses and Permit revenue fell by \$534 thousand or 42% in FY2011-12 relative to FY2010-11 because the Village experienced a significant drop in new construction permitted during the Fiscal Year.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental Funds – Continued

- The Tax Increment Fund Balance increased by \$1.82 million, a reversal of FY2010-11's \$778 thousand deficit, and FY2009-10's \$1.02 million deficit. Major factors affecting this improvement included debt refinancing that improved the fund balance by \$1,924,404 and a revenue increase of \$541,791. Tax Increment Taxes increased to \$772 thousand, from \$233 thousand in FY2010-11 and from \$0 in FY2009-10 due to growth in the TIF EAV. This growth is leveraged by the fact that the General Fund is required by the TIF statute to transfer a match to the Tax Increment Fund equal to 10% of the tax revenue.
- The Motor Fuel Tax Fund ran a \$178 thousand surplus. This surplus was supplemented by a \$101 thousand contribution from the State *Illinois Jobs Now!* Capital program.

Proprietary Funds

The Village of Vernon Hills' proprietary funds provide 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. For Calendar Year 2011, the Golf Course had projected 21.0 thousand rounds would be played, the actual play was 17.9 thousand rounds. Rounds played in 2011 were down 9.3% from Calendar Year 2010 and down 19.5% from Calendar Year 2009. Resident weekday and weekend rates are \$15 and \$17 respectively, while the equivalent nonresident rates are \$17 and \$19 respectively. There is also a season pass for residents, which is \$425 per year. 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. For merchandise, the golf course targets cost of goods at 50 percent of sale price, and for food and beverage the targeted ratio is 29 percent. In FY2010-11, the Golf Course Generated \$470 thousand of revenues and had \$580 thousand of operating expenses resulting in a \$110 thousand operating loss. Of those expenses, \$53 thousand were equipment purchases that did not meet the capitalization threshold. The decline in net assets of \$118 thousand brought the net assets to a level of \$434 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Transfers are routinely made between expenditure accounts during the year. Additionally, 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. Of the \$699 thousand of net budget increases in the General Fund in FY2011-12, \$312 thousand of those increases occurred in the Capital Outlay budget as a result of the Carry Forward policy. The Tax Increment Fund budget was increased by \$2.34 million to provide for the refunding of the Fund's debt. A significant budget change in the General Fund was a \$383 thousand transfer from Public Works Equipment to salary accounts to cover current year pay increases for non-union employees, as well as current year and retroactive increases for union employee. The Village budget process does not budget for depreciation.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS -- Continued

Other than depreciation, there were three budget overages in the budgeted funds. The only budget overage over \$1 thousand was a \$3,941 overage in Metra Parking Contractual Services resulting primarily from the inadequate budgeting for credit card fees.

While most revenues surpassed projection in FY2010-11, a few revenues fell short. The most significant shortfall was in the General Fund's Investment Income category, where \$407 thousand was budgeted and \$166 thousand was recognized. The prolonged environment of low rates has had two effects on this category. Firstly, with higher yielding investments maturing and being replaced by lower yielding maturities, the current yield on the investment portfolio declined sharply. Secondly, as those higher yielding securities approached or reached maturity, their market value surplus over book value fell from \$150 thousand at the end of FY2010-11 to \$99 thousand at the end of FY2011-12.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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, 2012 was \$112.7 million. This change represented a decrease of \$3.8 million, or 3.3% from FY2010-11. Additional information on the Village of Vernon Hills' capital assets can be found in note 3 on pages 34 - 35 of this report.

	Capital Assets - Net of Depreciation (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4.6	4.6	0.3	0.3	4.9	4.9
Land Improvements	8.7	9.2	0.1	0.1	8.8	9.3
Buildings and Improvements	16.1	16.7	0.2	0.3	16.3	17.0
Equipment/Vehicles	1.3	1.6	0.1	0.1	1.4	1.7
Infrastructure	81.3	83.6	-	-	81.3	83.6
Total	112.0	115.7	0.7	0.8	112.7	116.5

VILLAGE OF VERNON HILLS, ILLINOIS

**Management's Discussion and Analysis
April 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION -- Continued

Capital Assets -- Continued

This year's major additions included:

Land Improvements	\$ 22,718
Equipment/Vehicles	70,028
Infrastructure	<u>59,410</u>
	<u><u>152,156</u></u>

Debt Administration

At year-end, the Village of Vernon Hills had total outstanding long-term debt of \$24.73 million as compared to \$23.96 million the previous year, an increase of 3.2 percent. The amount of Alternate Revenue General Obligation debt decreased \$2.75 million to a level of \$8.25 million, and the amount of Tax Increment Revenue debt decreased by \$5.96 million to \$7.00 million, while the Village used its new Home Rule powers to issue \$9.48 million of pure General Obligation Bonds for the first time in the Village's history. Home Rule powers were gained in 2011. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Alternate Revenue						
General Obligation Bonds	\$ 8,255,000	11,000,000	-	-	8,255,000	11,000,000
Revenue Bonds/Notes	7,000,000	12,963,000	-	-	7,000,000	12,963,000
General Obligation Bonds	9,475,000	-	-	-	9,475,000	-
Total	<u>24,730,000</u>	<u>23,963,000</u>	<u>-</u>	<u>-</u>	<u>24,730,000</u>	<u>23,963,000</u>

The Village has \$8.25 million of Alternate Revenue General Obligation Bonds that were issued from 2002 through 2007. These bonds were originally issued for the construction of a new Village Hall, the construction of the Vernon Hills Athletic Complex, the acquisition and reconstruction of the Police Communications Center, and for Tax Increment District Infrastructure. Some of the Bonds that were originally issued in 2000 and 2001 were subsequently refunded in 2004 and 2005. The \$7.0 million Tax Increment Revenue Bond was issued in 2007. From January of 2008 through March of 2010, three Tax Increment Developer Notes were issued totaling \$5,963,000. The three Notes had an interest rate of 8.0% and by contract, had to be retired between July 1, 2011 and August 1, 2012.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration – Continued

In February of 2012, the Village issued two General Obligation Bonds. The first Bond, for \$7,850,000 would be used to refinance the \$5,963,000 of principal outstanding on the 3 Notes, plus accrued interest. The Bond had a True Interest Cost of 1.95% and a Weighted Average Maturity of 10.67 years. A second Bond advanced refunded \$1,500,000 of the 2006 Alternate Revenue General Obligation Bond with a \$1,625,000 General Obligation Bond Issue. The Net Present Value Benefit of the advanced refund was \$93,590, the True Interest Cost was 2.06% and the Weighted Average Maturity was 8.73 years. As part of the rating process, Moody's reconfirmed the Village's General Obligation Aaa rating. Standard & Poor's rated all of the outstanding Alternate Revenue General Obligation Bonds issued from 2002 and 2007, and that rating remains an AA. Additional information on the Village of Vernon Hills' debt administration can be found in note 3 on pages 37 - 43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting and revising the fiscal-year 2012-13 budget, and fees that will be charged for its services. One of those factors is the economy. The average unemployment rate for calendar year 2011 for the Village of Vernon Hills was 7.1% which is lower than the 7.9% rate for 2010 and the 7.4% rate in 2009, but higher than the 4.8% rate for 2008. The 7.1% unemployment rate for 2011 compares favorably to the Lake County unemployment rate for 2011 of 9.4% and the State of Illinois unemployment rate for 2011 of 9.8%. The U. S. Census Bureau 5-year estimated household median income values for Vernon Hills is \$87,124 which is 111 percent of the average for Lake County and 158 percent of the average for the State of Illinois.

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 2011, the total sales tax before economic incentive rebate was \$11.90 million. This was \$1.10 million more than in Calendar Year 2010, representing a 10.2% increase. The most significant dollar amount increase by Standard Industrial Classification Code category was a \$653 thousand or 18.1% increase in the category of Furniture and Household and Radio, which increased from \$3.61 million in Calendar Year 2010 to \$4.26 million in Calendar Year 2011. The next most significant dollar amount increase was in the category of Food, which saw a \$308 thousand increase from Calendar Year 2010 to a level of \$649 thousand; this was a 90.3% increase. The most significant dollar amount reduction from Calendar Year 2010 was in the category of General Merchandise which saw a \$190 thousand decline to a level of \$2.63 million in Calendar Year 2011.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2012

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.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

**Statement of Net Assets
Year Ended April 30, 2012**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets
April 30, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 24,393,452	-	24,393,452
Receivables - Net of Allowances			
Taxes	4,699,963	-	4,699,963
Accounts	339,588	260	339,848
Accrued Interest	41,062	-	41,062
Prepays/Inventory	467,790	21,316	489,106
Internal Balances	278,932	(278,932)	-
Due from Other Governments	4,026	-	4,026
Total Current Assets	30,224,813	(257,356)	29,967,457
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	4,568,623	302,282	4,870,905
Depreciable Capital Assets	161,356,602	2,127,467	163,484,069
	165,925,225	2,429,749	168,354,974
Accumulated Depreciation	(53,911,858)	(1,711,291)	(55,623,149)
	112,013,367	718,458	112,731,825
Other Assets			
Long-Term Notes Receivable	-	-	-
Net Pension Asset	181,794	-	181,794
	181,794	-	181,794
Total Noncurrent Assets	112,195,161	718,458	112,913,619
Total Assets	142,419,974	461,102	142,881,076

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	271,121	16,079	287,200
Accrued Payroll	206,196	5,762	211,958
Accrued Interest Payable	202,949	-	202,949
Deposits Payable	945,178	-	945,178
Unearned/Deferred Revenue	1,236,946	5,281	1,242,227
Compensated Absences Payable	145,846	-	145,846
Current Portion of Long-Term Debt	1,315,000	-	1,315,000
Total Current Liabilities	4,323,236	27,122	4,350,358
Noncurrent Liabilities			
Compensated Absences Payable	583,382	-	583,382
Other Postemployment Benefit Payable	36,662	-	36,662
General Obligation Bonds Payable	9,460,000	-	9,460,000
TIF Revenue Bonds/Notes Payable	7,000,000	-	7,000,000
Alternate Revenue Bonds Payable	6,955,000	-	6,955,000
Total Noncurrent Liabilities	24,035,044	-	24,035,044
Total Liabilities	28,358,280	27,122	28,385,402
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	87,283,367	718,458	88,001,825
Restricted - Public Safety	298,874	-	298,874
Restricted - Metra Parking	112,812	-	112,812
Restricted - Streets and Roads	2,153,870	-	2,153,870
Restricted - Capital	929,547	-	929,547
Unrestricted	23,283,224	(284,478)	22,998,746
Total Net Assets	114,061,694	433,980	114,495,674

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Activities
Year Ended April 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Primary Government				
Governmental Activities				
General Government	\$ 4,075,361	1,793,322	-	-
Public Safety	9,523,631	275,768	-	-
Streets and Roads	6,912,853	-	739,126	116,706
Economic Development	46,854	-	-	-
Culture and Recreation	259,249	223,620	-	-
Interest on Long-Term Debt	1,462,816	-	-	-
Total Governmental Activities	<u>22,280,764</u>	<u>2,292,710</u>	<u>739,126</u>	<u>116,706</u>
Business-Type Activities				
Golf Course	588,635	470,103	-	-
Total Primary Government	<u>22,869,399</u>	<u>2,762,813</u>	<u>739,126</u>	<u>116,706</u>

General Revenues
 Taxes
 Sales Tax
 Utility Tax
 Hotel/Motel Tax
 911 Surcharge Tax
 Road and Bridge Tax
 Telecommunication Tax
 Tax Increment Tax
 Other Taxes
 Intergovernmental - Unrestricted
 State Income Tax
 Interest Income
 Miscellaneous

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
(2,282,039)	-	(2,282,039)
(9,247,863)	-	(9,247,863)
(6,057,021)	-	(6,057,021)
(46,854)	-	(46,854)
(35,629)	-	(35,629)
(1,462,816)	-	(1,462,816)
<u>(19,132,222)</u>	<u>-</u>	<u>(19,132,222)</u>
-	(118,532)	(118,532)
<u>(19,132,222)</u>	<u>(118,532)</u>	<u>(19,250,754)</u>
10,334,171	-	10,334,171
1,409,506	-	1,409,506
296,728	-	296,728
442,088	-	442,088
208,235	-	208,235
1,352,296	-	1,352,296
772,159	-	772,159
464,146	-	464,146
2,127,725	-	2,127,725
188,188	54	188,242
68,954	-	68,954
<u>17,664,196</u>	<u>54</u>	<u>17,664,250</u>
(1,468,026)	(118,478)	(1,586,504)
<u>115,529,720</u>	<u>552,458</u>	<u>116,082,178</u>
<u>114,061,694</u>	<u>433,980</u>	<u>114,495,674</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

**Balance Sheet - Governmental Funds
April 30, 2012**

	<u>General</u>
ASSETS	
Cash and Investments	\$ 20,371,836
Receivables - Net of Allowances	
Taxes	4,651,209
Accounts	189,542
Accrued Interest	36,796
Other	1,286
Prepays	467,790
Due from Other Governments	4,026
Due from Other Funds	<u>1,503,692</u>
 Total Assets	 <u><u>27,226,177</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	238,040
Accrued Payroll	206,196
Deposits Payable	945,178
Due to Other Funds	929,547
Unearned/Deferred Revenue	<u>1,667,356</u>
Total Liabilities	<u>3,986,317</u>
 Fund Balances	
Nonspendable	467,790
Restricted	411,686
Committed	106,218
Unassigned	<u>22,254,166</u>
Total Fund Balances	<u>23,239,860</u>
 Total Liabilities and Fund Balances	 <u><u>27,226,177</u></u>

The notes to the financial statements are an integral part of this statement.

Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
2,133,621	1,135,393	-	23,640,850
48,754	-	-	4,699,963
-	-	-	189,542
2,215	2,051	-	41,062
-	-	-	1,286
-	-	-	467,790
-	-	-	4,026
-	-	929,547	2,433,239
<u>2,184,590</u>	<u>1,137,444</u>	<u>929,547</u>	<u>31,477,758</u>
30,720	2,361	-	271,121
-	-	-	206,196
-	-	-	945,178
-	2,176,000	-	3,105,547
-	-	-	1,667,356
<u>30,720</u>	<u>2,178,361</u>	<u>-</u>	<u>6,195,398</u>
-	-	-	467,790
2,153,870	-	929,547	3,495,103
-	-	-	106,218
-	(1,040,917)	-	21,213,249
<u>2,153,870</u>	<u>(1,040,917)</u>	<u>929,547</u>	<u>25,282,360</u>
<u>2,184,590</u>	<u>1,137,444</u>	<u>929,547</u>	<u>31,477,758</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2012

Total Governmental Fund Balances	\$ 25,282,360
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	111,475,635
A net pension asset is not considered to represent a financial resource and therefore, is not reported in the funds.	181,794
Internal service funds are used by the Village to charge the costs of vehicle and equipment management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	2,390,334
Revenues not available to pay for current period expenditures are deferred in the funds.	430,410
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
General Obligation Bonds Payable	(9,475,000)
Revenue Bonds/Notes Payable	(7,000,000)
Alternate Revenue Source Bonds Payable	(8,255,000)
Compensated Absences Payable	(729,228)
Other Post-Employment Benefit Obligation Payable	(36,662)
Accrued Interest Payable	<u>(202,949)</u>
 Net Assets of Governmental Activities	 <u>114,061,694</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
Year Ended April 30, 2012**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended April 30, 2012**

	<u>General</u>
Revenues	
Taxes	\$ 16,551,731
Intergovernmental	116,706
Licenses and Permits	726,317
Charges for Services	1,290,625
Fines and Forfeits	275,768
Interest	166,028
Miscellaneous	64,540
Total Revenues	<u>19,191,715</u>
Expenditures	
Current	
General Government	3,282,636
Public Safety	9,185,888
Streets and Roads	3,567,491
Economic Development	-
Culture and Recreation	259,249
Capital Outlay	178,931
Debt Service	
Principal Retirement	1,245,000
Interest and Fiscal Charges	376,736
Total Expenditures	<u>18,095,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,095,784</u>
Other Financing Sources (Uses)	
Debt Issuance	1,625,000
Premium on Debt Issuance	-
Payment to Escrow Agent	(1,639,645)
Transfers In	-
Transfers Out	<u>(77,216)</u>
	<u>(91,861)</u>
Net Change in Fund Balances	1,003,923
Fund Balances - Beginning	<u>22,235,937</u>
Fund Balances - Ending	<u><u>23,239,860</u></u>

The notes to the financial statements are an integral part of this statement.

Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
-	772,159	-	17,323,890
739,126	-	-	855,832
-	-	-	726,317
-	-	-	1,290,625
-	-	-	275,768
22,140	20	-	188,188
-	4,414	-	68,954
761,266	776,593	-	20,729,574
-	-	-	3,282,636
-	-	-	9,185,888
583,333	-	-	4,150,824
-	798	-	798
-	-	-	259,249
-	-	19,281	198,212
-	-	-	1,245,000
-	960,010	-	1,336,746
583,333	960,808	19,281	19,659,353
177,933	(184,215)	(19,281)	1,070,221
-	7,850,000	-	9,475,000
-	37,204	-	37,204
-	(5,963,000)	-	(7,602,645)
-	77,216	-	77,216
-	-	-	(77,216)
-	2,001,420	-	1,909,559
177,933	1,817,205	(19,281)	2,979,780
1,975,937	(2,858,122)	948,828	22,302,580
2,153,870	(1,040,917)	929,547	25,282,360

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

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

Year Ended April 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 2,979,780
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlays	152,156
Depreciation Expense	(3,762,265)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	83,164
An increase in a net pension asset is not considered to be a decrease in a financial asset in the governmental funds.	1,425
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.	
Issuance of Long-Term Debt	(9,475,000)
Retirement of Long-Term Debt	8,708,000
Deductions to Compensated Absences Payable	5,006
Additions to Other Post-Employment Benefit Obligation Payable	(7,655)
Changes to accrued interest on long-term debt in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(24,193)
Internal service funds are used by the Village to charge the costs of liability insurance and vehicle and equipment management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(128,444)</u>
Changes in Net Assets of Governmental Activities	<u><u>(1,468,026)</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets - Proprietary Funds
April 30, 2012

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
ASSETS		
Current Assets		
Cash and Investments	\$ -	752,602
Receivables - Accounts	260	-
Inventory	21,316	-
Due from Other Funds	-	1,100,000
Total Current Assets	<u>21,576</u>	<u>1,852,602</u>
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,127,467	1,746,370
	<u>2,429,749</u>	<u>1,746,370</u>
Accumulated Depreciation	(1,711,291)	(1,208,638)
Total Noncurrent Assets	<u>718,458</u>	<u>537,732</u>
Total Assets	<u>740,034</u>	<u>2,390,334</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	16,079	-
Accrued Payroll	5,762	-
Due to Other Funds	278,932	-
Unearned/Deferred Revenue	5,281	-
Total Current Liabilities	<u>306,054</u>	<u>-</u>
NET ASSETS		
Invested in Capital Assets	718,458	537,732
Unrestricted	<u>(284,478)</u>	<u>1,852,602</u>
Total Net Assets	<u>433,980</u>	<u>2,390,334</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
Year Ended April 30, 2012

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Operating Revenues		
Charges for Services	\$ 470,103	-
Operating Expenses		
Operations	511,669	31,141
Depreciation	68,086	97,303
Total Operating Expenses	579,755	128,444
Operating Income (Loss)	(109,652)	(128,444)
Nonoperating Revenues (Expenses)		
Interest Income	54	-
Other Expenses	(7,803)	-
Interest Expense	(1,077)	-
	(8,826)	-
Change in Net Assets	(118,478)	(128,444)
Net Assets - Beginning	552,458	2,518,778
Net Assets - Ending	433,980	2,390,334

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Cash Flows - Proprietary Funds
Year Ended April 30, 2012

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 481,910	-
Payments to Suppliers and Employees	(480,887)	(31,141)
	<u>1,023</u>	<u>(31,141)</u>
Cash Flows from Capital and Related Financing Activities		
Interest on Capital Debt	(1,077)	-
Cash Flows from Investing Activities		
Interest Received	54	-
Net Change in Cash and Cash Equivalents	-	(31,141)
Cash and Cash Equivalents - Beginning	-	783,743
Cash and Cash Equivalents - Ending	<u>-</u>	<u>752,602</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(109,652)	- (128,444)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	68,086	97,303
Other Expenses	(7,803)	-
(Increase) Decrease in Current Assets	11,807	-
Increase (Decrease) in Current Liabilities	38,585	-
	<u>110,675</u>	<u>97,303</u>
Net Cash Provided by Operating Activities	<u>1,023</u>	<u>(31,141)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Trust and Agency Funds

Statement of Fiduciary Net Assets - Fiduciary Funds

April 30, 2012

	<u>Pension Trust</u>	
	<u>Police Pension</u>	<u>Agency Development</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,542,374	21,194
Investments		
U.S. Government and Agency Securities	6,074,102	-
Municipal Bonds	7,709,808	-
Common Stocks	5,291,419	-
Mutual Funds	9,744,288	-
Receivables		
Accrued Interest	44,932	-
	<hr/>	<hr/>
Total Assets	30,406,923	21,194
LIABILITIES		
Liabilities		
Due to Village	148,760	-
Account Payable	4,724	-
Deposits Payable	-	21,194
	<hr/>	<hr/>
Total Liabilities	153,484	21,194
NET ASSETS		
Held in Trust for Pension Benefits	<hr/>	<hr/>
	30,253,439	-

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Pension Trust Fund - Police Pension

**Statement of Changes in Net Plan Assets
Year Ended April 30, 2012**

Additions	
Contributions - Employer	\$ 1,235,740
Contributions - Plan Members	<u>512,076</u>
Total Contributions	<u>1,747,816</u>
Investment Income	
Interest Earned	41,015
Net Change in Fair Value	<u>1,351,854</u>
	<u>1,392,869</u>
Less Investment Expenses	<u>(24,421)</u>
Net Investment Income	<u>1,368,448</u>
Total Additions	<u>3,116,264</u>
Deductions	
Administration	37,198
Benefits and Refunds	<u>969,942</u>
Total Deductions	<u>1,007,140</u>
Change in Net Assets	2,109,124
Net Assets - Beginning	<u>28,144,315</u>
Net Assets - Ending	<u><u>30,253,439</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Vernon Hills
---------------------	-------------------------

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

Police Pension Employees Retirement System

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Police Pension Employees Retirement System – Continued

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

BASIS OF PRESENTATION

Government-Wide Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, streets and roads, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) 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.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

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

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

Fund Financial Statements

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

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

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

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

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

Fiduciary Funds

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

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

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

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

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

Basis of Accounting

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

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

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

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

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

Receivables

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Interfund Receivables, Payables and Activity

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

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.

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 the Financial Statements
April 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Capital Assets – Continued

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

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

Compensated Absences

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements

April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned/Deferred Revenue

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

Fund Equity

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

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

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function, department and object, and includes information on the past two years, current year estimates, and requested budgets for the next fiscal year. The proposed budget is presented to the Board of Trustees for review. The Board of Trustees holds public hearings and may add to, subtract 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. The Village adopts annual budgets for the general, special revenue, capital projects, and internal service fund types.

DEFICIT FUND EQUITY

The following funds had deficit fund equity as of April 30, 2012:

<u>Fund</u>	<u>Deficit</u>
Tax Increment	\$ 1,040,917

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

Deposits. At year-end, the carrying amount of the Village's deposits for governmental, business-type, and agency activities totaled \$1,424,859 and the bank balances totaled \$1,826,588.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Notes	\$ 1,006,440	1,006,440	-
U.S. Treasury Bonds	2,982,550	-	2,982,550
Federal National Mortgage Assoc	519,015	-	519,015
Federal Home Loan Banks	7,516,725	1,505,075	6,011,650
Farmers Federal Credit Bureau	1,000,170	-	1,000,170
Illinois Funds	9,440,955	9,440,955	-
Illinois Metropolitan Investment Trust	523,932	523,932	-
	<u>22,989,787</u>	<u>12,476,402</u>	<u>10,513,385</u>

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. Government Agencies maturing no later than 7 years after the date of purchase; provided that no more than 20% of the Village’s portfolio in U.S. Government Agencies maturing more than 3 years from the date of purchase. However, the Village may allocate 20% of the 50% of the budgeted capital reserve to purchase a GNMA with a maturity date of up to 15 ¼ years from its date of purchase. All other U.S. Treasuries and U.S. Agencies purchased must mature within 37 months of the date of purchase.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in security instruments authorized under State Statute, the Village's investment policy further states that safety of principal is the foremost objective of the investment program. At year-end, the Village's investments in U.S. Agency Securities were rated AAA by Standard & Poor's and the Village's investment in the Illinois Funds was rated AAAM by Standard & Poor's and the Village's investment in the Illinois Metropolitan Investment Convenience and 1-3 Year Funds were rated AA Af and AA f by Standard & Poor's, respectively.

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

Deposits. At year-end, the carrying amount of the Fund’s deposits totaled \$1,542,374 and the bank balances totaled \$1,542,324.

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Note	\$ 2,923,909	268,092	1,973,828	608,352	73,637
U.S. Treasury Bond	286,120	-	-	-	286,120
Federal Home Loan Banks	513,848	-	-	202,078	311,770
Federal Home Loan Mortgage Corp	391,637	-	259,350	55,332	76,955
Government National Mortgage Assoc	25,025	-	7,118	5,010	12,897
Federal National Mortgage Assoc	1,750,161	-	1,163,910	171,862	414,389
Farmers Federal Credit Bureau	98,371	-	-	-	98,371
Tennessee Valley Authority	85,031	-	-	-	85,031
Municipal Bonds	7,709,808	-	2,184,182	4,176,093	1,349,533
	<u>13,783,910</u>	<u>268,092</u>	<u>5,588,388</u>	<u>5,218,727</u>	<u>2,708,703</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

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

The Fund's investment policy also states that the portfolio should be allocated appropriately between equity and fixed-income portfolios, and other such investment mediums, which the Fund deems appropriate and prudent, and within the constraints of state law. At year-end, the Fund is in compliance with the guidelines outlined above. In addition to the securities and fair values listed above, the Fund also has \$5,291,419 invested in common stock and \$9,744,288 invested in mutual funds. At year-end the Fund has no investment in any single issuer over 5% of total cash and investments (other than U.S. Government guaranteed obligations).

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 4,568,623	-	-	4,568,623
Depreciable Capital Assets				
Land Improvements	13,590,562	22,718	-	13,613,280
Buildings and Improvements	22,639,674	-	-	22,639,674
Equipment/Vehicles	4,478,573	70,028	-	4,548,601
Infrastructure	120,495,637	59,410	-	120,555,047
	<u>161,204,446</u>	<u>152,156</u>	<u>-</u>	<u>161,356,602</u>
Less Accumulated Depreciation				
Land Improvements	4,375,540	531,562	-	4,907,102
Buildings and Improvements	5,956,098	506,151	-	6,462,249
Equipment/Vehicles	2,859,624	312,469	-	3,172,093
Infrastructure	36,861,028	2,509,386	-	39,370,414
	<u>50,052,290</u>	<u>3,859,568</u>	<u>-</u>	<u>53,911,858</u>
Total Net Depreciable Capital Assets	<u>111,152,156</u>	<u>(3,707,412)</u>	<u>-</u>	<u>107,444,744</u>
Total Net Capital Assets	<u>115,720,779</u>	<u>(3,707,412)</u>	<u>-</u>	<u>112,013,367</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 790,076
Public Safety	338,604
Streets and Roads	2,633,585
Equipment Replacement	<u>97,303</u>
	<u>3,859,568</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

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

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 302,282	-	-	302,282
Depreciable Capital Assets				
Land Improvements	745,882	-	-	745,882
Buildings and Improvements	1,019,002	-	-	1,019,002
Equipment/Vehicles	362,583	-	-	362,583
	<u>2,127,467</u>	<u>-</u>	<u>-</u>	<u>2,127,467</u>
Less Accumulated Depreciation				
Land Improvements	597,407	20,522	-	617,929
Buildings and Improvements	759,838	30,490	-	790,328
Equipment/Vehicles	285,960	17,074	-	303,034
	<u>1,643,205</u>	<u>68,086</u>	<u>-</u>	<u>1,711,291</u>
Total Net Depreciable Capital Assets	<u>484,262</u>	<u>(68,086)</u>	<u>-</u>	<u>416,176</u>
Total Net Capital Assets	<u>786,544</u>	<u>(68,086)</u>	<u>-</u>	<u>718,458</u>

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

Golf	<u>\$ 68,086</u>
------	------------------

PROPERTY TAXES

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, 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, 2012, and September 1, 2012. The County collects such taxes and remits them periodically. The Village has not levied taxes for the current or any of the prior ten fiscal years.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax Increment	\$ 1,076,000
General	Golf Course	278,932
General	Police Pension	148,760
VHAC Site Development	General	929,547
Equipment Replacement	Tax Increment	<u>1,100,000</u>
		<u>3,533,239</u>

Interfund balances are advances in anticipation of receipts.

Interfund Transfers

Interfund transfers for the year consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Tax Increment	General	<u>\$ 77,216</u>

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$7,850,000 General Obligation Bonds of 2012A - Due in annual installments of \$300,000 to \$1,000,000 plus interest at 2.00% to 2.25% through December 30, 2026.	Tax Increment	\$ -	7,850,000	-	7,850,000
\$1,625,000 General Obligation Bonds of 2012B - Due in annual installments of \$15,000 to \$155,000 plus interest at 2.00% to 2.40% through March 30, 2026.	General	-	1,625,000	-	1,625,000
		-	9,475,000	-	9,475,000

Alternate Revenue Bonds

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$4,595,000 Alternate Revenue Bonds of 2002 - Due in annual installments of \$5,000 to \$480,000 plus interest at 1.75% to 3.75% through March 30, 2013.	General	\$ 940,000	-	460,000	480,000

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$3,540,000 Alternate Revenue Refunding Bonds of 2004 - Due in annual installments of \$35,000 to \$390,000 plus interest at 3.00% to 4.00% through March 30, 2018.	General	\$ 2,485,000	-	325,000	2,160,000
\$3,790,000 Alternate Revenue Refunding Bonds of 2005 - Due in annual installments of \$15,000 to \$390,000 plus interest at 3.00% to 4.125% through March 30, 2021.	General	3,215,000	-	260,000	2,955,000
\$2,050,000 Alternate Revenue Bonds of 2006 - Due in annual installments of \$45,000 to \$160,000 plus interest at 3.750% to 4.050% through March 30, 2026.	General	1,770,000	-	1,500,000 * 85,000	185,000
\$2,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of \$95,000 to \$220,000 plus interest at 4.00% to 4.125% through March 30, 2027.	General	1,590,000	-	115,000	1,475,000
\$1,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of \$75,000 to \$200,000 plus interest at 4.00% to 4.125% through March 30, 2025.	Tax Increment	1,000,000	-	-	1,000,000
		<u>11,000,000</u>	<u>-</u>	<u>2,745,000</u>	<u>8,255,000</u>

* Refunded

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

TIF Revenue Bonds/Notes

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$7,000,000 Senior Lien Tax Increment Revenue Bonds of 2007 - Due in annual installments of \$90,000 to \$1,375,000 plus interest at 5.50% to 6.25% through December 30, 2026.	Tax Increment	\$ 7,000,000	-	-	7,000,000
\$3,628,000 Taxable Subordinate Lien Tax Increment Revenue Notes of 2008 - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	3,628,000	-	3,628,000 *	-
\$1,542,192 Taxable Subordinate Lien Tax Increment Revenue Notes of 2008A - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	2,030,000	-	2,030,000 *	-
\$305,000 Taxable Subordinate Lien Tax Increment Revenue Notes of 2010 - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	305,000	-	305,000 *	-
		<u>12,963,000</u>	<u>-</u>	<u>5,963,000</u>	<u>7,000,000</u>

* Refunded

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 734,234	5,006	10,012	729,228	145,846
General Obligation Bonds	-	9,475,000	-	9,475,000	15,000
Alternate Revenue Bonds	11,000,000	-	2,745,000	8,255,000	1,300,000
TIF Revenue Bonds/Notes	12,963,000	-	5,963,000	7,000,000	-
Net Other Post-Employment Benefit Obligation	29,007	7,655	-	36,662	-
	<u>24,726,241</u>	<u>9,487,661</u>	<u>8,718,012</u>	<u>25,495,890</u>	<u>1,460,846</u>

For governmental activities, compensated absences and the net other post-employment benefit obligation are generally liquidated by the General Fund. Payments on the alternate revenue bonds are made by the General Fund and Tax Increment Fund. The Tax Increment Fund makes payments on the TIF revenue bonds/notes.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

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

Fiscal Year Ending April 30	Governmental Activities					
	General Obligation Bonds		Alternate Revenue Bonds		TIF Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 15,000	173,249	1,300,000	325,231	-	428,688
2014	15,000	196,000	845,000	276,665	90,000	428,688
2015	115,000	195,700	775,000	244,633	195,000	423,738
2016	115,000	193,400	815,000	214,858	260,000	413,013
2017	420,000	191,100	845,000	183,170	295,000	398,713
2018	575,000	182,700	885,000	149,369	335,000	382,488
2019	725,000	171,200	510,000	113,969	375,000	364,063
2020	780,000	156,700	535,000	93,214	420,000	340,625
2021	805,000	141,100	560,000	71,354	465,000	314,375
2022	865,000	125,000	175,000	48,466	520,000	285,313
2023	895,000	107,700	185,000	41,379	575,000	252,813
2024	945,000	89,510	195,000	33,886	635,000	216,875
2025	1,050,000	70,320	200,000	25,988	695,000	177,168
2026	1,155,000	48,720	210,000	17,738	765,000	133,750
2027	1,000,000	22,500	220,000	9,074	1,375,000	85,951
	<u>9,475,000</u>	<u>2,064,899</u>	<u>8,255,000</u>	<u>1,848,994</u>	<u>7,000,000</u>	<u>4,646,261</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Legal Debt Margin

Article VII, Section 6(k) of the 1970 Illinois Constitution governs the computation of legal debt margin. “The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent:...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts.” To date the Illinois General Assembly has set no limits for home rule municipalities. The Village is a home rule municipality.

Defeased Debt

On February 28, 2012, the Village issued \$7,850,000 par value General Obligation Bonds of 2012A and \$1,625,000 par value General Obligation Bonds of 2012B to refund \$5,963,000 of the Taxable Subordinate Lien Tax Increment Revenue Notes of 2008, 2008A, 2010 and \$1,500,000 of the Alternate Revenue Bonds of 2006. The Village defeased bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payment of the old bonds. Since the requirements that normally satisfy defeasance have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government’s basic financial statements. Through this refunding, the Village reduced its total debt service by \$242,258 and obtained an economic gain of \$232,422.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Defeased Debt – Continued

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

Fiscal Year Ended April 30	2000 Alternate Revenue Bonds	2001 Alternate Revenue Bonds	2006 Alternate Revenue Bonds	Total
2013	\$ 310,000	260,000	-	570,000
2014	325,000	270,000	95,000	690,000
2015	340,000	285,000	100,000	725,000
2016	360,000	305,000	105,000	770,000
2017	380,000	320,000	110,000	810,000
2018	400,000	340,000	115,000	855,000
2019	-	355,000	120,000	475,000
2020	-	375,000	125,000	500,000
2021	-	395,000	135,000	530,000
2022	-	-	140,000	140,000
2023	-	-	145,000	145,000
2024	-	-	150,000	150,000
2025	-	-	160,000	160,000
	<u>2,115,000</u>	<u>2,905,000</u>	<u>1,500,000</u>	<u>6,520,000</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Net Assets Classifications

Investments in capital assets – net of related debt was comprised of the following as of April 30, 2012:

Governmental Activities		
Capital Assets - Net of Accumulated Depreciation		\$ 112,013,367
Less Capital Related Debt:		
General Obligation Bonds of 2012A	(7,850,000)	
General Obligation Bonds of 2012B	(1,625,000)	
Alternate Revenue Bonds of 2002	(480,000)	
Alternate Revenue Refunding Bonds of 2004	(2,160,000)	
Alternate Revenue Refunding Bonds of 2005	(2,955,000)	
Alternate Revenue Bonds of 2006	(185,000)	
Alternate Revenue Bonds of 2007	(1,475,000)	
Alternate Revenue Bonds of 2007	(1,000,000)	
Senior Lien TIF Revenue Bonds of 2007	(7,000,000)	<u>(24,730,000)</u>
Investment in Capital Assets - Net of Related Debt		<u>87,283,367</u>
Business-Type Activities		
Capital Assets - Net of Accumulated Depreciation		<u>718,458</u>

Fund Balance Classifications

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

The Village implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended April 30, 2012. In the governmental funds financial statements, the Village first utilizes restricted resources to finance qualifying activities, then committed, assigned and unassigned fund balance.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY – Continued

Fund Balance Classifications – Continued

	General	Motor Fuel Tax	Tax Increment	VHAC Site Development	Total
Fund Balances					
Nonspendable - Prepaids	\$ 467,790	-	-	-	467,790
Restricted					
Motor Fuel Taxes	-	2,153,870	-	-	2,153,870
Drug Forfeiture	23,521	-	-	-	23,521
Emergency Telephone	194,129	-	-	-	194,129
DUI Fines	81,224	-	-	-	81,224
RTA Metra	112,812	-	-	-	112,812
Capital Projects	-	-	-	929,547	929,547
	<u>411,686</u>	<u>2,153,870</u>	<u>-</u>	<u>929,547</u>	<u>3,495,103</u>
Committed - Designated					
Summer Celebration	106,218	-	-	-	106,218
Unassigned	<u>22,254,166</u>	<u>-</u>	<u>(1,040,917)</u>	<u>-</u>	<u>21,213,249</u>
Total Fund Balances	<u>23,239,860</u>	<u>2,153,870</u>	<u>(1,040,917)</u>	<u>929,547</u>	<u>25,282,360</u>

Committed Fund Balance. The Village reports committed fund balance in the General Fund, a major fund. The Village Board has committed these funds for future summer celebration costs through formal Board action as part of the annual budget process.

Minimum Fund Balance Policy. The Village’s policy states that the General Fund should maintain a minimum unrestricted fund balance not less than 67% of annual operating and debt service expenditures. For the Motor Fuel Tax Fund, minimum fund balance should equal 67% of the annual budgeted road program.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. These risks are provided for through a limited self-insurance program and private insurance coverage. The Village has purchased insurance from private insurance companies, covered risks included medical, dental, life and other. Premiums have been displayed as expenditures/expenses in appropriate funds. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Illinois Municipal League Risk Management Association (IMLRMA)

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

CONTINGENT LIABILITIES

Litigation

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

Grants

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

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

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police Pension plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of \$106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2011 was 10.88 percent.

Police Pension Plan

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

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

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

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

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

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	15
Current Employees	
Vested	37
Nonvested	<u>6</u>
	<u>58</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters – Continued

Basis of Accounting

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

Method Used to Value Investments

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

Significant Investments

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

Related Party Transactions

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

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	\$ 1,235,724
Interest on the NPO (NPA)	(11,214)
Adjustment to the ARC	<u>9,805</u>
Annual Pension Cost	1,234,315
Actual Contribution	<u>(1,235,740)</u>
Change in NPO (NPA)	(1,425)
NPO (NPA) Beginning of Year	<u>(180,369)</u>
NPO (NPA) End of Year	<u><u>(181,794)</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

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

	IMRF	Police Pension
Contribution Rates		
Employer	10.88%	30.53%
Employee	4.50%	9.91%
Actuarial Valuation Date	12/31/11	4/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	29 Years	22 Years
Asset Valuation Method	5-Year Smoothed Market	Market
Actuarial Assumptions		
Investment Rate of Return	7.50% Compounded Annually	6.50% Compounded Annually
Projected Salary Increases	.4 to 10.0%	5.00%
Inflation Rate Included	4.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Trend Information

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

	Year	IMRF	Police Pension
Annual Pension Cost (APC)	2010	\$ 486,155	\$ 1,037,520
	2011	543,407	1,172,154
	2012	469,056	1,234,315
Actual Contributions	2010	486,155	1,082,676
	2011	543,407	1,173,015
	2012	469,056	1,235,740
Percentage of APC Contributed	2010	100.00%	104.35%
	2011	100.00%	100.07%
	2012	100.00%	100.12%
Net Pension Obligation (Asset)	2010	-	(179,508)
	2011	-	(180,369)
	2012	-	(181,794)

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

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

	IMRF	Police Pension
Actuarial Valuation Date	12/31/11	4/30/2011
Percent Funded	77.06%	75.20%
Actuarial Accrued Liability for Benefits	\$13,753,117	\$37,414,340
Actuarial Value of Assets	\$10,598,559	\$28,144,315
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$3,154,558)	(\$9,270,025)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$4,311,176	\$3,841,881
Ratio of UAAL to Covered Payroll	73.17%	241.29%

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

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

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

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

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2012, retirees contributed \$87,109. Active employees do not contribute to the plan until retirement.

At April 30, 2012, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	16
Active Employees	<u>95</u>
Total	<u>111</u>
Participating Employers	1

The Village does not currently have a funding policy.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2012**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2012, was calculated as follows:

Annual Required Contribution	\$ 36,742
Interest on the NPO	1,160
Adjustment to the ARC	<u>(967)</u>
Annual OPEB Cost	36,935
Actual Contribution	<u>(29,280)</u>
Increase in the NPO	7,655
NPO - Beginning of Year	<u>29,007</u>
NPO - End of Year	<u><u>36,662</u></u>

Trend Information

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

Fiscal Year Ended April 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 37,096	\$ 29,280	78.93%	\$ 17,982
2011	40,305	29,280	72.65%	29,007
2012	36,935	29,280	79.27%	36,662

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2012

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2012, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,354,030
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	2,354,030
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll (Active Plan Members)	8,153,057
UAAL as a Percentage of Covered Payroll	28.87%

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

Actuarial Methods and Assumptions

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

In the April 30, 2012 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of a 3.0% inflation assumption), and an initial annual healthcare cost trend rate of 8.0%, with an ultimate rate of 6.0%. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2012, was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- **Schedule of Funding Progress and Employer Contributions**
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Other Post-Employment Benefit Plan

- **Budgetary Comparison Schedules**
 - General Fund
 - Motor Fuel Tax – Special Revenue Fund
 - Tax Increment – Special Revenue Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

VILLAGE OF VERNON HILLS, ILLINOIS

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Funding Progress and Employer Contributions**

April 30, 2012

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2006	\$ 9,535,085	\$ 10,629,251	89.71%	\$ 1,094,166	\$ 4,442,219	24.63%
2007	10,680,129	11,661,773	91.58%	981,644	4,660,130	21.06%
2008	10,642,292	12,966,090	82.08%	2,323,798	4,892,877	47.49%
2009	11,357,793	13,681,409	83.02%	2,323,616	4,876,175	47.65%
2010	9,495,173	12,554,707	75.63%	3,059,534	4,737,639	64.58%
2011	10,598,559	13,753,117	77.06%	3,154,558	4,311,176	73.17%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2007	\$ 464,212	\$ 464,212	100.00%
2008	473,469	473,469	100.00%
2009	496,138	496,138	100.00%
2010	486,155	486,155	100.00%
2011	543,407	543,407	100.00%
2012	469,056	469,056	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2012

Funding Progress

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2006	\$ 18,903,160	\$ 26,119,659	72.37%	\$ 7,216,499	\$ 3,730,749	193.43%
2007	21,298,773	28,615,642	74.43%	7,316,869	3,781,975	193.47%
2008	22,655,488	31,354,529	72.26%	8,699,041	4,036,335	215.52%
2009	20,963,621	32,525,826	64.45%	11,562,205	3,879,642	298.02%
2010	24,471,159	35,953,751	68.06%	11,482,592	3,930,392	292.15%
2011	28,144,315	37,414,340	75.22%	9,270,025	3,841,881	241.29%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2007	\$ 849,360	\$ 848,719	100.08%
2008	921,600	919,834	100.19%
2009	998,400	940,292	106.18%
2010	1,082,676	1,042,676	103.84%
2011	1,173,015	1,172,743	100.02%
2012	1,235,740	1,235,724	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2012

Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll (4) ÷ (5)
2007	\$ N/A	\$ N/A	N/A	\$ N/A	\$ N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A
2009	-	562,121	0%	562,121	8,755,817	6.42%
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	2,354,030	0%	2,354,030	8,153,057	28.87%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2007	\$ N/A	\$ N/A	N/A
2008	N/A	N/A	N/A
2009	29,280	37,568	77.94%
2010	29,280	37,096	78.93%
2011	29,280	39,322	74.46%
2012	29,280	36,742	79.69%

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for other years is not available. The Village is required to have the actuarial valuation performed triennially.

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 15,995,774	16,285,774	16,551,731
Intergovernmental	5,000	5,000	116,706
Licenses, Permits and Fees	845,350	845,350	726,317
Charges for Services	1,128,488	1,136,588	1,290,625
Fines and Forfeitures	271,518	271,518	275,768
Investment Income	407,000	407,000	166,028
Miscellaneous	120,762	120,762	64,540
Total Revenues	<u>18,773,892</u>	<u>19,071,992</u>	<u>19,191,715</u>
Expenditures			
General Government	3,499,121	3,487,812	3,282,636
Public Safety	9,236,158	9,815,660	9,185,888
Streets and Roads	4,160,630	3,864,251	3,567,491
Culture and Recreation	257,266	270,450	259,249
Capital Outlay	224,000	611,721	178,931
Debt Service			
Principal Retirement	1,245,000	1,245,000	1,245,000
Interest and Fiscal Charges	392,296	389,381	376,736
Total Expenditures	<u>19,014,471</u>	<u>19,684,275</u>	<u>18,095,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(240,579)</u>	<u>(612,283)</u>	<u>1,095,784</u>
Other Financing Sources (Uses)			
Debt Issuance	-	1,637,243	1,625,000
Payment to Escrow Agent	-	1,639,646	(1,639,645)
Transfer Out	(78,300)	(78,300)	(77,216)
	<u>(78,300)</u>	<u>3,198,589</u>	<u>(91,861)</u>
Net Change in Fund Balance	<u>(318,879)</u>	<u>2,586,306</u>	1,003,923
Fund Balance - Beginning			<u>22,235,937</u>
Fund Balance - Ending			<u>23,239,860</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Motor Fuel Tax - Special Revenue Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 958,962	958,962	739,126
Interest	30,000	30,000	22,140
Total Revenues	<u>988,962</u>	<u>988,962</u>	<u>761,266</u>
Expenditures			
Streets and Roads			
Capital Outlay	<u>797,000</u>	<u>809,599</u>	<u>583,333</u>
Net Change in Fund Balance	<u>191,962</u>	<u>179,363</u>	177,933
Fund Balance - Beginning			<u>1,975,937</u>
Fund Balance - Ending			<u><u>2,153,870</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

Tax Increment - Special Revenue Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Tax Increment Financing	\$ 783,000	783,000	772,159
Interest	-	-	20
Miscellaneous	-	-	4,414
Total Revenues	<u>783,000</u>	<u>783,000</u>	<u>776,593</u>
Expenditures			
Economic Development			
Contractual Services	1,800	1,800	798
Capital	-	16,844	-
Debt Service			
Interest and Fiscal Charges	1,019,700	1,096,930	960,010
Total Expenditures	<u>1,021,500</u>	<u>1,115,574</u>	<u>960,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(238,500)</u>	<u>(332,574)</u>	<u>(184,215)</u>
Other Financing Sources (Uses)			
Debt Issuance	-	7,850,000	7,850,000
Premium on Debt Issuance	-	115,434	37,204
Payment to Escrow Agent	-	(5,963,000)	(5,963,000)
Transfers In	238,700	238,700	77,216
	<u>238,700</u>	<u>2,241,134</u>	<u>2,001,420</u>
Net Change in Fund Balance	<u>200</u>	<u>1,908,560</u>	1,817,205
Fund Balance - Beginning			<u>(2,858,122)</u>
Fund Balance - Ending			<u>(1,040,917)</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – Major Governmental Funds
General Fund
VHAC Site Development – Capital Projects Fund
- Budgetary Comparison Schedule – Internal Service Fund
Equipment Replacement Fund
- Statement of Changes in Assets and Liabilities – Agency Fund
Development Fund

GENERAL FUND

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary funds or capital projects funds) that are legally restricted to expenditure for specified purposes.

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.

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.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for all resources used for the acquisition of capital assets by the Village, except those financed by Proprietary and Trust Funds, including general and infrastructure capital assets.

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.

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 Course.

INTERNAL SERVICE FUND

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.

TRUST AND AGENCY FUNDS

PENSION TRUST FUND

Police Pension Fund

The Police Pension Fund is used to account for the accumulation of resources to be used for disability and retirement annuity payments to employees covered by the plan. Financing is provided by employee contributions, the annual General Fund contribution and investment income.

AGENCY FUND

Development 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

General Fund

Schedule of Revenues - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Taxes			
Sales Tax	\$ 10,018,000	10,018,000	10,251,007
Utility Tax	1,444,300	1,444,300	1,409,506
Telecommunication Tax	1,300,000	1,300,000	1,352,296
State Income Tax	2,009,040	2,009,040	2,127,725
911 Surcharge	295,800	585,800	442,088
Other Taxes	409,634	409,634	464,146
Hotel/Motel Taxes	320,000	320,000	296,728
Road and Bridge Tax	199,000	199,000	208,235
	<u>15,995,774</u>	<u>16,285,774</u>	<u>16,551,731</u>
Intergovernmental - Grants	<u>5,000</u>	<u>5,000</u>	<u>116,706</u>
Licenses, Permits and Fees	<u>845,350</u>	<u>845,350</u>	<u>726,317</u>
Charges for Services			
Fees and Charges for Services	936,488	936,488	1,009,643
Event Fees and Charges for Services	100,000	100,000	112,901
Developer Fees	-	-	57,362
Summer Celebration Fees	92,000	100,100	110,719
	<u>1,128,488</u>	<u>1,136,588</u>	<u>1,290,625</u>
Fines and Forfeitures	<u>271,518</u>	<u>271,518</u>	<u>275,768</u>
Investment Income	<u>407,000</u>	<u>407,000</u>	<u>166,028</u>
Miscellaneous			
Donations	39,700	39,700	49,082
Other	81,062	81,062	15,458
	<u>120,762</u>	<u>120,762</u>	<u>64,540</u>
Total Revenues	<u>18,773,892</u>	<u>19,071,992</u>	<u>19,191,715</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
General Government			
Administration			
Personal Services	\$ 978,086	968,987	940,756
Contractual Services	866,004	860,883	836,207
Commodities	28,000	31,482	28,489
Equipment	21,900	27,008	19,815
	<u>1,893,990</u>	<u>1,888,360</u>	<u>1,825,267</u>
Judiciary			
Contractual Services	<u>320,000</u>	<u>331,000</u>	<u>329,862</u>
President/Trustees			
Personal Services	49,737	49,737	49,736
Contractual Services	15,300	15,300	11,955
Commodities	3,450	3,450	2,007
	<u>68,487</u>	<u>68,487</u>	<u>63,698</u>
Community Development			
Personal Services	744,810	754,897	732,688
Contractual Services	53,564	75,093	39,814
Commodities	12,400	9,975	7,529
Equipment	21,839	15,854	14,841
	<u>832,613</u>	<u>855,819</u>	<u>794,872</u>
Committees			
Personal Services	3,446	3,446	856
Contractual Services	16,375	16,375	7,686
Commodities	6,600	6,600	3,168
Equipment	500	500	89
	<u>26,921</u>	<u>26,921</u>	<u>11,799</u>
Resident Direct Benefit			
Contractual Services	204,500	138,601	95,753
Commodities	27,600	55,614	46,525
	<u>232,100</u>	<u>194,215</u>	<u>142,278</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
General Government - Continued			
General Purpose			
Personal Services	\$ 107,010	107,010	98,079
Hotel/Motel Tax			
Contractual Services	18,000	16,000	16,781
Total General Government	3,499,121	3,487,812	3,282,636
Public Safety			
Police Department			
Personal Services	8,037,917	8,292,268	8,210,130
Contractual Services	293,122	293,422	238,194
Commodities	151,704	157,443	135,167
Equipment	148,875	171,987	102,764
	8,631,618	8,915,120	8,686,255
Fire and Police Commission			
Contractual Services	2,700	2,700	715
Commodities	200	200	-
	2,900	2,900	715
911			
Contractual Services	212,640	212,640	181,349
Contingencies	85,000	85,000	24,600
Equipment	304,000	594,000	288,047
	601,640	891,640	493,996
Drug Forfeiture			
Equipment	-	6,000	4,922
Total Public Safety	9,236,158	9,815,660	9,185,888

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Streets and Roads			
Public Works			
Personal Services	\$ 2,166,432	2,195,413	2,124,769
Contractual Services	900,500	906,141	805,581
Commodities	629,313	654,759	535,284
Equipment	411,645	50,833	41,434
	<u>4,107,890</u>	<u>3,807,146</u>	<u>3,507,068</u>
Metra Parking			
Contractual Services	47,140	51,505	55,446
Commodities	5,600	5,600	4,977
	<u>52,740</u>	<u>57,105</u>	<u>60,423</u>
Total Streets and Roads	<u>4,160,630</u>	<u>3,864,251</u>	<u>3,567,491</u>
Culture and Recreation			
Events			
Contractual Services	87,071	92,871	90,400
Commodities	37,295	36,579	29,317
Capital	1,000	1,000	-
	<u>125,366</u>	<u>130,450</u>	<u>119,717</u>
Summer Celebration			
Contractual Services	107,110	107,110	105,963
Commodities	24,790	32,890	33,569
	<u>131,900</u>	<u>140,000</u>	<u>139,532</u>
Total Culture and Recreation	<u>257,266</u>	<u>270,450</u>	<u>259,249</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Capital Outlay			
Community Infrastructure Development			
Street Construction	\$ 104,000	127,000	96,998
Bike Path/Sidewalk Program	40,000	40,000	35,141
CIDF Improvements	-	274,630	15,708
Stormwater Projects	-	37,091	23,568
Fixed Equipment	80,000	133,000	7,516
Total Capital Outlay	224,000	611,721	178,931
Debt Service			
Principal Retirement	1,245,000	1,245,000	1,245,000
Interest and Fiscal Charges	392,296	389,381	376,736
Total Debt Service	1,637,296	1,634,381	1,621,736
Total Expenditures	19,014,471	19,684,275	18,095,931

VILLAGE OF VERNON HILLS, ILLINOIS

VHAC Site Development - Capital Projects Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ 50,000	50,000	-
Expenditures			
Capital Outlay			
Construction	50,000	101,600	19,281
Net Change in Fund Balance	<u>-</u>	<u>(51,600)</u>	(19,281)
Fund Balance - Beginning			<u>948,828</u>
Fund Balance - Ending			<u>929,547</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Equipment Replacement - Internal Service Fund

**Schedule of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2012**

	Budget		Actual
	Original	Final	
Revenues			
Interfund Services	\$ 1,208,735	1,208,735	-
Operating Expenses			
Operations	1,208,000	1,208,000	31,141
Depreciation	-	-	97,303
Total Operating Expenses	1,208,000	1,208,000	128,444
Change in Net Assets	<u>735</u>	<u>735</u>	(128,444)
Net Assets - Beginning			<u>2,518,778</u>
Net Assets - Ending			<u>2,390,334</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Development - Agency Fund

**Statement of Changes in Assets and Liabilities
Year Ended April 30, 2012**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
ASSETS				
Cash and Investments	<u>\$ 22,305</u>	<u>3,473</u>	<u>4,584</u>	<u>21,194</u>
LIABILITIES				
Deposits Payable				
Due to School Districts	-	3,473	-	3,473
Due to Other Districts	<u>22,305</u>	<u>-</u>	<u>4,584</u>	<u>17,721</u>
Total Liabilities	<u>22,305</u>	<u>3,473</u>	<u>4,584</u>	<u>21,194</u>

SUPPLEMENTAL SCHEDULES

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

General Obligation Bonds of 2012A

April 30, 2012

Date of Issue	February 28, 2012
Date of Maturity	December 30, 2026
Authorized Issue	\$7,850,000
Denomination of Bonds	\$5,000
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 Ending April 30			
	Principal	Interest	Totals
2013	\$ -	135,900	135,900
2014	-	162,000	162,000
2015	-	162,000	162,000
2016	-	162,000	162,000
2017	300,000	162,000	462,000
2018	450,000	156,000	606,000
2019	600,000	147,000	747,000
2020	650,000	135,000	785,000
2021	675,000	122,000	797,000
2022	725,000	108,500	833,500
2023	750,000	94,000	844,000
2024	800,000	79,000	879,000
2025	900,000	63,000	963,000
2026	1,000,000	45,000	1,045,000
2027	1,000,000	22,500	1,022,500
	<u>7,850,000</u>	<u>1,755,900</u>	<u>9,605,900</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

General Obligation Bonds of 2012B

April 30, 2012

Date of Issue	February 28, 2012
Date of Maturity	March 30, 2026
Authorized Issue	\$1,625,000
Denomination of Bonds	\$5,000
Interest Rates	2.00% to 2.40%
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 Ending April 30			
	Principal	Interest	Totals
2013	\$ 15,000	37,349	52,349
2014	15,000	34,000	49,000
2015	115,000	33,700	148,700
2016	115,000	31,400	146,400
2017	120,000	29,100	149,100
2018	125,000	26,700	151,700
2019	125,000	24,200	149,200
2020	130,000	21,700	151,700
2021	130,000	19,100	149,100
2022	140,000	16,500	156,500
2023	145,000	13,700	158,700
2024	145,000	10,510	155,510
2025	150,000	7,320	157,320
2026	155,000	3,720	158,720
	<u>1,625,000</u>	<u>308,999</u>	<u>1,933,999</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2002

April 30, 2012

Date of Issue	December 17, 2002
Date of Maturity	March 30, 2013
Authorized Issue	\$4,595,000
Denomination of Bonds	\$5,000
Interest Rates	1.75% to 3.75%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	Bank One

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30			
	Principal	Interest	Totals
2013	\$ 480,000	18,000	498,000

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Refunding Bonds of 2004
April 30, 2012**

Date of Issue	December 7, 2004
Date of Maturity	March 30, 2018
Authorized Issue	\$3,540,000
Denomination of Bonds	\$5,000
Interest Rates	3.00% to 4.00%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30			
	Principal	Interest	Totals
2013	\$ 335,000	80,723	415,723
2014	340,000	69,333	409,333
2015	350,000	57,263	407,263
2016	365,000	44,488	409,488
2017	380,000	30,800	410,800
2018	390,000	15,600	405,600
	<u>2,160,000</u>	<u>298,207</u>	<u>2,458,207</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Refunding Bonds of 2005

April 30, 2012

Date of Issue	May 10, 2001
Date of Maturity	March 30, 2021
Authorized Issue	\$3,790,000
Denomination of Bonds	\$5,000
Interest Rates	3.0% to 4.125%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	Bank One

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30			
	Principal	Interest	Totals
2013	\$ 275,000	119,505	394,505
2014	285,000	108,505	393,505
2015	295,000	97,105	392,105
2016	315,000	85,305	400,305
2017	325,000	72,705	397,705
2018	345,000	59,705	404,705
2019	355,000	45,905	400,905
2020	370,000	31,350	401,350
2021	390,000	16,088	406,088
	<u>2,955,000</u>	<u>636,173</u>	<u>3,591,173</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2006

April 30, 2012

Date of Issue	December 5, 2006
Date of Maturity	March 30, 2026
Authorized Issue	\$2,050,000
Denomination of Bonds	\$5,000
Interest Rates	3.750% to 4.050%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30			
	Principal	Interest	Totals
2013	\$ 90,000	6,938	96,938
2014	95,000	3,562	98,562
	<u>185,000</u>	<u>10,500</u>	<u>195,500</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2007

April 30, 2012

Date of Issue	April 10, 2007
Date of Maturity	March 30, 2027
Authorized Issue	\$2,000,000
Denomination of Bonds	\$5,000
Interest Rates	4.000% to 4.125%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Principal	Interest	Totals
2013	\$ 120,000	59,538	179,538
2014	125,000	54,738	179,738
2015	130,000	49,738	179,738
2016	135,000	44,538	179,538
2017	140,000	39,138	179,138
2018	150,000	33,537	183,537
2019	155,000	27,537	182,537
2020	90,000	21,337	111,337
2021	-	17,738	17,738
2022	-	17,738	17,738
2023	-	17,738	17,738
2024	-	17,738	17,738
2025	-	17,738	17,738
2026	210,000	17,738	227,738
2027	220,000	9,074	229,074
	<u>1,475,000</u>	<u>445,603</u>	<u>1,920,603</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Bonds of 2007
April 30, 2012**

Date of Issue	April 10, 2007
Date of Maturity	March 30, 2025
Authorized Issue	\$1,000,000
Denomination of Bonds	\$5,000
Interest Rates	4.000% to 4.125%
Interest Dates	March 30 and September 30
Principal Maturity Date	March 30
Payable at	The Bank of New York Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30			
	Principal	Interest	Totals
2013	\$ -	40,527	40,527
2014	-	40,527	40,527
2015	-	40,527	40,527
2016	-	40,527	40,527
2017	-	40,527	40,527
2018	-	40,527	40,527
2019	-	40,527	40,527
2020	75,000	40,527	115,527
2021	170,000	37,528	207,528
2022	175,000	30,728	205,728
2023	185,000	23,641	208,641
2024	195,000	16,148	211,148
2025	200,000	8,250	208,250
	<u>1,000,000</u>	<u>440,511</u>	<u>1,440,511</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Senior Lien Tax Increment Revenue Bonds of 2007
April 30, 2012**

Date of Issue	November 27, 2007
Date of Maturity	December 30, 2026
Authorized Issue	\$7,000,000
Denomination of Bonds	\$5,000
Interest Rates	5.50% to 6.25%
Interest Dates	June 30 and December 30
Principal Maturity Date	December 30
Payable at	The Depository Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Principal	Interest	Totals
2013	\$ -	428,688	428,688
2014	90,000	428,688	518,688
2015	195,000	423,738	618,738
2016	260,000	413,013	673,013
2017	295,000	398,713	693,713
2018	335,000	382,488	717,488
2019	375,000	364,063	739,063
2020	420,000	340,625	760,625
2021	465,000	314,375	779,375
2022	520,000	285,313	805,313
2023	575,000	252,813	827,813
2024	635,000	216,875	851,875
2025	695,000	177,168	872,168
2026	765,000	133,750	898,750
2027	1,375,000	85,951	1,460,951
	<u>7,000,000</u>	<u>4,646,261</u>	<u>11,646,261</u>

STATISTICAL SECTION

(Unaudited)

This part of the 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.

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.

Revenue Capacity

These schedules contain information to help the reader assess the Village's most significant local revenue sources.

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.

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.

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.

VILLAGE OF VERNON HILLS, ILLINOIS

**Net Assets by Component - Last Nine Fiscal Years
April 30, 2012 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Net Assets by Component - Last Nine Fiscal Years
April 30, 2012 (Unaudited)**

	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 18,134,143	19,760,398	22,324,954
Restricted	3,853,227	3,350,367	4,061,109
Unrestricted	19,356,210	21,540,099	20,698,906
Total Governmental Activities Net Assets	41,343,580	44,650,864	47,084,969
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	931,835	868,332	838,495
Unrestricted	(134,012)	(56,226)	18,691
Total Business-Type Activities Net Assets	797,823	812,106	857,186
Primary Government			
Invested in Capital Assets, Net of Related Debt	19,065,978	20,628,730	23,163,449
Restricted	3,853,227	3,350,367	4,061,109
Unrestricted	19,222,198	21,483,873	20,717,597
Total Primary Government Net Assets	42,141,403	45,462,970	47,942,155

Data Source: Village Records

The Village implemented GASB 34 in Fiscal Year 2004.

2007	2008	2009	2010	2011	2012
26,034,819	101,767,949	97,942,912	95,356,202	91,757,779	87,283,367
4,843,742	4,461,603	3,329,155	3,025,617	3,349,329	3,495,103
20,749,058	23,237,045	21,924,140	19,072,498	20,422,612	23,283,224
51,627,619	129,466,597	123,196,207	117,454,317	115,529,720	114,061,694
777,357	822,680	836,773	769,845	786,545	718,458
(15,983)	(97,704)	(227,551)	(174,380)	(234,087)	(284,478)
761,374	724,976	609,222	595,465	552,458	433,980
26,812,176	102,590,629	98,779,685	96,126,047	92,544,324	88,001,825
4,843,742	4,461,603	3,329,155	3,025,617	3,349,329	3,495,103
20,733,075	23,139,341	21,696,589	18,898,118	20,188,525	22,998,746
52,388,993	130,191,573	123,805,429	118,049,782	116,082,178	114,495,674

VILLAGE OF VERNON HILLS, ILLINOIS

Changes in Net Assets - Last Nine Fiscal Years
April 30, 2012 (Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental Activities									
General Government	\$ 4,696,155	5,093,639	5,115,671	4,851,163	4,933,995	7,409,619	5,361,615	5,148,289	4,075,361
Public Safety	7,219,218	7,374,195	7,918,764	8,373,183	8,996,733	8,916,041	8,785,116	8,619,448	9,523,631
Streets and Roads	3,417,348	3,071,698	3,253,181	3,923,585	10,586,487	8,607,486	7,233,167	6,850,515	6,912,853
Economic Development	58,679	185,738	503,977	778,073	7,146,756	2,573,388	1,147,173	326,276	46,854
Culture and Recreation	418,792	440,481	364,112	273,675	301,480	308,954	245,328	260,935	259,249
Interest on Long-Term Debt	620,604	579,120	504,000	553,919	1,296,357	1,407,974	1,361,865	1,464,042	1,462,816
Total Governmental Activities Expenses	<u>16,430,796</u>	<u>16,744,871</u>	<u>17,659,705</u>	<u>18,753,598</u>	<u>33,261,808</u>	<u>29,223,462</u>	<u>24,134,264</u>	<u>22,669,505</u>	<u>22,280,764</u>
Business-Type Activities									
Golf Course	579,381	597,455	555,473	652,563	605,598	648,762	544,291	495,572	588,635
Total Business-Type Activities Net Assets	<u>579,381</u>	<u>597,455</u>	<u>555,473</u>	<u>652,563</u>	<u>605,598</u>	<u>648,762</u>	<u>544,291</u>	<u>495,572</u>	<u>588,635</u>
Total Primary Government Expenses	<u>17,010,177</u>	<u>17,342,326</u>	<u>18,215,178</u>	<u>19,406,161</u>	<u>33,867,406</u>	<u>29,872,224</u>	<u>24,678,555</u>	<u>23,165,077</u>	<u>22,869,399</u>
Program Revenues									
Governmental Activities									
Charges for Services									
General Government	2,426,528	2,626,182	2,081,865	3,452,952	2,958,577	2,090,182	1,839,779	2,164,926	1,793,322
Public Safety	458,489	499,782	498,386	516,298	457,078	407,813	278,121	255,714	275,768
Culture and Recreation	237,096	244,989	103,081	99,274	190,913	210,327	170,780	184,693	223,620
Operating Grants/Contributions	820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002	617,688	712,457	739,126
Capital Grants/Contributions	-	251,573	-	-	-	252,000	-	627,222	116,706
Total Governmental Activities Program Revenues	<u>3,942,560</u>	<u>4,650,270</u>	<u>3,747,916</u>	<u>5,310,994</u>	<u>4,680,558</u>	<u>3,869,324</u>	<u>2,906,368</u>	<u>3,945,012</u>	<u>3,148,542</u>
Business-Type Activities									
Charges for Services									
Golf Course	615,866	611,158	599,270	554,905	567,712	532,529	530,478	452,503	470,103
Operating Grants/Contributions	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>615,866</u>	<u>611,158</u>	<u>599,270</u>	<u>554,905</u>	<u>567,712</u>	<u>532,529</u>	<u>530,478</u>	<u>452,503</u>	<u>470,103</u>
Total Primary Government Program Revenues	<u>4,558,426</u>	<u>5,261,428</u>	<u>4,347,186</u>	<u>5,865,899</u>	<u>5,248,270</u>	<u>4,401,853</u>	<u>3,436,846</u>	<u>4,397,515</u>	<u>3,618,645</u>
Net (Expense) Revenue									
Governmental Activities	(12,488,236)	(12,094,601)	(13,911,789)	(13,442,604)	(28,581,250)	(25,354,138)	(21,227,896)	(18,724,493)	(19,132,222)
Business-Type Activities	36,485	13,703	43,797	(97,658)	(37,886)	(116,233)	(13,813)	(43,069)	(118,532)
Total Primary Government Net Revenue (Expense)	<u>(12,451,751)</u>	<u>(12,080,898)</u>	<u>(13,867,992)</u>	<u>(13,540,262)</u>	<u>(28,619,136)</u>	<u>(25,470,371)</u>	<u>(21,241,709)</u>	<u>(18,767,562)</u>	<u>(19,250,754)</u>

	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets									
Governmental Activities									
Taxes									
Sales Tax	\$ 10,094,832	9,982,577	9,614,858	10,067,439	10,364,210	9,836,554	9,153,021	9,508,242	10,334,171
Utility Tax	1,769,465	1,836,314	1,607,189	1,437,886	1,475,406	1,416,128	1,351,570	1,446,045	1,409,506
Hotel/Motel Tax (1)	-	-	325,597	364,879	359,784	298,914	248,826	270,764	296,728
911 Surcharge Tax (1)	-	-	286,773	328,771	331,258	361,267	311,658	293,660	442,088
Road and Bridge Tax (1)	-	-	145,680	156,811	175,219	188,350	193,805	202,379	208,235
Telecommunications Tax (1)	-	-	1,276,789	1,539,095	1,569,859	1,586,588	1,454,587	1,269,772	1,352,296
Tax Increment Tax (1)	-	-	53,465	68,684	81,149	17,053	-	232,544	772,159
Other Taxes	1,317,194	1,451,377	409,923	421,834	443,527	453,988	412,477	456,616	464,146
Intergovernmental									
State Income Tax	1,213,728	1,434,889	1,806,391	2,014,206	2,200,234	2,056,595	1,801,143	1,807,219	2,127,725
Interest Income	308,968	370,584	562,463	1,314,040	1,909,544	935,625	225,103	249,076	188,188
Disposal of Capital Assets	39,275	-	-	-	-	-	-	-	-
Miscellaneous	197,315	77,795	96,475	271,609	179,250	158,384	143,437	1,143,974	68,954
Total Governmental Activities	14,940,777	15,153,536	16,185,603	17,985,254	19,089,440	17,309,446	15,295,627	16,880,291	17,664,196
Business-Type Activities									
Interest Income	315	580	1,283	1,846	1,488	479	56	62	54
Total Primary Government	14,941,092	15,154,116	16,186,886	17,987,100	19,090,928	17,309,925	15,295,683	16,880,353	17,664,250
Changes in Net Assets									
Governmental Activities	2,452,541	3,058,935	2,273,814	4,542,650	(9,491,810)	(8,044,692)	(5,932,269)	(1,844,202)	(1,468,026)
Business-Type Activities	36,800	14,283	45,080	(95,812)	(36,398)	(115,754)	(13,757)	(43,007)	(118,478)
Total Primary Government	2,489,341	3,073,218	2,318,894	4,446,838	(9,528,208)	(8,160,446)	(5,946,026)	(1,887,209)	(1,586,504)

Data Source: Village Records

(1) Included in other taxes for fiscal year-ended 2004 and 2005.

The Village implemented GASB 34 in Fiscal Year 2004.

VILLAGE OF VERNON HILLS, ILLINOIS

**Fund Balances of Governmental Funds - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

	2003	2004	2005
General Fund			
Reserved	\$ 1,270,747	2,371,433	2,335,551
Unreserved	17,659,820	16,010,914	17,899,856
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Total General Fund	18,930,567	18,382,347	20,235,407
All Other Governmental Funds			
Reserved	-	-	-
Unreserved, Reported in:			
Special Revenues Funds	1,595,065	1,162,434	1,470,725
Capital Projects Funds	1,950,750	1,866,365	1,023,006
Restricted	-	-	-
Unassigned	-	-	-
Total All Other Governmental Funds	3,545,815	3,028,799	2,493,731

Data Source: Village Records

The Village implemented GASB 54 in Fiscal Year 2012.

2006	2007	2008	2009	2010	2011	2012
2,511,367	1,962,416	1,612,801	1,480,580	1,475,234	831,038	-
17,467,567	17,973,238	20,542,721	20,394,982	18,425,428	21,404,899	-
-	-	-	-	-	-	467,790
-	-	-	-	-	-	411,686
-	-	-	-	-	-	106,218
-	-	-	-	-	-	22,254,166
19,978,934	19,935,654	22,155,522	21,875,562	19,900,662	22,235,937	23,239,860
3,166,528	6,256,284	4,411,999	3,239,543	2,836,301	2,924,765	-
-	(431,047)	2,725,573	(848,598)	(2,080,388)	(2,858,122)	-
-	-	(145,862)	-	-	-	-
-	-	-	-	-	-	3,083,417
-	-	-	-	-	-	(1,040,917)
3,166,528	5,825,237	6,991,710	2,390,945	755,913	66,643	2,042,500

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Revenues By Source - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Source	2003	2004	2005
Sales Tax	\$ 9,454,483	10,094,832	9,982,577
Other Taxes	4,075,087	4,300,387	4,722,580
Intergovernmental Revenue	837,783	820,447	1,027,744
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	2,469,944	2,998,133	3,441,719
Investment Income	1,193,890	308,968	370,584
Miscellaneous	231,164	197,315	329,368
Total	18,262,351	18,720,082	19,874,572

1998 through 2003 includes General, Special Revenue, Capital Projects and Debt Service Funds.
2004 GASB 34 was implemented. Includes all Governmental Funds.

Data Source: Village Records

2006	2007	2008	2009	2010	2011	2012
9,633,728	10,067,801	10,364,210	9,648,749	9,153,972	9,447,706	10,251,007
5,911,807	6,332,166	6,619,099	6,378,613	5,774,066	5,978,999	7,072,883
1,064,584	1,242,470	1,073,990	909,002	617,688	1,339,679	855,832
2,683,332	4,068,524	3,606,568	2,708,322	2,288,680	2,605,333	2,292,710
562,463	1,314,040	1,909,544	935,625	225,103	249,076	188,188
96,475	271,609	179,250	158,384	143,437	1,143,974	68,954
19,952,389	23,296,610	23,752,661	20,738,695	18,202,946	20,764,767	20,729,574

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Expenditures By Function - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Function	2003	2004	2005
General Government	\$ 4,131,013	4,316,046	4,367,174
Public Safety	6,961,837	7,028,067	7,074,687
Streets and Roads	2,890,882	4,057,485	3,815,230
Economic Development	-	58,679	185,738
Culture and Recreation	505,069	418,792	440,481
Capital Outlay	8,198,126	2,185,247	1,221,624
Debt Service			
Principal	900,000	1,680,000	965,000
Interest and Fiscal Charges	581,278	637,936	585,806
Total	<u>24,168,205</u>	<u>20,382,252</u>	<u>18,655,740</u>

Data Source: Village Records

2006	2007	2008	2009	2010	2011	2012
4,036,681	4,178,902	4,278,264	4,575,960	4,616,386	3,218,639	3,282,636
7,605,573	8,572,206	8,779,490	8,643,644	8,490,969	8,281,006	9,185,888
3,105,943	3,406,307	4,849,825	5,519,961	4,649,372	4,046,574	4,150,824
503,977	778,073	7,146,756	4,350,636	922,078	306	798
364,112	273,675	301,480	308,954	245,328	260,935	259,249
3,232,183	7,145,135	3,556,553	1,332,878	953,128	650,272	198,212
1,040,000	850,000	1,035,000	1,105,000	1,150,000	1,190,000	1,245,000
508,931	526,883	1,046,952	1,324,579	1,368,810	1,471,030	1,336,746
20,397,400	25,731,181	30,994,320	27,161,612	22,396,071	19,118,762	19,659,353

VILLAGE OF VERNON HILLS, ILLINOIS

**Changes in Fund Balances for Governmental Funds - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

	2003	2004	2005
Revenues			
Sales Tax	\$ 9,454,483	10,094,832	9,982,577
Other Taxes	4,075,087	4,300,387	4,722,580
Intergovernmental Revenue	837,783	820,447	1,027,744
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	2,469,944	2,998,133	3,441,719
Investment Income	1,193,890	308,968	370,584
Miscellaneous	231,164	197,315	329,368
Total Revenues	18,262,351	18,720,082	19,874,572
Expenditures			
General Government	4,131,013	4,316,046	4,367,174
Public Safety	6,961,837	7,028,067	7,074,687
Streets and Roads	2,890,882	4,057,485	3,815,230
Economic Development	-	58,679	185,738
Culture and Recreation	505,069	418,792	440,481
Capital Outlay	8,198,126	2,185,247	1,221,624
Debt Service			
Principal	900,000	1,680,000	965,000
Interest and Fiscal Charges	581,278	637,936	585,806
Total Expenditures	24,168,205	20,382,252	18,655,740
Excess of Revenues Over (Under) Expenditures	(5,905,854)	(1,662,170)	1,218,832
Other Financing Sources (Uses)			
Proceeds from Bonds	4,595,000	-	3,540,000
Premium on Debt Issuance	-	-	-
Payments to Escrow Agent	(581,641)	-	(3,462,420)
Transfers In	934,958	-	-
Transfers Out	(934,958)	-	-
Sale of Property	-	50,432	21,580
Total Other Financing Sources (Uses)	4,013,359	50,432	99,160
Net Change in Fund Balances	(1,892,495)	(1,611,738)	1,317,992
Debt Service as a Percentage of Noncapital Expenditures	9.28%	12.74%	8.90%

Data Source: Village Records

2006	2007	2008	2009	2010	2011	2012
9,633,728	10,067,801	10,364,210	9,648,749	9,153,972	9,447,706	10,251,007
5,911,807	6,332,166	6,619,099	6,378,613	5,774,066	5,978,999	7,072,883
1,064,584	1,242,470	1,073,990	909,002	617,688	1,339,679	855,832
2,683,332	4,068,524	3,606,568	2,708,322	2,288,680	2,605,333	2,292,710
562,463	1,314,040	1,909,544	935,625	225,103	249,076	188,188
96,475	271,609	179,250	158,384	143,437	1,143,974	68,954
19,952,389	23,296,610	23,752,661	20,738,695	18,202,946	20,764,767	20,729,574
4,036,681	4,178,902	4,278,264	4,575,960	4,616,386	3,218,639	3,282,636
7,605,573	8,572,206	8,779,490	8,643,644	8,490,969	8,281,006	9,185,888
3,105,943	3,406,307	4,849,825	5,519,961	4,649,372	4,046,574	4,150,824
503,977	778,073	7,146,756	4,350,636	922,078	306	798
364,112	273,675	301,480	308,954	245,328	260,935	259,249
3,232,183	7,145,135	3,556,553	1,332,878	953,128	650,272	198,212
1,040,000	850,000	1,035,000	1,105,000	1,150,000	1,190,000	1,245,000
508,931	526,883	1,046,952	1,324,579	1,368,810	1,471,030	1,336,746
20,397,400	25,731,181	30,994,320	27,161,612	22,396,071	19,118,762	19,659,353
(445,011)	(2,434,571)	(7,241,659)	(6,422,917)	(4,193,125)	1,646,005	1,070,221
3,807,001	5,050,000	10,628,000	1,542,192	792,808	-	9,475,000
-	-	-	-	-	-	37,204
(3,741,267)	-	-	-	-	-	(7,602,645)
635,310	770,190	8,115	147,551	-	23,254	77,216
-	(770,190)	(8,115)	(147,551)	-	(23,254)	(77,216)
-	-	-	-	-	-	-
701,044	5,050,000	10,628,000	1,542,192	792,808	-	1,909,559
256,033	2,615,429	3,386,341	(4,880,725)	(3,400,317)	1,646,005	2,979,780
9.02%	7.56%	7.59%	10.21%	11.62%	14.16%	13.23%

VILLAGE OF VERNON HILLS, ILLINOIS

**Taxable Sales by Category - Last Ten Calendar Years
April 30, 2012 (Unaudited)**

<u>Calendar Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Merchandise	\$ 2,934,693	2,970,776	2,937,760
Food	361,257	334,399	343,233
Drinking and Eating Places	609,813	648,777	690,192
Apparel	795,710	690,072	777,335
Furniture and H.H. and Radio	1,228,774	2,503,134	3,590,995
Lumber, Building, Hardware	541,839	514,586	523,018
Automobile and Filling Stations	126,575	122,119	119,583
Drugs and Misc. Retail	1,179,410	1,269,525	1,258,764
Agriculture and All Others	3,495,773	1,740,114	905,924
Manufacturers	90,082	83,789	155,255
Total	<u>11,363,926</u>	<u>10,877,291</u>	<u>11,302,059</u>
Village Direct Rate	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>

Data Source: Village and State Records

2005	2006	2007	2008	2009	2010	2011
2,610,491	3,160,430	2,955,471	2,891,816	2,782,847	2,823,025	2,633,339
340,093	360,262	389,624	372,836	342,202	340,958	648,891
726,977	804,761	775,849	788,022	812,685	825,607	850,877
851,755	863,592	863,980	797,133	637,015	689,726	844,886
3,429,573	3,480,979	3,857,032	3,952,073	3,083,717	3,607,217	4,260,170
530,821	509,206	480,791	478,018	438,776	396,123	402,354
126,045	159,790	245,525	250,520	215,700	257,173	391,781
1,273,623	1,299,881	1,258,072	1,162,553	1,078,428	1,106,285	1,098,232
650,469	633,262	681,030	707,998	657,960	601,514	680,022
186,467	198,074	190,214	222,906	194,254	157,620	92,047
10,726,314	11,470,237	11,697,588	11,623,875	10,243,584	10,805,248	11,902,599
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

VILLAGE OF VERNON HILLS, ILLINOIS

**Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Fiscal Year	State Rate	RTA Rate	County Rate	Total Sales Tax Rate	% Distributed to Village
2003	6.00%	0.25%	0.25%	6.50%	1.00%
2004	6.00%	0.25%	0.25%	6.50%	1.00%
2005	6.00%	0.25%	0.25%	6.50%	1.00%
2006	6.00%	0.25%	0.25%	6.50%	1.00%
2007	6.00%	0.25%	0.25%	6.50%	1.00%
2008	6.00%	0.50%*	0.50%*	7.00%	1.00%
2009	6.00%	0.50%	0.50%	7.00%	1.00%
2010	6.00%	0.50%	0.50%	7.00%	1.00%
2011	6.00%	0.50%	0.50%	7.00%	1.00%
2012	6.00%	0.50%	0.50%	7.00%	1.00%

Data Source: Village and County Records

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Assessed Value and Actual Value of Taxable Property - Last Ten Levy Years
April 30, 2012 (Unaudited)**

Tax Levy Year		Residential Property	Farm
2002	\$	562,912,088	183,607
2003		618,138,579	51,800
2004		690,070,451	61,606
2005		780,113,496	63,655
2006		835,643,430	59,021
2007		897,297,058	57,194
2008		924,051,438	60,685
2009		928,731,639	60,953
2010		889,805,423	54,888
2011		832,609,239	55,976

Data Source: Lake County Clerk's and Treasurer's Offices

Commercial Property	Industrial Property	Total	Railroad	Total Assessed Value (Lake County)
299,595,281	497,606	863,188,582	40,938	863,229,520
311,482,256	493,966	930,166,601	45,003	930,211,604
315,437,693	504,042	1,006,073,792	86,509	1,006,160,301
320,215,136	512,812	1,100,905,099	95,634	1,101,000,733
329,302,011	526,965	1,165,531,427	120,092	1,165,651,519
337,811,382	536,714	1,235,702,348	147,146	1,235,849,494
357,831,579	555,714	1,282,499,416	178,670	1,282,678,086
360,691,287	544,172	1,290,028,051	171,251	1,290,199,302
355,135,429	551,337	1,245,547,077	204,020	1,245,751,097
347,129,444	555,771	1,180,350,430	189,118	1,180,539,548

VILLAGE OF VERNON HILLS, ILLINOIS

**Direct and Overlapping Property Tax Rates - Last Ten Levy Years
April 30, 2012 (Unaudited)**

Tax Levy Year	2002	2003	2004
CLC Joint Action Water	0.064	0.058	0.054
Grade School 73	3.201	3.086	2.990
High School 128	2.391	2.359	2.291
Jr. College 532	0.208	0.201	0.200
Vernon Township	0.105	0.101	0.095
Libertyville Township	N/A	N/A	N/A
Lake County	0.502	0.490	0.465
Lake County Forest Preserve	0.232	0.225	0.219
Vernon Hills Park District	0.340	0.373	0.346
Cook Memorial Library	0.247	0.236	0.231
Countryside Fire District	0.436	0.420	0.422
Village of Vernon Hills	0.000	0.000	0.000
Total Direct and Overlapping Tax Rate	7.726	7.549	7.313

Data Source: Office of the County Clerk

2005	2006	2007	2008	2009	2010	2011
0.049	0.046	0.042	0.042	0.042	0.045	0.047
2.922	2.887	2.842	2.878	2.899	3.081	3.306
2.225	2.179	2.136	2.163	2.179	2.324	2.399
0.197	0.195	0.192	0.196	0.200	0.218	0.240
0.093	0.094	0.092	0.092	N/A	N/A	N/A
N/A	N/A	N/A	N/A	0.104	0.106	0.111
0.454	0.450	0.444	0.453	0.453	0.505	0.554
0.210	0.204	0.201	0.199	0.199	0.198	0.201
0.334	0.351	0.343	0.344	0.344	0.427	0.450
0.225	0.222	0.219	0.222	0.222	0.238	0.254
0.400	0.398	0.390	0.417	0.417	0.453	0.495
0.000	0.000	0.000	0.000	0.000	0.000	0.000
7.109	7.026	6.901	7.006	7.059	7.595	8.057

VILLAGE OF VERNON HILLS, ILLINOIS

**Principal Property Tax Payers - Current Year and Nine Years Ago
April 30, 2012 (Unaudited)**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value
Westfield Shoppingtown						
Hawthorn	\$ 20,280,283	1	1.72%	\$ 15,579,791	1	1.80%
Van Vlissingen & Co	16,176,951	2	1.37%	13,636,632	2	1.58%
Inland Real Estate	13,484,946	3	1.14%	10,149,264	4	1.18%
Museum Garderns II LLC	11,857,369	4	1.00%			
Leahy Vernon Hills Development	10,977,259	5	0.93%	11,626,155	3	1.35%
PWA Continental						
Executive Parke, LP	8,766,227	6	0.74%	7,725,475	6	0.89%
CDW Computer Centers, Inc.	8,578,786	7	0.73%	9,881,850	5	1.14%
HCP HB2 Park at						
Vernon Hills LLC	8,098,048	8	0.69%			
Ventas Realty						
Office Buildings	7,322,093	9	0.62%			
Hawthorn Hills	7,095,344	10	0.60%	6,418,258	10	0.74%
Corporate Woods Associates LLC						
PNC Bank, NA				7,088,713	7	0.82%
Target Corporation				6,887,517	8	0.80%
Northwestern Mutual Life Insurance Co.				6,472,196	9	0.75%
	<u>112,637,306</u>		<u>9.54%</u>	<u>75,017,425</u>		<u>11.06%</u>

Data Source: Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

Property Tax Levies and Collections - Last Ten Fiscal Years
 April 30, 2012 (Unaudited)

Fiscal Year Ended April 30	Tax Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2002	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
2004	2003	-	-	0.00%	-	-	0.00%
2005	2004	-	-	0.00%	-	-	0.00%
2006	2005	-	-	0.00%	-	-	0.00%
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%

The Village has not levied taxes for the current or any of the prior nine fiscal years.

VILLAGE OF VERNON HILLS, ILLINOIS

**Tax Increment Financing District Tax Extensions and Collections - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Fiscal Year Ended April 30	Tax Levy Year	Equalized Assessed Valuation	Tax Extension	Total Collections	Percent Collected
2003	2002	\$ 122,377	\$ 7,317	\$ 7,311	99.92%
2004	2003	775,197	46,349	46,474	100.27%
2005	2004	881,121	53,387	53,465	100.15%
2006	2005	1,140,819	68,597	68,684	100.13%
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	N/A	N/A

N/A - Not Available

The Village's Tax Increment Financing District was first levied for in 2002 and no levy for 2008. The 2011 levy is in collection at year-end.

VILLAGE OF VERNON HILLS, ILLINOIS

Ratios of Outstanding Debt By Type - Last Ten Fiscal Years
April 30, 2012 (Unaudited)

Fiscal Year Ended April 30	Governmental Activities				Business- Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Alternate Revenue Bonds	Installment Contracts Payable	Tax Increment Revenue Bonds/Notes	Capital Leases Payable			
2003	\$ -	\$ 13,600,000	\$ 840,000	\$ -	\$ 90,431	\$ 14,530,431	N/A	\$ 668.37
2004	-	12,760,000	-	-	91,505	12,851,505	N/A	579.26
2005	-	12,130,000	-	-	62,348	12,192,348	N/A	522.09
2006	-	11,280,000	-	-	86,520	11,366,520	N/A	481.04
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

N/A - Not Available

Data Source: Village's Records

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

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

VILLAGE OF VERNON HILLS, ILLINOIS

**Schedule of Direct and Overlapping Bonded Debt
April 30, 2012 (Unaudited)**

Governmental Unit	Gross Debt	Percentage to Debt Applicable to Village (1)	Village's Share of Debt
Village of Vernon Hills	\$ 24,730,000	100.000%	\$ 24,730,000
School District Number 73	42,883,824	67.140%	28,792,199
School District Number 76	3,516,137	26.290%	924,392
School District Number 96	2,555,000	2.340%	59,787
School District Number 103	3,035,000	19.440%	590,004
High School District Number 120	7,578,106	1.020%	77,297
High School District Number 125	23,680,000	9.050%	2,143,040
High School District Number 128	26,230,000	28.540%	7,486,042
Community College Number 532	24,350,000	4.650%	1,132,275
Lake County	84,770,000	4.420%	3,746,834
Lake County Forest Preserve District	295,270,000	4.420%	13,050,934
Central Lake Co. Joint Action Water Agency	18,535,000	16.520%	3,061,982
Mundelein Park District	2,510,000	0.001%	25
Vernon Hills Park District	3,720,000	99.970%	3,718,884
Subtotal	538,633,067		64,783,696
Totals	563,363,067		89,513,696

Source: Lake County Clerk.

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Fiscal Year Ended April 30	Gross General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Equalized Assessed Value (1)	Per Capita (2)
2003	\$ 13,600,000	\$ -	\$ 13,600,000	1.58%	\$ 625.57
2004	12,760,000	-	12,760,000	1.37%	575.14
2005	12,130,000	-	12,130,000	1.21%	519.42
2006	11,280,000	-	11,280,000	1.02%	477.38
2007	15,480,000	-	15,480,000	1.33%	650.58
2008	14,445,000	-	14,445,000	1.17%	602.20
2009	13,340,000	-	13,340,000	1.04%	545.34
2010	12,190,000	-	12,190,000	0.94%	498.32
2011	11,000,000	-	11,000,000	0.88%	449.68
2012	17,730,000	-	17,730,000	1.50%	706.01

Data Source: Village Records

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

(1) See the Ratios of Outstanding Debt by Type Schedule for Equalized Assessed Value data (Actual Taxable Value of Property).

(2) See the Demographic and Economic Statistics Schedule for the Per Capita Income data.

VILLAGE OF VERNON HILLS, ILLINOIS

Schedule of Legal Debt Margin April 30, 2012 (Unaudited)

The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois constitution governs computation of legal debt margin.

The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by some home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts.

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

VILLAGE OF VERNON HILLS, ILLINOIS

Demographic and Economic Statistics - Last Ten Fiscal Years April 30, 2012 (Unaudited)

Fiscal Year Ended April 30	Population	Personal Income (in Thousands)	Per Capita Personal Income	Median Age	School Enrollment	(1) Unemployment Rate
2003	21,740	\$ N/A	\$ N/A	N/A	N/A	3.20%
2004	22,186	N/A	N/A	N/A	N/A	3.20%
2005	23,353	N/A	N/A	N/A	N/A	2.70%
2006	23,629	N/A	N/A	N/A	N/A	2.10%
2007	23,794	935,485	39,316	35.3	N/A	3.20%
2008	23,987	1,012,251	42,200	N/A	N/A	3.80%
2009	24,462	969,674	39,640	N/A	N/A	4.80%
2010	24,462	928,822	37,970	36.6	N/A	7.40%
2011	25,113	953,541	37,970	N/A	N/A	7.10%
2012	25,113	953,541	37,970	N/A	N/A	7.90%

Population Data Sources:

Data for 2003-2004, 2006-2009 was provided by census estimates.

Data for 2005 was provided by a special census.

Data for 2010 was repeated from 2009 data.

Data for 2011 and 2012 was provided by 2010 census.

Income Data Sources:

Data for 2007-2009 was provided by a census estimates.

Data for 2010-2012 was provided by 2010 census.

Median Age Data Sources:

Data for 2007 was provided by census estimate.

Data for 2010 was provided by 2010 census.

(1) Data provided by Ron Payne of 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.

N/A - Not Available

VILLAGE OF VERNON HILLS, ILLINOIS

**Principal Employers - Current Fiscal Year and Nine Fiscal Years Ago
April 30, 2012 (Unaudited)**

Employer	2012			2003		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Westfield Shoppingtown Hawthorn	2,500	1	19.64%	2,500	1	21.95%
Zebra Technologies Corp	900	2	7.07%	1,700	2	14.92%
American Hotel Register	400	3	3.14%			
CDW Computer Centers, Inc.	350	4	2.75%	350	10	3.07%
Mitsubishi Electric Automation, Inc.	350	4	2.75%	350	9	3.07%
Cole-Palmer Instrument Co.	300	6	2.36%	420	5	3.69%
Z.F. Industries, Inc.	240	7	1.89%			
ETA/Cuisenaire	200	8	1.57%			
Richard Wolf Medical Instruments Corp	200	9	1.57%			
Rust-Oleum Corp	180	10	1.41%			
Allstate Financial Life Service Center				750	3	6.58%
W.E. Can Hotel Register Co.				500	4	4.39%
Saia-Burgess U.S.A. Inc.				400	6	3.51%
Komatsu America Corp.				350	7	3.07%
J & L Oil, Inc.				350	8	3.07%
	<u>5,620</u>		<u>44.16%</u>	<u>7,670</u>		<u>67.33%</u>

Data Sources: Illinois Manufacturers Directory and Illinois Services Directory

VILLAGE OF VERNON HILLS, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Function	2003	2004	2005
General Government			
Administration	8.25	7.35	4.35
Finance	4.00	4.00	3.60
Public Works	24.00	24.00	20.50
Police	75.00	75.00	69.75
Community Development	19.25	18.50	20.50
Total	<u>130.50</u>	<u>128.85</u>	<u>118.70</u>

Data Source: Village Records

2006	2007	2008	2009	2010	2011	2012
4.35	4.35	4.85	4.85	4.85	4.38	2.50
3.60	3.60	3.60	3.60	3.60	3.60	3.80
22.00	22.00	23.50	23.50	23.50	23.74	22.91
69.75	69.00	70.50	69.50	69.50	64.75	66.59
18.70	17.75	15.00	14.00	15.00	7.50	7.50
118.40	116.70	117.45	115.45	116.45	103.97	103.30

VILLAGE OF VERNON HILLS, ILLINOIS

Operating Indicators by Function/Program - Last Ten Fiscal Years April 30, 2012 (Unaudited)

Function/Program	2003	2004	2005
Public Works			
Forestry			
Number of Parkway Trees Planted*	60	44	65
Number of Parkway Trees Trimmed*	205	1,712	1,175
Fleet Services			
Number of Cars/SUVs/Vans Maintained*	48	49	52
Number of Light Trucks Maintained*	15	15	15
Number of Heavy Trucks Maintained*	10	10	41
Number of Loaders/Backhoes Maintained*	4	4	4
Number of Small Tractors Maintained*	1	1	1
Number of Sweepers Maintained*	1	1	1
Number of Buses Maintained*	-	-	1
Public Safety			
Police			
Part I Crime*	933	766	813
Part II Crime*	996	922	928
Calls for Service*	16,764	16,281	17,288
State Tickets Issued*	6,196	7,287	6,133
Compliance Tickets Issued*	485	583	468
Parking Tickets Issued*	3,800	3,734	3,817
Community Development			
Number of Building Permits Issued	2,789	2,137	2,030
Number of Building Inspections	15,592	16,755	17,165
Highways and Streets			
Sidewalk/Bike Trail Program (\$)	N/A	82,052	47,633
Annual Resurfacing Program (\$)	1,425,114	528,233	252,060

N/A - Not Available

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

Data Source: Village Records

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

2006	2007	2008	2009	2010	2011	2012
199	131	124	119	89	121	145
1,173	750	642	1,182	1,420	1,458	1,065
52	52	44	46	42	39	41
15	15	15	15	15	16	16
10	10	10	10	10	10	10
4	4	4	4	4	4	4
1	1	1	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
784	699	738	686	779	779	678
875	1,010	1,026	717	759	687	710
17,524	18,617	17,963	20,793	18,974	18,630	18,608
6,429	5,963	5,686	5,388	2,386	2,836	2,080
714	650	702	489	156	160	125
3,418	3,583	3,149	2,536	1,644	2,289	1,591
1,716	1,660	1,518	1,136	972	1,216	1,389
13,397	13,127	4,902	4,486	4,276	2,802	2,833
112,017	32,196	39,457	105,591	57,507	39,750	35,141
988,338	1,131,594	879,268	1,600,000	899,984	839,012	583,333

VILLAGE OF VERNON HILLS, ILLINOIS

**Capital Asset Statistics by Function/Program - Last Ten Fiscal Years
April 30, 2012 (Unaudited)**

Function/Program	2003	2004	2005
Police			
Stations	1	1	1
Communications/Training Center	-	-	-
Patrol Units	34	36	36
Public Works			
Streets (Lane Miles)	113.7	125.6	136.1
Sidewalks (Miles)	83.8	98.8	105.5
Streetlights	2,148	2,234	2,356
Traffic Lights (Village Owned)	3	4	4
Recreation			
Athletic Complex	1	1	1
Golf Courses	2	2	2
Community Center	1	1	1
Administration			
Village Hall	1	1	1

Data Source: Village Records

* In 2008 Streets and Street Lights belonging to the Vernon Hills Park District that was previously included were removed from the inventory records.

2006	2007	2008	2009	2010	2011	2012
1	1	1	1	1	1	1
-	-	1	1	1	1	1
36	35	37	37	37	34	36
137.2	140.9	140.5	141.1 *	141.1	141.7	141.7
106.4	106.4	112.7	113.3	113.3	113.3	113.3
2,413	2,429	2,217	2,247 *	2,247	2,258	2,258
4	4	4	5	5	5	5
1	1	1	1	1	1	1
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1