

VILLAGE OF
VERNON HILLS,
ILLINOIS

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



YEAR ENDED
APRIL 30, 2009

**VILLAGE OF VERNON HILLS,
ILLINOIS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED APRIL 30, 2009

Prepared by the Finance Department

Larry Nakrin, Director of Finance/Village Treasurer

VILLAGE OF VERNON HILLS, ILLINOIS

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INTRODUCTORY SECTION

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

VILLAGE OF VERNON HILLS, ILLINOIS

List of Principal Officials

April 30, 2009

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

John Kalmar, Assistant Village Manager

David Brown, Village Engineer

Mark Fleischhauer, Chief of Police

Michael Atkinson, Building Commissioner

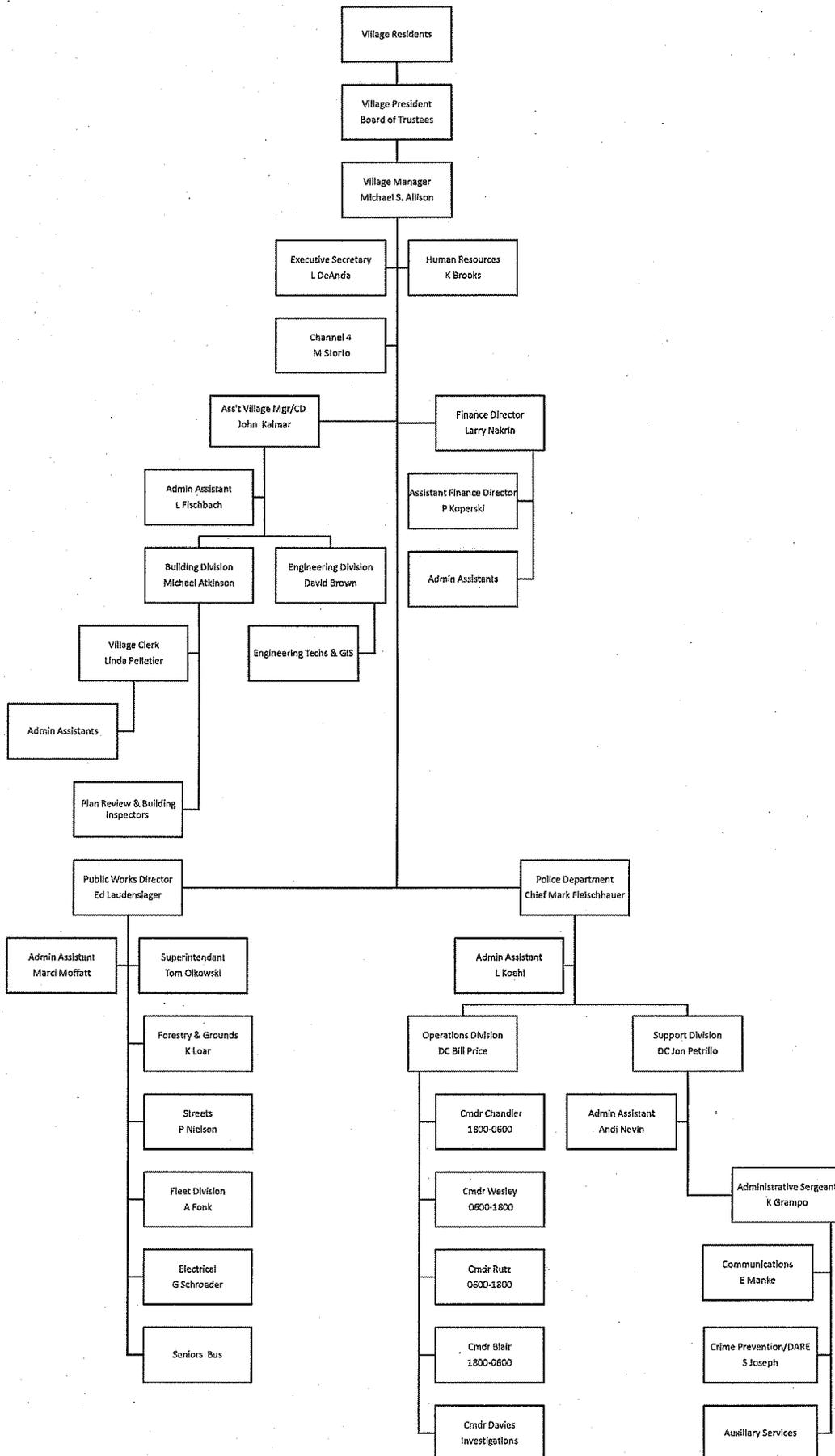
Bernard Citron, Village Attorney

Ed Laudenslager, Director of Public Works

Larry Nakrin, Finance Director/Treasurer

Linda Pelletier, Clerk

VILLAGE OF VERNON HILLS ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Vernon Hills
Illinois

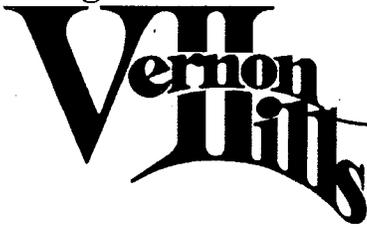
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2008

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.



President

Executive Director



August 13, 2009

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, 2009, 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 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 and related infrastructure; building review and inspection; development review; and general administrative services. The Village actively works on development and redevelopment including the establishment of a Tax Increment District. 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 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.

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 3.60 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. One of the other significant shopping centers in Vernon Hills is Rivertree Court, completed in 1988, it has 299 thousand square feet of retail space including Best Buy, Office Depot, PetsMart and T.J. Maxx. Also significant is the 297 thousand square foot Townline Commons, which was completed in 1990 and is anchored by Walmart, and Toys R Us, but recently lost Plunketts Furniture. A strong plus for Vernon Hills during FY2008-09 was the opening of the 206 thousand square foot Shoppes at Gregg's Landing bringing Vernon Hills a Lowes and a Staples. A strong negative during FY2008-09 was the loss of Linen's & Things and Wick's in the 203 thousand square foot Hawthorn Fashion Square, bringing that shopping center's vacancy rate to 56%. The Marketplace Shopping Center, opened in 1994, is currently anchored by an 111 thousand square foot Home Depot, and a 198 thousand square foot redevelopment that brought the Village a Bed Bath and Beyond, an Old Navy, an Ashley Furniture, a Joanne's Fabrics and a DSW (Discount Shoe Warehouse) in 2005. The 99 thousand square foot Hawthorn Commons is anchored by a Dominick's. Overall, the Village has 2.70 million square feet of shopping center space of which 336 thousand square feet of that retail space was vacant as of July 24, 2009. Of those 336 thousand square feet, 113 thousand square feet of vacancies is in Hawthorn Fashion Square where the Village lost Linen's & Things and Wicks, and another 150 thousand square feet of vacancies is in the Westfield Hawthorn Center.

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. Major vacancies among free standing stores that occurred during FY2008-09 include the closing of the 106 thousand square foot Home Expo, the closing of the 33 thousand square foot Circuit City and the closing of the 8 thousand square foot Tweeters. The Village has 893 thousand square feet of free standing retail, of which as of July 24, 2009 147 square thousand feet was vacant.

Overall, for Shopping Malls and Free Standing stores, the Village had a vacancy rate of 7% on June 19, 2008, and had a 13% vacancy rate as of July 24, 2009. The effect of the cut back in consumer demand and the resulting problems in our national retail sector has been to reduce the Village's major revenue source, sales tax, by \$716 thousand or 6.9% from the FY2007-08 level to \$9.65 million in FY2008-09. The last five months of the fiscal year were when the effect of the retail contraction was most profoundly experienced. The pre rebate sales tax receipt for sales generated in the crucial retail month of December was down 11.2% from December of 2007. Sales tax generated in the first quarter of 2009 was 9.1% below the first quarter of 2008, and the receipt generated for April of 2009 was 29.6% below April of 2008. Sales tax receipts from sales in December, February and April were the worst for those three months in ten years. At this time, the Village has received the sales tax receipt for May of 2009 retail activity and it is 6.8% below May of 2008.

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 development agreement with CDW in effect to 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.

Prior to 1986, few office buildings were located in the Village, the most significant of which being the Rustoleum's international headquarters. In 1986, Van Vilssingen 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 FY2008-09, 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 newer 201 thousand square foot American Hotel Register distribution center. American Hotel Register has proposed a long-term plan based on office and retail development, which consists of four multi story office buildings totaling 1.1 million square feet, a 217 square foot parking garage and 70 thousand square feet.

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, National City Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, Amcore Bank and the Vernon Hills Bank and Trust. 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 down 16.1% in FY2008-09 from the prior year. Two multi-screen movie theatres and a comedy club contribute to the Village's amusement tax base. The Amusement Tax was up 5.8% in FY2008-09 from the prior year.

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 approved for the development, as of April 30, 2009, 1,924 were constructed or permitted for construction. The development included 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 Villages 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 will begin to receive a share of gross revenues in 2007 at an escalating rate that begins at .01% in 2007 and reaches 20% by 2023 and 2024. The lease payment for Calendar Year 2008 was \$2,053.

The Village has a Tax Increment Financing District which the Village is developing 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. The economic downturn has affected assessed valuations, the timing of development and the timing of occupancies in the Village's Tax Increment District. For Calendar year 2008, the TIF District had a negative \$325 thousand incremental assessed valuation. In the Opus North development, two 66 unit condo buildings were approved for this site, of which only one has been built and only 12 of the 66 units have been sold. Opus North was also approved for a total of 47 town home units, of which only 20 have been built and, of those 20, only 9 have been sold. In the VHTC development a Starbuck's and a Roti's Mediterranean Grill opened during FY2008-09. Also, VHTC is currently building a six story mixed use building with 85 one and two bedroom apartments, underground parking and 10,000 square feet of retail. This building should be completed early in Calendar Year 2010. Proposals have been submitted for another piece of the VHTC site, including a proposal from Crème de la Crème, a very high end day care center.

FY 2008-09 was the second year of high levels of Village expenditures in the Tax Increment District and associated debt issuance. Village capital costs for the TIF were \$7.18 million in FY2007-08 and \$4.35 million in FY2008-09. During FY2007-08 \$10.63 million of TIF debt was issued and during FY2008-09 \$1.54 million of TIF Debt was issued. 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 will be 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 pay VHTC to help pay for an existing building that VHTC purchased and then demolished 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 issued 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 it 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. Those Notes were rated on August 26th and received an Aa1 rating from Moody's, the underlying rating of the Village. The Village's rating was also reconfirmed at Aa1.

During FY2009-10, the Village will issue a third note to be purchased by the developer for the \$305,000 difference between the original \$2,335,000 authorized in the draw down note and the \$2,030,000 ultimately assigned. The \$305,000 note will share the coupon rate, and the maturity and call dates of the other two notes. The Village will probably refinance all three of these notes in 2011, and if not, in 2012. That will complete the debt program for the Tax Increment District.

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, 2008.

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 Jayshree Taswala and Peggy Koperski in the Finance Department made the preparation of the comprehensive annual financial report possible. Also deserving of note is Mary Grampo, for her 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

FINANCIAL SECTION

This section includes:

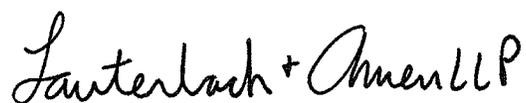
- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Schedules

INDEPENDENT AUDITORS' REPORT

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

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The introductory and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

A handwritten signature in cursive script that reads "Lauterbach + Amen LLP".

LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITORS' REPORT

August 13, 2009

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

We have audited the accompanying basic 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, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Vernon Hills, Illinois' management. Our responsibility is to express opinions on these basic 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules, as well as the information listed as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Vernon Hills, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

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, 2009. Please read it in conjunction with the transmittal letter which begins on page iv and the Village of Vernon Hills' financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- In FY2008-09 the Village of Vernon Hills' net assets declined by 6% or \$8,160,446 to \$123,805,429. In FY2007-08 net assets declined by \$9,528,208.
- Governmental activity expenses decreased by \$4,038,346 or 12% from FY2007-08. The activities that contributed most to this decrease were Economic Development which decreased by \$4,573,368 from FY2007-08 to an FY2008-09 level of \$2,573,388, and Streets and Roads which decreased by \$1,979,001 from FY2007-08 to an FY2008-09 level of \$8,607,486. At the same time, there was a \$2,475,624 increase in General Government from FY2007-08.
- The FY2008-09 level of Streets and Roads comes off of an FY2007-08 level which was inflated by \$3,428,715 of one-time expenses from the disposal of infrastructure improvements that no longer met the Village's capitalization policy, as the Village finished the final phase of its implementation of Governmental Accounting Board Standard 34.
- General Government expense growth was affected by a \$2,054,370 land donation to the Cook Memorial Library District, which was done to facilitate their building of a library on that site.
- Governmental activity revenues declined by \$2,591,228 or by 10.9% from FY2007-08 levels.
- On the revenue side of the Statement of Activities, General Revenues fell by \$1,779,994 or by 9% from FY2007-08, while Charges for Service fell by \$811,234 or by 17%
- Business-type Activity Net Assets decreased by 16% or \$115,754 to \$609,222.
- The General Fund had a \$279,960 deficit as revenues fell by \$2,724,543 or 12% and expenditures fell by \$364,151 or 2%.
- Among the Governmental Funds, the major deficits were in the Tax Increment Fund which had a \$3,783,786 deficit, VHAC Site Development which had a deficit of \$300,803, and the Motor Fuel Tax Fund which had \$871,653 deficit.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

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.

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).

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 includes 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

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements – Continued

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.

The Village of Vernon Hills maintains five 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, VHAC Site Development Fund and Capital Projects 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 statement 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.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis
April 30, 2009

USING THIS ANNUAL REPORT - Continued

Fund Financial Statements – Continued

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.

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.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis

April 30, 2009

USING THIS ANNUAL REPORT - Continued

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. Required supplementary information can be found on pages 56 - 64 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 65 - 73 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 \$123.8 million. The prior year, assets exceeded liabilities by \$130.2 million.

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 29.9	34.8	(0.2)	-	29.7	34.8
Capital Assets	123.5	124.1	0.9	0.9	124.4	125.0
Total Assets	153.4	158.9	0.7	0.9	154.1	159.8
Long-Term Debt Outstanding	(25.0)	(24.5)	-	-	(25.0)	(24.5)
Other Liabilities	(5.2)	(4.9)	(0.1)	(0.2)	(5.3)	(5.1)
Total Liabilities	(30.2)	(29.4)	(0.1)	(0.2)	(30.3)	(29.6)
Net Assets						
Invested in Capital Assets, Net of Debt	97.9	101.8	0.8	0.8	98.7	102.6
Restricted	3.4	4.5	-	-	3.4	4.5
Unrestricted (Deficit)	21.9	23.2	(0.2)	(0.1)	21.7	23.1
Total Net Assets	123.2	129.5	0.6	0.7	123.8	130.2

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Almost 80 percent of the Village of Vernon Hills' net assets, or a total of \$98.8 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, of the Village of Vernon Hills' net assets represents resources that are subject to external restrictions on how they may be used. The remaining 17 percent, or \$21.7 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, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Assets (in Millions)					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2009	2008
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$ 2.7	3.6	0.5	0.5	3.2	4.1
Operating Grants/Contributions	0.9	1.1	-	-	0.9	1.1
Capital Grants/Contributions	0.3	-	-	-	0.3	-
General Revenues						
Sales Tax	9.8	10.4	-	-	9.8	10.4
Utility Tax	1.4	1.5	-	-	1.4	1.5
Intergovt. Unrestricted						
State Income Tax	2.1	2.2	-	-	2.1	2.2
Telecommunications Tax	1.6	1.5	-	-	1.6	1.5
Other Taxes and Fees	1.3	1.4	-	-	1.3	1.4
Interest Income	0.9	1.9	-	-	0.9	1.9
Miscellaneous	0.2	0.2	-	-	0.2	0.2
Total Revenues	21.2	23.8	0.5	0.5	21.7	24.3
Expenses:						
General Government	7.4	4.9	-	-	7.4	4.9
Public Safety	8.9	9.0	-	-	8.9	9.0
Streets and Roads	8.7	10.6	-	-	8.7	10.6
Economic Development	2.5	7.2	-	-	2.5	7.2
Culture and Recreation	0.3	0.3	-	-	0.3	0.3
Interest on Long-Term Debt	1.4	1.3	-	-	1.4	1.3
Golf Course	-	-	0.6	0.6	0.6	0.6
Total Expenses	29.2	33.3	0.6	0.6	29.8	33.9
Increase (Decrease) in Net Assets	(8.0)	(9.5)	(0.1)	(0.1)	(8.1)	(9.6)
Net Assets-Beginning as Restated	131.2	139.0	0.7	0.8	131.9	139.8
Net Assets-Ending	123.2	129.5	0.6	0.7	123.8	130.2

Total net assets fell by \$8.1 million to \$123.8 million. In FY2007-08, net assets fell by \$9.6 million. The net assets for governmental activities fell by \$8.0 million to \$123.2 million, compared to a \$9.5 million decline in FY2007-08. Business activities fell by \$0.1 million to \$0.7 million.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities

The Village decreased its governmental net assets by \$8.0 million or by 6.1%; as compared to FY2007-08 when the decline was \$9.5 million. Revenues decreased by \$2.6 million or by 10.9%, while expenses decreased by \$4.1 million or by 12.4%. Highlights of this increase from FY2008-09 included:

- Economic Development decreased by \$4.573 million from FY2007-08 to an FY2008-09 level of \$2.573 million, which was the result of a second of two intense years of development activities in the Tax Increment District.
- Streets and Roads decreased by \$1.979 million from FY2007-08 to an FY2008-09 level of \$8.607 million. The FY2007-08 level was inflated by a one time \$3.429 million disposal of fixed assets that no longer met the Village's capitalization of infrastructure policy.
- General Government increased by \$2.475 million from FY2007-08 predominantly because of a \$2.05 million donation of land to the Cook Memorial Library District, which was done to facilitate the District's building of a new library on that site.
- A major contributor to the \$2.59 million reduction in Governmental Activity Revenue was the effect of the economy on the demand for new construction. The \$868 thousand decline in Charges for Services was the result of an \$897 thousand drop in Licenses and Permits.
- The economy also resulted in a \$528 thousand or a 5.1% decline in sales tax, which is the Village's most significant revenue.
- Another major contributor to the \$2.59 million reduction in Governmental Activity Revenue was the \$894 thousand reduction in Interest Income. A change in the interest rate environment swung an April 30, 2008 \$731 thousand unrealized market gain in the Village's bond portfolio to a \$23 thousand market loss on April 30, 2009.
- Interest on long-term debt grew to \$1.41 million in FY2008-09, from \$1.30 million in FY2007-08 and \$556 thousand in FY2006-07, as the issuance of Tax Increment debt generated increased interest costs. It is anticipated that over time the Tax Increment District will generate revenues to cover a substantial amount of the recent growth in this category.

The \$8.0 million decline in Governmental Activities net assets in FY2008-09 comes after a \$9.5 million decline in FY2007-08. Several factors should contribute to an improvement of this result. Firstly, the \$2.05 land donation is not recurring. Second, economic development expenses in the Tax Increment District are declining and Tax Increment District revenues are expected to increase substantially over time. Finally, to the extent that the decline in Charges for Service and Sales Tax reflect temporary economic conditions, some recovery is likely in those categories.

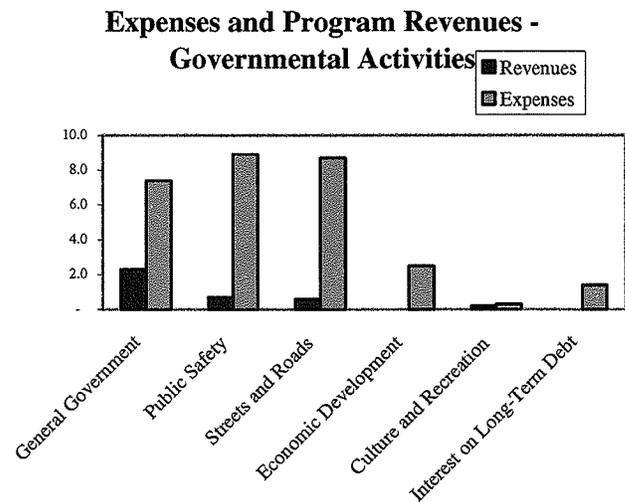
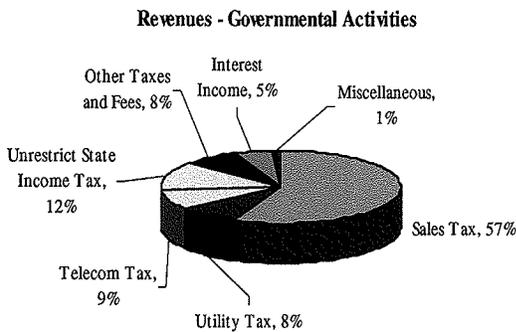
VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

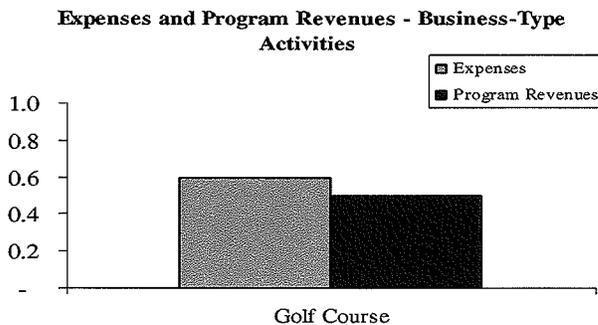
Governmental Activities – Continued

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 taxes, and other taxes are all significant.



Business-type activities

As the graph below demonstrates, the \$649 thousand of golf course expenses substantially exceeded program revenues that amounted to \$533 thousand for charges for services. Revenues decreased by \$36,192 from FY2007-08 levels while expenses increased by \$43,164 from FY2007-08 levels. Revenue decreases are related to a decline in rounds plays on the Golf Course: for Calendar Year 2008 there were 20.8 thousand rounds played, an 8.9% reduction from Calendar Year 2007. Major equipment purchases that did not meet the capitalization threshold contributed \$51,527 to the increase in expenses.



VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. For all governmental funds, the Village expenditures exceeded revenues by \$6.63 million. However, due to the issuance of \$1.54 million in tax increment revenue debt in the Tax Increment Fund, the fund balance decrease was \$5.09 million to \$24.06 million. Of that amount \$19.12 million was Unreserved and Undesignated. In FY2007-08, expenditures exceeded revenues by \$7.24 million, but after the issuance of \$10.63 million in tax increment revenue debt in the Tax Increment Fund, the fund balance increased by \$3.39 million. Several major factors contributed to these changes:

- The Tax Increment Fund had a \$3.78 million decrease in its fund balance reducing the balance to -\$1.06 million. This was the result of \$4.35 million expended for Economic Development in the Tax Increment District and \$1.02 million expended for debt service payments related to the development of the Tax Increment District. In FY2007-08, Economic Development expenditures totaled \$7.15 million, while debt service totaled \$469 thousand.
- The Motor Fuel Tax Fund had an \$871 thousand decrease in its fund balance reducing its balance to \$2.72 million. This was the result of a \$1.60 million annual road program which was substantially larger than the annual road program in prior years, including being 82% larger than the program in FY2007-08.
- The General Fund decreased its balance by \$280 thousand to \$21.88 million, compared to FY2007-08 when the fund balance increased by \$2.22 million. Most of the change was on the revenue side where revenues fell by \$2.72 million or 12.0%. Expenditures declined by \$364 thousand or 1.8%.
- One major force behind the decline in General Fund revenues was the slow down in the demand for new construction which resulted in an \$897 thousand reduction in revenue generated from Licenses and Permits.
- Another major factor in the decline of General Fund revenue was the reduction in the General fund's most significant revenue, sales tax, which declined by \$698 thousand or 6.7% from the level in FY2007-08.
- The third major contributor to the decline in General Fund revenues was the \$829 thousand reduction in Interest Income. A change in the interest rate environment swung an April 30, 2008 \$717 thousand unrealized market gain in the General fund bond portfolio to a \$19 thousand market loss on April 30, 2009.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental funds – Continued

- Of the General Fund's \$364 thousand decline in expenditures, the largest contributor was the \$491 thousand decline in capital outlay.

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 2008, the Golf Course had projected 23.8 thousand rounds would be played, the actual play was 20.8 thousand rounds. 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 58 percent of sale price, and for food and beverage the targeted ratio is 29 percent. In FY2008-09, the Golf Course Generated \$533 thousand of revenues and had \$719 thousand of expenditures resulting in a \$186 thousand operating loss. Largely due to \$72 thousand generated from the disposal of capital assets, the decline in net assets was \$116 thousand bringing the net assets to a level of \$609 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Transfers are routinely made between expenditure accounts are made during the year. Most of the increase to the budget during the fiscal year resulted from the Village's policy of carrying forward into the current fiscal year encumbrances or commitments budgeted but not expended in the prior fiscal year. Over the course of the year, the Village Board approved numerous small budget revisions. The General Fund was budgeted based to result in a \$688,761 deficit. The actual deficit was \$279,960 despite revenues falling below the original budget projection by \$1,434,135 primarily from Sales Tax, the Electric Utility Tax, the Telecommunications Tax and the Hotel/Motel Tax. However, expenditures were \$1,848,987 below the original budget and \$2,884,771 below the final budget. From the Original Budget, budget savings in Public Safety amounted to \$398,924, Street and roads savings amounted to \$492,022 and General government savings amounted to \$462,248. The largest area of budget increase in the General Fund was in the Category of Capital Outlay, which had an initial budget of \$1,485,000, but was increased to \$719,359 to \$2,204,359. Of that \$719,359 increase, \$658,870 was from budgetary authority encumbered in prior years, and the remaining \$60,489 was from changes initiated during the year. From that \$2,204,359 Final General Fund Capital Outlay budget, \$1,032,075 was expended, \$978,537 remained encumbered and carried into the FY2009-10 budget and \$13,747 lapsed. In the Motor Fuel Tax Fund, the road program budget was increased by \$250,000 during the year. The major overage in the budget was in the Tax Increment Fund Debt Service, where the method for accounting for interest cost was changed after year end.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

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, 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, 2009 was \$124.4 million. This change represented a decrease of \$2.4 million, or 1.9% from FY2007-08. There was a decrease in the Village of Vernon Hills investment in capital assets by 1.9% in FY2008-09 relative to the prior year. The major reason for the decrease in capital assets was the donation of \$2.05 million of land to the Cook Memorial District, which the District is using to build a new library. Additional information on the Village of Vernon Hills' capital assets can be found in note 3 on pages 35 - 36 of this report.

	Capital Assets - Net of Depreciation (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 5.6	7.6	0.3	0.3	5.9	7.9
Land Improvements	9.9	10.0	0.2	0.1	10.1	10.1
Buildings and Improvements	17.7	18.1	0.3	0.4	18.0	18.5
Equipment/Vehicles	1.7	1.3	0.1	0.1	1.8	1.4
Infrastructure	88.6	88.9	-	-	88.6	88.9
Total	123.5	125.9	0.9	0.9	124.4	126.8

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Capital Assets – Continued

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

Tax Increment District Infrastructure	\$ 1.6
Public Works Trucks	0.4
Land Improvements	<u>0.4</u>
	<u>2.4</u>

Debt Administration

At year-end, the Village of Vernon Hills had total outstanding bonded debt of \$25.5 million as compared to \$25.1 million the previous year, an increase of 1.7 percent. Although the amount of General Obligation debt had decreased \$1.1 million, an additional \$1.5 million of Tax Increment Note was issued in FY2008-09. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2009	2008
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 13,340,000	14,445,000	-	-	13,340,000	14,445,000
Revenue Bonds/Notes	12,170,192	10,628,000	-	-	12,170,192	10,628,000
Capital Leases	-	-	27,612	48,908	27,612	48,908
Total	25,510,192	25,073,000	27,612	48,908	25,537,804	25,121,908

During FY2008-09, a \$2,335,000 Tax Increment Developer Note was authorized. Of the \$2,335,000 authorized, \$1,542,192 was drawn down during FY2008-09. Subsequent to the close of the fiscal year, the Village has been working with the developer to assist the developer in assigning \$2,030,000 drawn down from that Note as of August 24th (the \$1,542,192 drawn down in FY2008-09 plus another \$487,808 drawn down since April 30, 2009), as well as another Tax Increment Revenue Developer Note for \$3,628,000. The Development Agreement was modified to assist the developer in that process. Based on the Development Agreement modification, August 25, 2009 Moody's rated that Notes as Aa1, recognizing them as "an unconditional contractual obligation of the village". In the process, the Village General Obligation rating was reconfirmed as Aa1. The remaining \$305 thousand that was to be a part of the \$2,335,000 will now be issued as a separate Developer Note during FY2009-10. That Note along with the \$2,030,000 Note that is authorized to be assigned and the \$3,628,000 Note that is authorized to be assigned all have an 8.0% Coupon. Under the amended Redevelopment Agreement, those

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration – Continued

Notes can be called at par commencing July 1, 2011, and must be redeemed by August 1, 2012. During that period, these Notes will be refinanced.

The Village's General Obligation bond rating from Standard & Poor's is AA rating. Additional information on the Village of Vernon Hills' debt administration can be found in note 3 on pages 39 - 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2008-09 budget, and fees that will be charged for its services. One of those factors is the economy. The average unemployment rate for calendar year 2008 for the Village of Vernon Hills was 6.4% which is one and a half a percent higher than the 4.7% rate in 2007. Census figures for 2007 estimate median family incomes for Vernon Hills at \$83,358 which is 108 percent of the average for Lake County and 155 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 2008, the total sales tax before economic incentive rebate was \$11.62 million. This was \$74 thousand less than in Calendar Year 2007, representing a 0.6% decrease. Among the reductions, the Category Drugs and Miscellaneous Retail experienced a \$96 thousand, or 7.6% decline to the \$1.16 million level. The Category Drinking and Eating places experienced a \$66 thousand or 7.6% decline to \$788 thousand. General Merchandise declined by \$64 thousand from 2007 levels to \$2.89 million representing a 2.2% decline. The largest increase came from what the Standard Industrial Classification Code classifies as Furniture and Household and Radio; this category grew to \$3.95 million which was a \$95 thousand increase from 2007, representing a 2.5% increase. There was also a \$33 thousand increase in the Category of Manufactures and a \$27 thousand increase in the Category Agricultural and All Others. For the fiscal year, sales tax net of economic incentive rebates was \$9.65 million, 6.9% below the FY2007-08 level. The Calendar Year data prior to rebate reflects only a 0.6% decline, but much of the Village's sales tax decline occurred during the last four months of the fiscal year. The pre rebate sales tax receipts for sales generated in the first quarter of 2009 were 9.1% below the first quarter of 2008, and the receipt generated for April of 2009 was 29.6% below April of 2008.

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, 2009**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Statement of Net Assets
April 30, 2009**

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 23,522,949	1,314	23,524,263
Receivables - Net of Allowances			
Taxes	1,250,802	-	1,250,802
Accounts	2,435,979	260	2,436,239
Accrued Interest	164,984	-	164,984
Prepays/Inventory	382,713	21,838	404,551
Internal Balances	169,240	(169,240)	-
Due from Other Governments	894,759	-	894,759
Total Current Assets	28,821,426	(145,828)	28,675,598
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	5,688,623	302,282	5,990,905
Depreciable Capital Assets	160,063,661	2,122,163	162,185,824
	165,752,284	2,424,445	168,176,729
Accumulated Depreciation	(42,299,180)	(1,560,060)	(43,859,240)
	123,453,104	864,385	124,317,489
Other Assets			
Long-Term Notes Receivable	1,008,255	-	1,008,255
Net Pension Asset	134,352	-	134,352
	1,142,607	-	1,142,607
Total Noncurrent Assets	124,595,711	864,385	125,460,096
Total Assets	153,417,137	718,557	154,135,694

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

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	810,284	64,362	874,646
Accrued Payroll	535,505	11,279	546,784
Accrued Interest Payable	668,524	-	668,524
Deposits Payable	942,130	-	942,130
Unearned/Deferred Revenue	1,001,133	6,082	1,007,215
Compensated Absences Payable	148,975	-	148,975
Current Portion of Long-Term Debt	1,150,000	13,401	1,163,401
Total Current Liabilities	5,256,551	95,124	5,351,675
Noncurrent Liabilities			
Compensated Absences Payable	595,899	-	595,899
Other Postemployment Benefit Payable	8,288	-	8,288
Installment Contracts/Capital Leases Payable	-	14,211	14,211
TIF Revenue Bonds/Notes Payable	12,170,192	-	12,170,192
Alternate Revenue Bonds Payable	12,190,000	-	12,190,000
Total Noncurrent Liabilities	24,964,379	14,211	24,978,590
Total Liabilities	30,220,930	109,335	30,330,265
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	97,942,912	836,773	98,779,685
Restricted - Special Revenues	2,360,738	-	2,360,738
Restricted - Capital	968,417	-	968,417
Unrestricted	21,924,140	(227,551)	21,696,589
Total Net Assets	123,196,207	609,222	123,805,429

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, 2009**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Primary Government				
Governmental Activities				
General Government	\$ 7,409,619	2,090,182	-	252,000
Public Safety	8,916,041	407,813	270,405	-
Streets and Roads	8,607,486	-	638,597	-
Economic Development	2,573,388	-	-	-
Culture and Recreation	308,954	210,327	-	-
Interest on Long-Term Debt	1,407,974	-	-	-
Total Governmental Activities	29,223,462	2,708,322	909,002	252,000
Business-Type Activities				
Golf Course	648,762	532,529	-	-
	29,872,224	3,240,851	909,002	252,000

- 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 as Restated
- 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
(5,067,437)	-	(5,067,437)
(8,237,823)	-	(8,237,823)
(7,968,889)	-	(7,968,889)
(2,573,388)	-	(2,573,388)
(98,627)	-	(98,627)
(1,407,974)	-	(1,407,974)
(25,354,138)	-	(25,354,138)
-	(116,233)	(116,233)
(25,354,138)	(116,233)	(25,470,371)
9,836,554	-	9,836,554
1,416,128	-	1,416,128
298,914	-	298,914
361,267	-	361,267
188,350	-	188,350
1,586,588	-	1,586,588
17,053	-	17,053
453,988	-	453,988
2,056,595	-	2,056,595
935,625	479	936,104
158,384	-	158,384
17,309,446	479	17,309,925
(8,044,692)	(115,754)	(8,160,446)
131,240,899	724,976	131,965,875
123,196,207	609,222	123,805,429

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

VILLAGE OF VERNON HILLS, ILLINOIS

Balance Sheet - Governmental Funds
April 30, 2009

	<u>General</u>
ASSETS	
Cash and Investments	\$ 19,113,849
Receivables - Net of Allowances	
Taxes	1,250,802
Accounts	2,388,101
Accrued Interest	151,391
Other	47,878
Prepays	382,713
Due from Other Governments	848,125
Due from Other Funds	939,561
Long-Term Notes Receivable	<u>1,008,255</u>
 Total Assets	 <u><u>26,130,675</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	467,688
Accrued Payroll	535,505
Interest Payable	-
Deposits Payable	942,130
Due to Other Funds	1,020,996
Unearned/Deferred Revenue	<u>1,288,794</u>
Total Liabilities	<u>4,255,113</u>
 Fund Balances	
Reserved - Prepays	382,713
Reserved - Special Revenues	89,612
Reserved - Capital	-
Reserved - Long-Term Receivables	1,008,255
Unreserved - Designated - Commitments	214,359
Unreserved - Undesignated	<u>20,180,623</u>
Total Fund Balances	<u>21,875,562</u>
 Total Liabilities and Fund Balances	 <u><u>26,130,675</u></u>

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

Motor Fuel Tax	Tax Increment	VHAC Site Development	Capital Projects	Total Governmental Funds
2,210,899	1,584,905	-	-	22,909,653
-	-	-	-	1,250,802
-	-	-	-	2,388,101
13,593	-	-	-	164,984
-	-	-	-	47,878
-	-	-	-	382,713
46,634	-	-	-	894,759
-	-	1,020,996	-	1,960,557
-	-	-	-	1,008,255
<u>2,271,126</u>	<u>1,584,905</u>	<u>1,020,996</u>	<u>-</u>	<u>31,007,702</u>
-	290,017	52,579	-	810,284
-	-	-	-	535,505
-	482,780	-	-	482,780
-	-	-	-	942,130
-	1,870,321	-	-	2,891,317
-	-	-	-	1,288,794
<u>-</u>	<u>2,643,118</u>	<u>52,579</u>	<u>-</u>	<u>6,950,810</u>
-	-	-	-	382,713
2,271,126	-	-	-	2,360,738
-	-	968,417	-	968,417
-	-	-	-	1,008,255
-	-	-	-	214,359
-	(1,058,213)	-	-	19,122,410
<u>2,271,126</u>	<u>(1,058,213)</u>	<u>968,417</u>	<u>-</u>	<u>24,056,892</u>
<u>2,271,126</u>	<u>1,584,905</u>	<u>1,020,996</u>	<u>-</u>	<u>31,007,702</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, 2009

Total Governmental Fund Balances	\$ 24,056,892
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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.	122,854,417
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A net pension asset is not considered to represent a financial resource and therefore, is not reported in the funds.	134,352
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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.	2,311,983
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Revenues not available to pay for current period expenditures are deferred in the funds.	287,661
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Revenue Bonds/Notes Payable	(12,170,192)
Alternate Revenue Source Bonds Payable	(13,340,000)
Compensated Absences Payable	(744,874)
Other Postemployment Benefit Obligation Payable	(8,288)
Accrued Interest Payable	<u>(185,744)</u>

Net Assets of Governmental Activities	<u><u>123,196,207</u></u>
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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, 2009**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended April 30, 2009

	<u>General</u>
Revenues	
Taxes	\$ 16,010,309
Intergovernmental	270,405
Licenses and Permits	1,227,281
Charges for Services	1,073,228
Fines and Forfeits	407,813
Interest	821,786
Miscellaneous	158,384
Total Revenues	<u>19,969,206</u>
Expenditures	
Current	
General Government	4,575,960
Public Safety	8,643,644
Streets and Roads	3,919,579
Economic Development	-
Culture and Recreation	308,954
Capital Outlay	1,032,075
Debt Service	
Principal Retirement	1,105,000
Interest and Fiscal Charges	516,403
Issuance Costs	-
Total Expenditures	<u>20,101,615</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(132,409)</u>
Other Financing Sources	
Debt Issuance	-
Transfers In	-
Transfers Out	(147,551)
	<u>(147,551)</u>
Net Change in Fund Balances	(279,960)
Fund Balances - Beginning	<u>22,155,522</u>
Fund Balances - Ending	<u><u>21,875,562</u></u>

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

Motor Fuel Tax	Tax Increment	VHAC Site Development	Capital Projects	Total Governmental Funds
-	17,053	-	-	16,027,362
638,597	-	-	-	909,002
-	-	-	-	1,227,281
-	-	-	-	1,073,228
-	-	-	-	407,813
90,132	23,690	-	17	935,625
-	-	-	-	158,384
728,729	40,743	-	17	20,738,695
-	-	-	-	4,575,960
-	-	-	-	8,643,644
1,600,382	-	-	-	5,519,961
-	4,350,636	-	-	4,350,636
-	-	-	-	308,954
-	-	300,803	-	1,332,878
-	-	-	-	1,105,000
-	994,791	-	-	1,511,194
-	23,000	-	-	23,000
1,600,382	5,368,427	300,803	-	27,371,227
(871,653)	(5,327,684)	(300,803)	17	(6,632,532)
-	1,542,192	-	-	1,542,192
-	1,706	-	145,845	147,551
-	-	-	-	(147,551)
-	1,543,898	-	145,845	1,542,192
(871,653)	(3,783,786)	(300,803)	145,862	(5,090,340)
3,142,779	2,725,573	1,269,220	(145,862)	29,147,232
2,271,126	(1,058,213)	968,417	-	24,056,892

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, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (5,090,340)
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	3,362,126
Depreciation Expense	(3,655,339)
The net effect of various transactions Involving capital assets is to decrease net assets.	
Disposals - Cost	(2,185,554)
Disposals - Accumulated Depreciation	131,184
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	188,075
An increase in a net pension asset is not considered to be a decrease in a financial asset in the governmental funds.	63,578
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 Revenue Bonds/Notes Payable	(1,542,192)
Retirement of Alternate Revenue Source Bonds	1,105,000
Additions to Compensated Absences Payable	(32,233)
Additions to Other Postemployment Benefit Obligation Payable	(8,288)
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.	126,220
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>(506,929)</u>
Changes in Net Assets of Governmental Activities	<u>(8,044,692)</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, 2009

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
ASSETS		
Current Assets		
Cash and Investments	\$ 1,314	613,296
Receivables - Accounts	260	-
Inventory	21,838	-
Due from Other Funds	-	1,100,000
Total Current Assets	23,412	1,713,296
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,122,163	1,467,542
	2,424,445	1,467,542
Accumulated Depreciation	(1,560,060)	(868,855)
Total Noncurrent Assets	864,385	598,687
Total Assets	887,797	2,311,983
LIABILITIES		
Current Liabilities		
Accounts Payable	64,362	-
Accrued Payroll	11,279	-
Due to Other Funds	169,240	-
Unearned/Deferred Revenue	6,082	-
Capital Lease Payable	13,401	-
Total Current Liabilities	264,364	-
Noncurrent Liabilities		
Capital Lease Payable	14,211	-
Total Liabilities	278,575	-
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	836,773	598,687
Unrestricted	(227,551)	1,713,296
Total Net Assets	609,222	2,311,983

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, 2009

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Operating Revenues		
Charges for Services	\$ 532,529	-
Operating Expenses		
Operations	639,221	417,938
Depreciation	79,321	88,991
Total Operating Expenses	<u>718,542</u>	<u>506,929</u>
Operating Income (Loss)	<u>(186,013)</u>	<u>(506,929)</u>
Nonoperating Revenues		
Interest Income	479	-
Disposal of Capital Assets	72,118	-
Interest Expense	<u>(2,338)</u>	<u>-</u>
	<u>70,259</u>	<u>-</u>
Change in Net Assets	(115,754)	(506,929)
Net Assets - Beginning	<u>724,976</u>	<u>2,818,912</u>
Net Assets - Ending	<u><u>609,222</u></u>	<u><u>2,311,983</u></u>

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, 2009

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 539,438	-
Receipts from Interfund Services	-	-
Payments to Suppliers	(534,078)	(1,517,938)
	<u>5,360</u>	<u>(1,517,938)</u>
Cash Flows from Capital and Related Financing Activities		
Interest on Capital Debt	(2,338)	-
Principal on Capital Debt	(21,296)	-
	<u>(23,634)</u>	<u>-</u>
Cash Flows from Investing Activities		
Interest Received	479	-
	<u>479</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(17,795)	(1,517,938)
Cash and Cash Equivalents - Beginning	19,109	2,131,234
Cash and Cash Equivalents - Ending	<u>1,314</u>	<u>613,296</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(186,013)	(506,929)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	79,321	88,991
(Increase) Decrease in Current Assets	6,909	(1,100,000)
Increase (Decrease) in Current Liabilities	105,143	-
	<u>191,373</u>	<u>(1,011,009)</u>
Net Cash Provided by Operating Activities	<u>5,360</u>	<u>(1,517,938)</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, 2009**

	<u>Pension Trust</u>	<u>Agency Development</u>
	<u>Police Pension</u>	
ASSETS		
Cash and Cash Equivalents	\$ 2,175,556	14,406
Investments		
U.S. Government and Agency Securities	10,698,612	-
Municipal Bonds	1,742,880	-
Common Stocks	2,921,299	-
Mutual Funds	4,120,890	-
Receivables		
Accrued Interest	48,959	-
	<hr/>	<hr/>
Total Assets	21,708,196	14,406
	<hr/>	<hr/>
LIABILITIES		
Liabilities		
Due to Village	744,575	-
Deposits Payable	-	14,406
Total Liabilities	744,575	14,406
	<hr/>	<hr/>
NET ASSETS		
Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements.)	20,963,621	-
	<hr/> <hr/>	<hr/> <hr/>

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, 2009**

Additions	
Contributions - Employer	\$ 998,400
Contributions - Plan Members	387,742
Total Contributions	<u>1,386,142</u>
Investment Income	
Interest Earned	250,091
Net Change in Fair Value	<u>(2,397,464)</u>
	(2,147,373)
Less Investment Expenses	<u>(6,671)</u>
	(2,154,044)
Total Additions	<u>(767,902)</u>
Deductions	
Administration	9,806
Benefits and Refunds	<u>914,159</u>
Total Deductions	<u>923,965</u>
Change in Net Assets	(1,691,867)
Net Assets - Beginning	<u>22,655,488</u>
Net Assets - Ending	<u><u>20,963,621</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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

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

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

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

Blended Component Unit

Police Pension Employees Retirement System

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Blended Component Unit – Continued

Police Pension Employees Retirement System – Continued

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

BASIS OF PRESENTATION

Government-Wide Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, streets and roads, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) 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, 2009

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds

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

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

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

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Village maintains two major capital projects funds, the VHAC Site Development Fund and the Capital Projects 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. The Capital Projects Fund is used to account for revenues and expenditures relative to the construction and acquisition of general capital assets.

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, 2009

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, 2009

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, 2009

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, 2009

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 amounts provided with a requirement of repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds for short-term borrowings, and advances to other funds in lender funds and advances from other funds in borrower funds for long-term borrowings. Amounts are reported as internal balances in the government-wide Statement of Net Assets, except for amounts between similar activities, which have been eliminated. Services provided and used are sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as due to/from other funds in the fund Balance Sheets or fund Statements of Net Assets. Reimbursements repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers are flows of assets (such as cash or goods) without equivalent flows of assets in return and without the requirement of repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers in/out are reported as a separate category after non-operating revenues and expenses.

Prepays

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaids.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Capital Assets – Continued

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.

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

GASB Statement No. 34 requires the Village to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period; the Village has elected to implement all retroactive infrastructure reporting in the fiscal year ending 2009.

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Long-Term Obligations

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

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

Unearned/Deferred Revenue

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

Fund Equity

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

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

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Fund Equity – Continued

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function, department and object, and includes information on the past two years, current year estimates, and requested budgets for the next fiscal year. The proposed budget is presented to the Board of Trustees for review. The Board of Trustees holds public hearings and may add to, subtract 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, 2009:

Fund	Deficit
Tax Increment	\$ 848,598
Capital Projects	145,845

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, 2009

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 \$2,236,610 and the bank balances totaled \$2,416,249.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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	\$ 6,954,035	-	6,954,035
U.S. Treasury Bonds	3,983,780	3,983,780	-
Federal National Mortgage Association	1,276,640	-	1,276,640
Federal Home Loan Mortgage Corp	256,518	-	256,518
Federal Home Loan Banks	3,937,992	-	3,937,992
SBA GTD	132,841	-	132,841
Illinois Funds	4,255,360	4,255,360	-
Illinois Metropolitan Investment Trust	504,893	504,893	-
	<u>21,302,059</u>	<u>8,744,033</u>	<u>12,558,026</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, 2009

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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, 2009**

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 no investments over 5 percent of the total cash and investment portfolio (other than U.S. Government guaranteed obligations).

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 \$2,175,556 and the bank balances totaled \$2,175,506.

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	\$ 2,254,760	626,129	1,152,148	107,436	369,047
U.S. Treasury Bond	3,549,465	-	1,051,317	2,498,148	-
Federal Home Loan Banks	251,226	-	251,226	-	-
Federal Home Loan Mortgage Corp	1,359,867	-	485,841	40,023	834,003
Federal Farm Credit Banks	105,166	-	63,560	-	41,606
Government National Mortgage Association	73,129	-	17,916	23,326	31,887
Federal National Mortgage Association	2,461,546	-	1,800,198	475,820	185,528

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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

Investments – Continued

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Financing Corporate - Fed	\$ 1,279	1,279	-	-	-
Resolution FDG	108,643	-	108,643	-	-
Tennessee Valley	20,789	-	20,789	-	-
FICO Zero	83,158	-	-	-	83,158
Student Loan Marketing Associaion	86,933	-	-	-	86,933
Corporate Bonds	342,651	342,651	-	-	-
Municipal Bonds	1,742,880	-	-	-	1,742,880
	12,441,492	970,060	4,951,638	3,144,753	3,375,052

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.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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

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 \$2,921,299 invested in common stock and \$4,120,890 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, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances as Restated	Increases	Decreases	Ending Balances
Capital Assets- Not Being Depreciated				
Land	\$ 7,554,919	188,074	2,054,370	5,688,623
Other Capital Assets				
Land Improvements	12,805,803	468,119	-	13,273,922
Buildings and Improvements	22,519,304	120,370	-	22,639,674
Equipment/Vehicles	3,842,190	592,786	340,258	4,094,718
Infrastructure	118,062,570	1,992,777	-	120,055,347
	<u>157,229,867</u>	<u>3,174,052</u>	<u>340,258</u>	<u>160,063,661</u>
Less Accumulated Depreciation				
Land Improvements	2,833,596	497,166	-	3,330,762
Buildings and Improvements	4,443,367	500,429	-	4,943,796
Equipment/Vehicles	2,481,523	289,561	340,258	2,430,826
Infrastructure	29,136,622	2,457,174	-	31,593,796
	<u>38,895,108</u>	<u>3,744,330</u>	<u>340,258</u>	<u>42,299,180</u>
Total Other Capital Assets	<u>118,334,759</u>	<u>(570,278)</u>	<u>-</u>	<u>117,764,481</u>
Total Capital Assets	<u>125,889,678</u>	<u>(382,204)</u>	<u>2,054,370</u>	<u>123,453,104</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 738,768
Public Safety	335,975
Streets and Roads	2,580,596
Equipment Replacement	<u>88,991</u>
	<u>3,744,330</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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
Capital Assets - Not Being Depreciated				
Land	\$ 302,282	-	-	302,282
Other Capital Assets				
Land Improvements	649,409	87,562	-	736,971
Buildings and Improvements	1,019,002	-	-	1,019,002
Equipment/Vehicles	501,667	-	135,477	366,190
	<u>2,170,078</u>	<u>87,562</u>	<u>135,477</u>	<u>2,122,163</u>
Less Accumulated Depreciation				
Land Improvements	509,258	26,640	-	535,898
Buildings and Improvements	668,367	30,490	-	698,857
Equipment/Vehicles	423,147	22,191	120,033	325,305
	<u>1,600,772</u>	<u>79,321</u>	<u>120,033</u>	<u>1,560,060</u>
Total Other Capital Assets	<u>569,306</u>	<u>8,241</u>	<u>15,444</u>	<u>562,103</u>
Total Capital Assets	<u>871,588</u>	<u>8,241</u>	<u>15,444</u>	<u>864,385</u>

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

Golf	<u>\$ 79,321</u>
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VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

PROPERTY TAXES

Property taxes for 2008 attach as an enforceable lien on January 1, 2008, 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, 2009, and September 1, 2009. 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.

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	Golf Course	\$ 169,240
General	Tax Increment	770,321
VHAC Site Development	General	1,020,996
Equipment Replacement	Tax Increment	<u>1,100,000</u>
		<u>3,060,557</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	\$ 1,706
Capital Projects	General	<u>145,845</u>
		<u>147,551</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, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL LEASES

The Village entered into one lease agreement dated October 30, 2001, two lease agreements dated April 15, 2004 and two lease agreements dated January 17, 2006, as lessee for financing the acquisition of golf equipment for its Golf Course enterprise fund. Capital assets of \$97,932 have been added to equipment/vehicles in the Golf Course enterprise fund as a result of these three capital leases. These lease agreements qualify as capital leases for accounting purposes (title transfer at the end of the lease term) and therefore, have been recorded at the present value of the future minimum lease payments, of \$27,116, \$10,413, \$24,769, \$74,430 and \$2,977 as of the inception dates. The future maximum lease payments are as follows:

Year Ending April 30	Lease Payment
2010	\$ 15,482
2011	<u>15,482</u>
	30,964
Interest Portion	<u>(3,352)</u>
Principal Balance	<u><u>27,612</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

Alternate Revenue Bonds

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

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
\$5,000,000 Alternate Revenue Bonds of 2001 - Due in annual installments of \$145,000 to \$395,000 plus interest at 4.00% to 5.00% through March 30, 2009.	General	\$ 210,000	-	210,000	-
\$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	2,220,000	-	410,000	1,810,000
\$3,540,000 Alternate Revenue Refunding Bonds of 2004 - Due in annual installments of \$35,000 to \$390,000 plus interest at 3.00% to 4.00% through March 30, 2018.	General	3,385,000	-	290,000	3,095,000

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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
\$3,790,000 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	\$ 3,720,000	-	20,000	3,700,000
\$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.	Capital Projects	2,005,000	-	75,000	1,930,000
\$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.	Capital Projects	1,905,000	-	100,000	1,805,000
\$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>14,445,000</u>	<u>-</u>	<u>1,105,000</u>	<u>13,340,000</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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	-	1,542,192	-	1,542,192
		10,628,000	1,542,192	-	12,170,192

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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	\$ 712,641	64,466	32,233	744,874	148,975
Alternate Revenue Bonds	14,445,000	-	1,105,000	13,340,000	1,150,000
Revenue Bonds/Notes	10,628,000	1,542,192	-	12,170,192	-
Net Other Post-Employment Benefit Obligation	-	37,568	29,280	8,288	-
	<u>25,785,641</u>	<u>1,644,226</u>	<u>1,166,513</u>	<u>26,263,354</u>	<u>1,298,975</u>
Business-Type Activities					
Capital Leases Payable	<u>48,908</u>	<u>-</u>	<u>21,296</u>	<u>27,612</u>	<u>13,401</u>

Payments on the alternate revenue bonds are made by the General Fund. The Golf Course Fund makes payments on the capital leases. Compensated absences for the governmental activities are generally liquidated by the General Fund. In fiscal year 2009, the Village implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. This pronouncement required the Village to calculate and record a net other post-employment benefit obligation (NOPEBO) at April 30, 2009. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since May 1, 2008.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

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

Fiscal Year Ending April 30	Governmental Activities					
	Alternate Revenue		TIF Revenue		TIF Revenue	
	Bonds		Bonds		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,150,000	514,174	-	428,688	-	-
2011	1,190,000	473,950	-	428,688	-	-
2012	1,245,000	430,324	-	428,688	-	-
2013	1,300,000	384,201	-	428,688	5,170,192 *	2,007,961
2014	845,000	335,636	90,000	428,688	-	-
2015	870,000	303,604	195,000	423,738	-	-
2016	915,000	270,265	260,000	413,013	-	-
2017	950,000	234,703	295,000	398,713	-	-
2018	995,000	196,833	335,000	382,488	-	-
2019	625,000	157,171	375,000	364,063	-	-
2020	655,000	131,959	420,000	340,625	-	-
2021	685,000	105,447	465,000	314,375	-	-
2022	310,000	77,684	520,000	285,313	-	-
2023	325,000	65,332	575,000	252,813	-	-
2024	340,000	52,239	635,000	216,875	-	-
2025	350,000	38,542	695,000	177,168	-	-
2026	370,000	24,217	765,000	133,750	-	-
2027	220,000	9,075	1,375,000	85,951	-	-
	<u>13,340,000</u>	<u>3,805,356</u>	<u>7,000,000</u>	<u>5,932,325</u>	<u>5,170,192</u>	<u>2,007,961</u>

*The TIF Revenue Notes are due each in one lump sum of \$3,628,000 plus interest at 8.00% prior to August 1, 2012 and one lump sum of \$1,542,192 plus interest at 8.00% prior to August 1, 2012.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Legal Debt Margin

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

Assessed Valuation - 2008	<u>\$ 1,282,678,086</u>
Legal Debt Limit - 8.625% of Assessed Value	110,630,985
Amount of Debt Applicable to Limit Alternate Revenue Source Bonds	<u>13,340,000</u>
Legal Debt Margin	<u>97,290,985</u>

Defeased Debt

In prior years the government alternate revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Defeased bonds outstanding are as follows:

Fiscal Year Ended April 30	2000 Alternate Revenue Source Bonds
2010	\$ 265,000
2011	280,000
2012	295,000
2013	310,000
2014	325,000
2015	340,000
2016	360,000
2017	380,000
2018	<u>400,000</u>
	<u>2,955,000</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Restricted Net Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
General Fund				
Drug Forfeiture	\$ 13,886	13,363	-	27,249
Emergency Telephone 911	(73,155)	361,267	301,511	(13,399)
DUI Fines	35,718	26,645	-	62,363
	<u>(23,551)</u>	<u>401,275</u>	<u>301,511</u>	<u>76,213</u>
Negative Reserves Allocated to Unreserved Fund Balance				
	<u>73,155</u>			<u>13,399</u>
	<u>49,604</u>			<u>89,612</u>
Motor Fuel Tax Fund				
Motor Fuel Taxes	\$ 3,142,779	728,729	1,600,382	2,271,126

Fund Balance Designated for Commitments – General Fund

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

	Beginning Balances	Increases	Decreases	Ending Balances
Summer Celebration	\$ 36,859	174,016	119,787	91,088
Metra Parking	110,406	87,766	74,901	123,271
	<u>147,265</u>	<u>261,782</u>	<u>194,688</u>	<u>214,359</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2009

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, 2009

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 by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. 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 plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members 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. 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 rate for calendar year 2008 was 10.14 percent.

Police Pension Plan

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

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

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. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

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 2033 the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully 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	12
Current Employees	
Vested	33
Nonvested	15
	<u>60</u>

Summary of Significant Accounting Policies and Plan Asset Matters

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.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters – Continued

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.

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

The pension liability was determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." The IRMF Plan does not have a net pension obligation. The pension liability (asset) for the Police Pension Plan is as follows:

Annual Required Contribution	\$ 940,292
Interest on the NPO	(5,195)
Adjustment to the ARC	<u>(275)</u>
Annual Pension Cost	934,822
Actual Contribution	<u>(998,400)</u>
Increase (Decrease) in the NPO	(63,578)
NPO Beginning of Year	<u>(70,774)</u>
NPO End of Year	<u><u>(134,352)</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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:

	Illinois Municipal Retirement	Police Pension
Contribution Rates		
Employer	10.14%	22.83%
Employee	4.50%	9.91%
Annual Pension Cost	\$496,138	\$918,155
Contributions Made	\$496,138	\$921,600
Actuarial Valuation Date	12/31/08	4/30/08
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	24 Years	25 Years
Asset Valuation Method	5-Year Smoothed Market	Market
Actuarial Assumptions		
Investment Rate of Return	7.50% Compounded Annually	7.00% Compounded Annually
Projected Salary Increases	.4 to 11.6%	5.50%
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, 2009**

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	Illinois Municipal Retirement	Police Pension
Annual Pension Cost (APC)	2007	\$ 464,212	\$ 846,999
	2008	473,469	918,155
	2009	496,138	934,823
Actual Contributions	2007	464,212	849,360
	2008	473,469	921,600
	2009	496,138	998,400
Percentage of APC Contributed	2007	100.00%	100.28%
	2008	100.00%	100.38%
	2009	100.00%	106.80%
Net Pension Obligation (Asset)	2007	-	(68,413)
	2008	-	(70,775)
	2009	-	(134,352)

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2009**

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:

	Illinois Municipal Retirement	Police Pension
Actuarial Valuation Date	12/31/08	4/30/2008
Percent Funded	82.08%	72.30%
Accuarial Accrued Liability for Benefits	\$12,966,090	\$31,354,529
Actuarial Value of Assets	\$10,642,292	\$22,655,488
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$2,323,798)	(\$8,699,041)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$4,892,877	\$4,036,335
Ratio of UAAL to Covered Payroll	47.49%	215.52%

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, 2009

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 self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. 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, 2009, retirees contributed \$29,280. Active employees do not contribute to the plan until retirement.

At April 30, 2009, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	13
Active Employees	<u>108</u>
Total	<u>121</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, 2009

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The Village first had an actuarial valuation performed for the plan as of April 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2009.

The net OPEB obligation (NOPEBO) as of April 30, 2009, was calculated as follows:

Annual Required Contribution	\$ 37,568
Interest on the NPO	-
Adjustment to the ARC	<u>-</u>
Annual OPEB Cost	37,568
Actual Contribution	<u>29,280</u>
Increase in the NPO	8,288
NPO - Beginning of Year	<u>-</u>
NPO - End of Year	<u><u>8,288</u></u>

Funded Status and Funding Progress. The funded status of the plan as of April 30, 2009, was as follows:

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2009

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation – Continued

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

Actuarial Methods and Assumptions

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

In the April 30, 2009 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of a 3.0% inflation assumption), and an initial annual healthcare cost trend rate of 8.0%, with an ultimate rate of 6.0%. The actuarial value of assets was not determined as the Village has not advanced 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, 2009, 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
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Other Post-Employment Benefit Plan

- 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

Employer Contributions

April 30, 2009

Calendar Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2003	\$ 403,433	\$ 403,433	100.00%
2004	427,798	427,798	100.00%
2005	452,677	452,677	100.00%
2006	464,212	464,212	100.00%
2007	473,469	473,469	100.00%
2008	496,138	496,138	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2009

Actuarial Valuation Date April 30	Employer Contributions	Annual Required Contribution	Percent Contributed
2004	\$ 590,400	\$ 672,939	87.73%
2005	655,605	766,742	85.51%
2006	767,600	767,569	100.00%
2007	849,360	848,719	100.08%
2008	921,600	919,834	100.19%
2009	998,400	940,292	106.18%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information

Employer Contributions

April 30, 2009

Year Ended April 30	Employer Contributions	Annual Required Contributions	Percent Contributed
2004	\$ N/A	\$ N/A	N/A
2005	N/A	N/A	N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	29,280	37,568	77.94%

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for other years is not available.

VILLAGE OF VERNON HILLS, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2009

Actuarial Valuation Date December 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)
2003	\$ 6,603,245	\$ 7,705,693	85.69%	\$ 1,102,448	\$ 4,482,594	24.59%
2004	7,368,314	8,542,149	86.26%	1,173,835	4,405,747	26.64%
2005	8,267,370	9,291,152	88.98%	1,023,782	4,403,474	23.25%
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%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2009

Actuarial Valuation Date April 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)
2003	\$ 13,475,895	\$ 19,298,135	69.83%	\$ 5,822,240	\$ 3,182,415	182.95%
2004	15,306,134	20,856,182	73.39%	5,550,048	3,256,640	170.42%
2005	16,772,072	23,587,223	71.11%	6,815,151	3,614,290	188.56%
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%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information

Schedule of Funding Progress

April 30, 2009

Actuarial Valuation Date April 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)
2004	\$ N/A	\$ N/A	N/A	\$ N/A	\$ N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A	N/A
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	-	0%

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for other years is not available.

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 17,794,130	17,794,130	16,010,309
Intergovernmental	55,700	75,700	270,405
Licenses, Permits and Fees	1,123,600	1,123,600	1,227,281
Charges for Services	1,025,881	1,025,881	1,073,228
Fines and Forfeitures	475,200	475,200	407,813
Investment Income	788,700	788,700	821,786
Miscellaneous	140,130	140,130	158,384
Total Revenues	21,403,341	21,423,341	19,969,206
Expenditures			
General Government	5,038,208	5,076,992	4,575,960
Public Safety	9,042,568	9,204,619	8,643,644
Streets and Roads	4,411,601	4,519,340	3,919,579
Culture and Recreation	351,425	359,276	308,954
Capital Outlay	1,485,000	2,204,359	1,032,075
Debt Service			
Principal Retirement	1,105,000	1,105,000	1,105,000
Interest and Fiscal Charges	516,800	516,800	516,403
Total Expenditures	21,950,602	22,986,386	20,101,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	(547,261)	(1,563,045)	(132,409)
Other Financing (Uses)			
Transfer Out	(141,500)	(141,500)	(147,551)
Net Change in Fund Balance	(688,761)	(1,704,545)	(279,960)
Fund Balance - Beginning			22,155,522
Fund Balance - Ending			21,875,562

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, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 696,724	696,724	630,824
Grants	-	-	7,773
Interest	112,000	112,000	90,132
Total Revenues	808,724	808,724	728,729
Expenditures			
Streets and Roads			
Capital Outlay	1,450,500	1,700,500	1,600,382
Net Change in Fund Balance	<u>(641,776)</u>	<u>(891,776)</u>	(871,653)
Fund Balance - Beginning			<u>3,142,779</u>
Fund Balance - Ending			<u>2,271,126</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, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Tax Increment Financing	\$ 93,003	93,003	17,053
Interest	-	-	23,690
Total Revenues	<u>93,003</u>	<u>93,003</u>	<u>40,743</u>
Expenditures			
Economic Development			
Contractual Services	3,000	18,000	15,700
Capital	2,347,000	5,190,185	4,334,936
Debt Service			
Interest and Fiscal Charges	143,804	787,004	994,791
Issuance Costs	-	23,000	23,000
Total Expenditures	<u>2,493,804</u>	<u>6,018,189</u>	<u>5,368,427</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,400,801)</u>	<u>(5,925,186)</u>	<u>(5,327,684)</u>
Other Financing Sources			
Debt Issuance	2,250,000	2,250,000	1,542,192
Transfers In	150,801	150,801	1,706
	<u>2,400,801</u>	<u>2,400,801</u>	<u>1,543,898</u>
Net Change in Fund Balance	<u>-</u>	<u>(3,524,385)</u>	<u>(3,783,786)</u>
Fund Balance - Beginning			<u>2,725,573</u>
Fund Balance - Ending			<u><u>(1,058,213)</u></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
 - Capital Projects – 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 FUND

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.

Capital Projects Fund

The Capital Projects Fund is used to account for revenues and expenditures relative to the construction and acquisition of general capital assets.

ENTERPRISE FUND

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, 2009**

	Budget		Actual
	Original	Final	
Taxes			
Sales Tax	\$ 10,918,000	10,918,000	9,648,479
Utility Tax	1,560,000	1,560,000	1,416,128
Telecommunication Tax	1,705,000	1,705,000	1,586,588
State Income Tax	2,164,823	2,164,823	2,056,595
911 Surcharge	332,500	332,500	361,267
Other Taxes	454,807	454,807	453,988
Hotel/Motel Taxes	481,000	481,000	298,914
Road and Bridge Tax	178,000	178,000	188,350
	<u>17,794,130</u>	<u>17,794,130</u>	<u>16,010,309</u>
Intergovernmental - Grants	<u>55,700</u>	<u>75,700</u>	<u>270,405</u>
Licenses, Permits and Fees	<u>1,123,600</u>	<u>1,123,600</u>	<u>1,227,281</u>
Charges for Services			
Fees and Charges for Services	815,881	815,881	799,259
Event Fees and Charges for Services	103,000	103,000	88,901
Developer Fees	-	-	63,642
Summer Celebration Fees	107,000	107,000	121,426
	<u>1,025,881</u>	<u>1,025,881</u>	<u>1,073,228</u>
Fines and Forfeitures	<u>475,200</u>	<u>475,200</u>	<u>407,813</u>
Investment Income	<u>788,700</u>	<u>788,700</u>	<u>821,786</u>
Miscellaneous			
Donations	34,000	34,000	56,630
Other	106,130	106,130	101,754
	<u>140,130</u>	<u>140,130</u>	<u>158,384</u>
Total Revenues	<u><u>21,403,341</u></u>	<u><u>21,423,341</u></u>	<u><u>19,969,206</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2009

	Budget		Actual
	Original	Final	
General Government			
Administration			
Personal Services	\$ 991,835	991,835	968,318
Contractual Services	842,305	873,654	798,479
Commodities	60,700	60,171	40,483
Equipment	79,040	76,605	43,787
	<u>1,973,880</u>	<u>2,002,265</u>	<u>1,851,067</u>
Judiciary			
Contractual Services	290,000	290,000	277,916
President/Trustees			
Personal Services	49,737	49,737	49,737
Contractual Services	214,765	214,765	166,084
Commodities	3,450	3,450	4,948
	<u>267,952</u>	<u>267,952</u>	<u>220,769</u>
Community Development			
Personal Services	1,473,565	1,448,565	1,418,746
Contractual Services	189,280	221,984	127,789
Commodities	32,250	32,130	16,328
Equipment	51,427	51,467	13,567
	<u>1,746,522</u>	<u>1,754,146</u>	<u>1,576,430</u>
Committees			
Personal Services	4,739	4,739	857
Contractual Services	19,075	16,375	6,911
Commodities	6,800	6,600	3,374
Equipment	500	500	24
	<u>31,114</u>	<u>28,214</u>	<u>11,166</u>
Resident Direct Benefit			
Contractual Services	691,740	696,740	615,830
Commodities	16,000	16,675	6,627
	<u>707,740</u>	<u>713,415</u>	<u>622,457</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2009

	Budget		Actual
	Original	Final	
General Government - Continued			
Hotel/Motel Tax			
Contractual Services	\$ 18,000	18,000	16,155
Commodities	3,000	3,000	-
	<u>21,000</u>	<u>21,000</u>	<u>16,155</u>
Total General Government	<u>5,038,208</u>	<u>5,076,992</u>	<u>4,575,960</u>
Public Safety			
Police Department			
Personal Services	8,030,478	8,026,478	7,916,948
Contractual Services	473,050	474,750	366,876
Commodities	200,710	190,155	155,793
Equipment	201,330	313,714	128,392
	<u>8,905,568</u>	<u>9,005,097</u>	<u>8,568,009</u>
Fire and Police Commission			
Contractual Services	-	2,700	1,814
Commodities	-	200	-
	<u>-</u>	<u>2,900</u>	<u>1,814</u>
911			
Contractual Services	-	-	23,538
Contingencies	135,000	95,000	-
Equipment	-	99,622	50,283
	<u>135,000</u>	<u>194,622</u>	<u>73,821</u>
Drug Forfeiture			
Equipment	2,000	2,000	-
	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Public Safety	<u>9,042,568</u>	<u>9,204,619</u>	<u>8,643,644</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2009

	Budget		Actual
	Original	Final	
Streets and Roads			
Public Works			
Personal Services	\$ 2,071,490	2,071,490	2,059,730
Contractual Services	1,242,449	1,217,739	893,744
Commodities	696,127	948,761	745,202
Equipment	401,535	148,464	146,001
	<u>4,411,601</u>	<u>4,386,454</u>	<u>3,844,677</u>
Metra Parking			
Contractual Services	-	104,186	60,892
Commodities	-	13,700	3,346
Capital	-	15,000	10,664
	<u>-</u>	<u>132,886</u>	<u>74,902</u>
Total Streets and Roads	<u>4,411,601</u>	<u>4,519,340</u>	<u>3,919,579</u>
Culture and Recreation			
Events			
Contractual Services	147,255	155,319	147,065
Commodities	47,970	48,797	36,693
Capital	10,000	8,960	5,409
	<u>205,225</u>	<u>213,076</u>	<u>189,167</u>
Summer Celebration			
Contractual Services	122,100	122,100	86,141
Commodities	24,100	24,100	33,646
	<u>146,200</u>	<u>146,200</u>	<u>119,787</u>
Total Culture and Recreation	<u>351,425</u>	<u>359,276</u>	<u>308,954</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2009

	Budget		Actual
	Original	Final	
Capital Outlay			
Community Infrastructure Development			
Police Building	\$ -	125,000	179,654
Street Maintenance	160,000	179,880	151,386
Commuter Station - Engineering	15,000	-	-
Street Construction	125,000	151,700	150,799
Bike Path/Sidewalk Program	90,000	124,091	105,591
CIDF Improvements	530,000	838,178	164,292
Stormwater Projects	475,000	745,510	262,925
VHAC	90,000	40,000	17,428
Total Capital Outlay	1,485,000	2,204,359	1,032,075
Debt Service			
Principal Retirement	1,105,000	1,105,000	1,105,000
Interest and Fiscal Charges	516,800	516,800	516,403
Total Debt Service	1,621,800	1,621,800	1,621,403
Total Expenditures	21,950,602	22,986,386	20,101,615

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, 2009

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ -	-	-
Expenditures			
Capital Outlay			
Construction	360,000	360,000	300,803
Net Change in Fund Balance	<u>(360,000)</u>	<u>(360,000)</u>	(300,803)
Fund Balance - Beginning			<u>1,269,220</u>
Fund Balance - Ending			<u>968,417</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Capital Projects - Capital Projects Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ -	-	17
Expenditures			
Capital Outlay	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	17
Other Financing Sources			
Transfers In	-	-	145,845
Net Change in Fund Balance	-	-	145,862
Fund Balance - Beginning			(145,862)
Fund Balance - Ending			-

VILLAGE OF VERNON HILLS, ILLINOIS

Equipment Replacement - Internal Service Fund

**Schedule of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Interfund Services	\$ 290,778	290,778	-
Operating Expenses			
Operations	155,000	424,825	417,938
Depreciation	-	-	88,991
Total Operating Expenses	155,000	424,825	506,929
Change in Net Assets	135,778	(134,047)	(506,929)
Net Assets - Beginning			2,818,912
Net Assets - Ending			2,311,983

VILLAGE OF VERNON HILLS, ILLINOIS

Development - Agency Fund

**Statement of Changes in Assets and Liabilities
Year Ended April 30, 2009**

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balances</u>
ASSETS				
Cash and Investments	<u>\$ 776,682</u>	<u>-</u>	<u>762,276</u>	<u>14,406</u>
LIABILITIES				
Deposits Payable				
Due to School Districts	81,833	-	74,370	7,463
Due to Other Districts	<u>694,849</u>	<u>-</u>	<u>687,906</u>	<u>6,943</u>
Total Liabilities	<u>776,682</u>	<u>-</u>	<u>762,276</u>	<u>14,406</u>

SUPPLEMENTAL SECTION

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2002

April 30, 2009

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
2010	\$ 425,000	65,010	490,010
2011	445,000	50,136	495,136
2012	460,000	34,560	494,560
2013	480,000	18,000	498,000
	<u>1,810,000</u>	<u>167,706</u>	<u>1,977,706</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Refunding Bonds of 2004
April 30, 2009**

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
2010	\$ 300,000	112,698	412,698
2011	310,000	102,948	412,948
2012	325,000	92,098	417,098
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>3,095,000</u>	<u>605,951</u>	<u>3,700,951</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Refunding Bonds of 2005
April 30, 2009**

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
2010	\$ 240,000	148,105	388,105
2011	245,000	139,705	384,705
2012	260,000	129,905	389,905
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>3,700,000</u>	<u>1,053,888</u>	<u>4,753,888</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2006

April 30, 2009

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
2010	\$ 80,000	75,095	155,095
2011	80,000	72,095	152,095
2012	85,000	69,095	154,095
2013	90,000	65,907	155,907
2014	95,000	62,532	157,532
2015	95,000	58,970	153,970
2016	100,000	55,407	155,407
2017	105,000	51,533	156,533
2018	110,000	47,464	157,464
2019	115,000	43,202	158,202
2020	120,000	38,745	158,745
2021	125,000	34,095	159,095
2022	135,000	29,220	164,220
2023	140,000	23,955	163,955
2024	145,000	18,355	163,355
2025	150,000	12,555	162,555
2026	160,000	6,480	166,480
	<u>1,930,000</u>	<u>764,705</u>	<u>2,694,705</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Bonds of 2007
April 30, 2009**

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
2010	\$ 105,000	72,738	177,738
2011	110,000	68,538	178,538
2012	115,000	64,138	179,138
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>1,805,000</u>	<u>651,017</u>	<u>2,456,017</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2007

April 30, 2009

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
2010	\$ -	40,527	40,527
2011	-	40,527	40,527
2012	-	40,527	40,527
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>562,092</u>	<u>1,562,092</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Senior Lien Tax Increment Revenue Bonds of 2007

April 30, 2009

Date of Issue	November 27, 2007
Date of Maturity	December 30, 2026
Authorized Issue	\$7,000,000
Denomination of Bonds	\$5,000
Interest Rates	5.500% 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
2010	\$ -	428,688	428,688
2011	-	428,688	428,688
2012	-	428,688	428,688
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>5,932,325</u>	<u>12,932,325</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Taxable Subordinate Lien Tax Increment Revenue Notes of 2008

April 30, 2009

Date of Issue	January 8, 2008
Date of Maturity	August 1, 2012
Authorized Issue	\$3,628,000
Denomination of Bonds	\$5,000
Interest Rates	8.00%
Interest Dates	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
2010	\$ -	-	-
2011	-	-	-
2012	-	-	-
2013	3,628,000 *	1,530,785	5,158,785
	<u>3,628,000</u>	<u>1,530,785</u>	<u>5,158,785</u>

* The TIF Revenue Note is due in one lump sum plus interest at 8.00% prior to August 1, 2012.

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Taxable Subordinate Lien Tax Increment Revenue Notes of 2008A April 30, 2009

Date of Issue	December 16, 2008
Date of Maturity	August 1, 2012
Authorized Issue	\$2,030,000
Denomination of Bonds	\$5,000
Interest Rates	8.00%
Interest Dates	December 30
Principal Maturity Date	December 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
2010	\$ -	-	-
2011	-	-	-
2012	-	-	-
2013	1,542,192 *	477,176	2,019,368
	<u>1,542,192</u>	<u>477,176</u>	<u>2,019,368</u>

* The TIF Revenue Note is due in one lump sum plus interest at 8.00% prior to August 1, 2012.

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 Six Fiscal Years
April 30, 2009 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Net Assets by Component - Last Six Fiscal Years
April 30, 2009 (Unaudited)**

	<u>2004</u>
Governmental Activities	
Invested in Capital Assets, Net of Related Debt	\$ 18,134,143
Restricted	3,853,227
Unrestricted	<u>19,356,210</u>
Total Governmental Activities Net Assets	<u><u>41,343,580</u></u>
Business-Type Activities	
Invested in Capital Assets, Net of Related Debt	931,835
Unrestricted	<u>(134,012)</u>
Total Business-Type Activities Net Assets	<u><u>797,823</u></u>
Primary Government	
Invested in Capital Assets, Net of Related Debt	19,065,978
Restricted	3,853,227
Unrestricted	<u>19,222,198</u>
Total Primary Government Net Assets	<u><u>42,141,403</u></u>

Data Source: Village Records

The Village implemented GASB 34 in Fiscal Year 2004.

2005	2006	2007	2008	2009
19,760,398	22,324,954	26,034,819	101,767,949	97,942,912
3,350,367	4,061,109	4,843,742	4,461,603	3,329,155
21,540,099	20,698,906	20,749,058	23,237,045	21,924,140
44,650,864	47,084,969	51,627,619	129,466,597	123,196,207
868,332	838,495	777,357	822,680	836,773
(56,226)	18,691	(15,983)	(97,704)	(227,551)
812,106	857,186	761,374	724,976	609,222
20,628,730	23,163,449	26,812,176	102,590,629	98,779,685
3,350,367	4,061,109	4,843,742	4,461,603	3,329,155
21,483,873	20,717,597	20,733,075	23,139,341	21,696,589
45,462,970	47,942,155	52,388,993	130,191,573	123,805,429

VILLAGE OF VERNON HILLS, ILLINOIS

Changes in Net Assets - Last Six Fiscal Years
April 30, 2009 (Unaudited)

	2004	2005	2006	2007	2008	2009
Expenses						
Governmental Activities						
General Government	\$ 4,696,155	5,093,639	5,115,671	4,851,163	4,933,995	7,409,619
Public Safety	7,219,218	7,374,195	7,918,764	8,373,183	8,996,733	8,916,041
Streets and Roads	3,417,348	3,071,698	3,253,181	3,923,585	10,586,487	8,607,486
Economic Development	58,679	185,738	503,977	778,073	7,146,756	2,573,388
Culture and Recreation	418,792	440,481	364,112	273,675	301,480	308,954
Interest on Long-Term Debt	620,604	579,120	504,000	553,919	1,296,357	1,407,974
Total Governmental Activities Expenses	16,430,796	16,744,871	17,659,705	18,753,598	33,261,808	29,223,462
Business-Type Activities						
Golf Course	579,381	597,455	555,473	652,563	605,598	648,762
Total Business-Type Activities Net Assets	579,381	597,455	555,473	652,563	605,598	648,762
Total Primary Government Expenses	17,010,177	17,342,326	18,215,178	19,406,161	33,867,406	29,872,224
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
Public Safety	458,489	499,782	498,386	516,298	457,078	407,813
Culture and Recreation	237,096	244,989	103,081	99,274	190,913	210,327
Operating Grants/Contributions	820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002
Capital Grants/Contributions	-	251,573	-	-	-	252,000
Total Governmental Activities Program Revenues	3,942,560	4,650,270	3,747,916	5,310,994	4,680,558	3,869,324
Business-Type Activities						
Charges for Services	615,866	611,158	599,270	554,905	567,712	532,529
Golf Course	-	-	-	-	-	-
Operating Grants/Contributions	615,866	611,158	599,270	554,905	567,712	532,529
Total Business-Type Activities Program Revenues	4,558,426	5,261,428	4,347,186	5,865,899	5,248,270	4,401,853
Total Primary Government Program Revenues	(12,488,236)	(12,094,601)	(13,911,789)	(13,442,604)	(28,581,250)	(25,354,138)
Net (Expense) Revenue	36,485	13,703	43,797	(97,658)	(37,886)	(116,233)
Governmental Activities						
Business-Type Activities						
Total Primary Government Net Revenue (Expense)	(12,451,751)	(12,080,898)	(13,867,992)	(13,540,262)	(28,619,136)	(25,470,371)

	2004	2005	2006	2007	2008	2009
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
Utility Tax	1,769,465	1,836,314	1,607,189	1,437,886	1,475,406	1,416,128
Hotel/Motel Tax (1)	-	-	325,597	364,879	359,784	298,914
911 Surcharge Tax (1)	-	-	286,773	328,771	331,258	361,267
Road and Bridge Tax (1)	-	-	145,680	156,811	175,219	188,350
Telecommunications Tax (1)	-	-	1,276,789	1,539,095	1,569,859	1,586,588
Tax Increment Tax (1)	-	-	53,465	68,684	81,149	17,053
Other Taxes	1,317,194	1,451,377	409,923	421,834	443,527	453,988
Intergovernmental						
State Income Tax	1,213,728	1,434,889	1,806,391	2,014,206	2,200,234	2,056,595
Interest Income	308,968	370,584	562,463	1,314,040	1,909,544	935,625
Disposal of Capital Assets	39,275	-	-	-	-	-
Miscellaneous	197,315	77,795	96,475	271,609	179,250	158,384
Total Governmental Activities	14,940,777	15,153,536	16,185,603	17,985,254	19,089,440	17,309,446
Business-Type Activities						
Interest Income	315	580	1,283	1,846	1,488	479
Total Primary Government	14,941,092	15,154,116	16,186,886	17,987,100	19,090,928	17,309,925
Changes in Net Assets						
Governmental Activities	2,452,541	3,058,935	2,273,814	4,542,650	(9,491,810)	(8,044,692)
Business-Type Activities	36,800	14,283	45,080	(95,812)	(36,398)	(115,754)
Total Primary Government	2,489,341	3,073,218	2,318,894	4,446,838	(9,528,208)	(8,160,446)

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, 2009 (Unaudited)**

	2000	2001	2002
General Fund			
Reserved	\$ 714,808	647,718	2,750
Unreserved	17,601,402	16,360,721	17,571,564
Total General Fund	<u>18,316,210</u>	<u>17,008,439</u>	<u>17,574,314</u>
All Other Governmental Funds			
Reserved	972,819	228,853	363,702
Unreserved, Reported in:			
Special Revenues Funds	2,276,622	3,152,853	2,901,083
Capital Projects Funds	3,961,501	2,785,207	3,422,377
Total All Other Governmental Funds	<u>7,210,942</u>	<u>6,166,913</u>	<u>6,687,162</u>

Data Source: Village Records

2003	2004	2005	2006	2007	2008	2009
1,270,747	2,371,433	2,335,551	2,511,367	1,962,416	1,612,801	1,480,580
17,659,820	16,010,914	17,899,856	17,467,567	17,973,238	20,542,721	20,394,982
18,930,567	18,382,347	20,235,407	19,978,934	19,935,654	22,155,522	21,875,562
-	-	-	3,166,528	6,256,284	4,411,999	3,239,543
1,595,065	1,162,434	1,470,725	-	(431,047)	2,725,573	(848,598)
1,950,750	1,866,365	1,023,006	-	-	(145,862)	-
3,545,815	3,028,799	2,493,731	3,166,528	5,825,237	6,991,710	2,390,945

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Revenues By Source - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Source	2000	2001	2002
Sales Tax	\$ 8,915,078	9,585,863	9,936,356
Other Taxes	1,706,863	2,202,722	4,050,322
Intergovernmental Revenue	2,231,641	2,889,071	1,073,143
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	3,686,801	3,760,846	2,746,864
Investment Income	753,497	2,526,124	1,524,030
Miscellaneous	366,819	277,303	282,795
Total	17,660,699	21,241,929	19,613,510

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

2003	2004	2005	2006	2007	2008	2009
9,454,483	10,094,832	9,982,577	9,633,728	10,067,801	10,364,210	9,836,554
4,075,087	4,300,387	4,722,580	5,911,807	6,332,166	6,619,099	6,190,808
837,783	820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002
2,469,944	2,998,133	3,441,719	2,683,332	4,068,524	3,606,568	2,708,322
1,193,890	308,968	370,584	562,463	1,314,040	1,909,544	935,625
231,164	197,315	329,368	96,475	271,609	179,250	158,384
18,262,351	18,720,082	19,874,572	19,952,389	23,296,610	23,752,661	20,738,695

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Expenditures By Function - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Function	2000	2001	2002
General Government	\$ 3,499,238	4,531,971	4,097,387
Public Safety	5,234,899	6,337,605	7,098,996
Streets and Roads	2,998,906	3,207,496	3,302,767
Economic Development	-	-	-
Culture and Recreation	-	-	378,728
Capital Outlay	2,399,198	5,942,514	7,066,233
Debt Service			
Principal	1,125,000	1,325,000	975,000
Interest and Fiscal Charges	260,260	509,143	608,275
Total	<u>15,517,501</u>	<u>21,853,729</u>	<u>23,527,386</u>

Data Source: Village Records

2003	2004	2005	2006	2007	2008	2009
4,131,013	4,316,046	4,367,174	4,036,681	4,178,902	4,278,264	4,575,960
6,961,837	7,028,067	7,074,687	7,605,573	8,572,206	8,779,490	8,643,644
2,890,882	4,057,485	3,815,230	3,105,943	3,406,307	4,849,825	5,519,961
-	58,679	185,738	503,977	778,073	7,146,756	4,350,636
505,069	418,792	440,481	364,112	273,675	301,480	308,954
8,198,126	2,185,247	1,221,624	3,232,183	7,145,135	3,556,553	1,332,878
900,000	1,680,000	965,000	1,040,000	850,000	1,035,000	1,105,000
581,278	637,936	585,806	508,931	526,883	1,046,952	1,324,579
24,168,205	20,382,252	18,655,740	20,397,400	25,731,181	30,994,320	27,161,612

VILLAGE OF VERNON HILLS, ILLINOIS

**Changes in Fund Balances for Governmental Funds - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

	2000	2001	2002
Revenues			
Sales Tax	\$ 8,915,078	9,585,863	9,936,356
Other Taxes	1,706,863	2,202,722	4,050,322
Intergovernmental Revenue	2,231,641	2,889,071	1,073,143
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	3,686,801	3,760,846	2,746,864
Investment Income	753,497	2,526,124	1,524,030
Miscellaneous	366,819	277,303	282,795
Total Revenues	17,660,699	21,241,929	19,613,510
Expenditures			
General Government	3,499,238	4,531,971	4,097,387
Public Safety	5,234,899	6,337,605	7,098,996
Streets and Roads	2,998,906	3,207,496	3,302,767
Economic Development	-	-	-
Culture and Recreation	-	-	378,728
Capital Outlay	2,399,198	5,942,514	7,066,233
Debt Service			
Principal	1,125,000	1,325,000	975,000
Interest and Fiscal Charges	260,260	509,143	608,275
Total Expenditures	15,517,501	21,853,729	23,527,386
Excess of Revenues Over (Under) Expenditures	2,143,198	(611,800)	(3,913,876)
Other Financing Sources (Uses)			
Proceeds from Bonds	4,787,300	-	5,000,000
Payments to Escrow Agent	-	-	-
Transfers In	1,660,060	2,375,200	3,126,691
Transfers Out	(1,660,060)	(4,115,200)	(3,126,691)
Sale of Property	-	-	-
Total Other Financing Sources (Uses)	4,787,300	(1,740,000)	5,000,000
Net Change in Fund Balances	6,930,498	(2,351,800)	1,086,124
Debt Service as a Percentage of Noncapital Expenditures	10.56%	11.53%	9.62%

Data Source: Village Records

2003	2004	2005	2006	2007	2008	2009
9,454,483	10,094,832	9,982,577	9,633,728	10,067,801	10,364,210	9,836,554
4,075,087	4,300,387	4,722,580	5,911,807	6,332,166	6,619,099	6,190,808
837,783	820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002
2,469,944	2,998,133	3,441,719	2,683,332	4,068,524	3,606,568	2,708,322
1,193,890	308,968	370,584	562,463	1,314,040	1,909,544	935,625
231,164	197,315	329,368	96,475	271,609	179,250	158,384
18,262,351	18,720,082	19,874,572	19,952,389	23,296,610	23,752,661	20,738,695
4,131,013	4,316,046	4,367,174	4,036,681	4,178,902	4,278,264	4,575,960
6,961,837	7,028,067	7,074,687	7,605,573	8,572,206	8,779,490	8,643,644
2,890,882	4,057,485	3,815,230	3,105,943	3,406,307	4,849,825	5,519,961
-	58,679	185,738	503,977	778,073	7,146,756	4,350,636
505,069	418,792	440,481	364,112	273,675	301,480	308,954
8,198,126	2,185,247	1,221,624	3,232,183	7,145,135	3,556,553	1,332,878
900,000	1,680,000	965,000	1,040,000	850,000	1,035,000	1,105,000
581,278	637,936	585,806	508,931	526,883	1,046,952	1,324,579
24,168,205	20,382,252	18,655,740	20,397,400	25,731,181	30,994,320	27,161,612
(5,905,854)	(1,662,170)	1,218,832	(445,011)	(2,434,571)	(7,241,659)	(6,422,917)
4,595,000	-	3,540,000	3,807,001	5,050,000	10,628,000	1,542,192
(581,641)	-	(3,462,420)	(3,741,267)	-	-	-
934,958	-	-	635,310	770,190	8,115	147,551
(934,958)	-	-	-	(770,190)	(8,115)	(147,551)
-	50,432	21,580	-	-	-	-
4,013,359	50,432	99,160	701,044	5,050,000	10,628,000	1,542,192
(1,892,495)	(1,611,738)	1,317,992	256,033	2,615,429	3,386,341	(4,880,725)
9.28%	12.74%	8.90%	9.02%	7.56%	7.59%	10.21%

VILLAGE OF VERNON HILLS, ILLINOIS

**Taxable Sales by Category - Last Ten Calendar Years
April 30, 2009 (Unaudited)**

<u>Calendar Year</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Merchandise	\$ 2,558,678	2,892,115	3,000,237
Food	375,300	385,803	380,868
Drinking and Eating Places	522,643	760,942	644,411
Apparel	705,527	772,272	733,971
Furniture and H.H. and Radio	1,010,443	1,114,672	1,168,998
Lumber, Building, Hardware	47,575	199,438	325,218
Automobile and Filling Stations	95,303	123,673	103,627
Drugs and Misc. Retail	1,046,624	1,099,482	1,106,600
Agriculture and All Others	3,085,284	3,317,978	3,502,231
Manufacturers	220,686	188,538	127,905
Total	<u>9,668,063</u>	<u>10,854,913</u>	<u>11,094,066</u>
Village Direct Rate	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>

Data Source: Village and State Records

2002	2003	2004	2005	2006	2007	2008
2,934,693	2,970,776	2,937,760	2,610,491	3,160,430	2,955,471	2,891,816
361,257	334,399	343,233	340,093	360,262	389,624	372,836
609,813	648,777	690,192	726,977	804,761	775,849	788,022
795,710	690,072	777,335	851,755	863,592	863,980	797,133
1,228,774	2,503,134	3,590,995	3,429,573	3,480,979	3,857,032	3,952,073
541,839	514,586	523,018	530,821	509,206	480,791	478,018
126,575	122,119	119,583	126,045	159,790	245,525	250,520
1,179,410	1,269,525	1,258,764	1,273,623	1,299,881	1,258,072	1,162,553
3,495,773	1,740,114	905,924	650,469	633,262	681,030	707,998
90,082	83,789	155,255	186,467	198,074	190,214	222,906
11,363,926	10,877,291	11,302,059	10,726,314	11,470,237	11,697,588	11,623,875
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, 2009 (Unaudited)**

Fiscal Year	State Rate	RTA Rate	County Rate	Total Sales Tax Rate	% Distributed to Village
2000	6.00%	0.25%	0.25%	6.50%	1.00%
2001	6.00%	0.25%	0.25%	6.50%	1.00%
2002	6.00%	0.25%	0.25%	6.50%	1.00%
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%

Data Source: Village and State 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, 2008 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Tax Levy Year	Residential Property	Farm
1999	\$ 374,472,870	186,270
2000	427,236,131	176,400
2001	488,245,807	179,912
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

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

Commercial Property	Industrial Property	Total	Railroad	Total Assessed Value (Lake County)
249,468,018	416,916	624,544,074	31,372	624,575,446
279,520,243	421,051	707,353,825	39,605	707,393,430
297,302,433	494,445	786,222,597	45,678	786,268,275
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

VILLAGE OF VERNON HILLS, ILLINOIS

**Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

<u>Tax Levy Year</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
CLC Joint Action Water	0.077	0.072	0.066
Grade School 73	3.480	3.401	3.292
High School 128	1.886	2.203	2.344
Jr. College 532	0.213	0.235	0.211
Vernon Township	0.115	0.109	0.105
Lake County	0.521	0.521	0.516
Lake County Forest Preserve	0.187	0.231	0.221
Vernon Hills Park District	0.380	0.360	0.352
Cook Memorial Library	0.257	0.256	0.254
Countryside Fire District	0.470	0.462	0.458
Village of Vernon Hills	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total Direct and Overlapping Tax Rate	<u>7.586</u>	<u>7.850</u>	<u>7.819</u>

Data Source: Office of the County Clerk

2002	2003	2004	2005	2006	2007	2008
0.064	0.058	0.054	0.049	0.046	0.042	0.042
3.201	3.086	2.990	2.922	2.887	2.842	2.878
2.391	2.359	2.291	2.225	2.179	2.136	2.163
0.208	0.201	0.200	0.197	0.195	0.192	0.196
0.105	0.101	0.095	0.093	0.094	0.092	0.092
0.502	0.490	0.465	0.454	0.450	0.444	0.453
0.232	0.225	0.219	0.210	0.204	0.201	0.199
0.340	0.373	0.346	0.334	0.351	0.343	0.344
0.247	0.236	0.231	0.225	0.222	0.219	0.222
0.436	0.420	0.422	0.400	0.398	0.390	0.417
0.000	0.000	0.000	0.000	0.000	0.000	0.000
7.726	7.549	7.313	7.109	7.026	6.901	7.006

VILLAGE OF VERNON HILLS, ILLINOIS

**Principal Property Tax Payers - Current Year and Nine Years Ago
April 30, 2009 (Unaudited)**

Taxpayer	2008 Levy Year			1999 Levy Year		
	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	\$ 17,527,384	1	1.37%	\$ 15,905,755	1	2.55%
Inland Real Estate						
Column I, LLC	14,651,393	2	1.14%	9,100,218	3	1.46%
Van Vlissingen & Co	12,632,455	3	0.98%			
Leahy Vernon Hills						
Development	11,824,775	4	0.92%	8,499,306	4	1.36%
Museum Garderns II LLC	11,225,941	5	0.88%			
HCP Ventures	10,284,737	6	0.80%			
CDW Computer Centers, Inc.	9,500,000	7	0.74%	5,824,795	8	0.93%
VTRP Merger Sub	8,551,810	8	0.67%	6,800,232	7	1.09%
Hawthorn-Vernon Hills LLC	6,748,837	9	0.53%	4,677,611	9	0.75%
Washington Mutual Bank	5,621,439	10	0.44%	4,569,589	10	0.73%
	<u>108,568,771</u>		<u>8.47%</u>	<u>55,377,506</u>		<u>8.87%</u>

Data Source: Office of the County Clerk

All available information for the 1998 levy year has been disclosed.

VILLAGE OF VERNON HILLS, ILLINOIS

**Property Tax Levies and Collections - Last Ten Fiscal Years
April 30, 2009 (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
2000	1999	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
2001	2000	-	-	0.00%	-	-	0.00%
2002	2001	-	-	0.00%	-	-	0.00%
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%

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, 2009 (Unaudited)**

Fiscal Year Ended April 30	Tax Levy Year	Equalized Assessed Valuation	Tax Extension	Total Collections	Percent Collected
2000	1999	\$ N/A	\$ N/A	\$ N/A	N/A
2001	2000	N/A	N/A	N/A	N/A
2002	2001	N/A	N/A	N/A	N/A
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

The Village's Tax Increment Financing District was first levied for in 2002.

VILLAGE OF VERNON HILLS, ILLINOIS

**Ratios of Outstanding Debt By Type - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Fiscal Year Ended April 30	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Alternate Revenue Bonds	Installment Contracts Payable	Tax Increment Revenue Bonds/Notes	Capital Leases Payable			
2000	\$ 6,675,000	\$ 1,940,000	\$ -	\$ 31,134	\$ 8,646,134	1.33%	\$ 429.73
2001	5,700,000	1,590,000	-	18,190	7,308,190	N/A	363.23
2002	10,090,000	1,225,000	-	70,480	11,385,480	N/A	565.88
2003	13,600,000	840,000	-	90,431	14,530,431	N/A	722.19
2004	12,760,000	-	-	91,505	12,851,505	N/A	638.74
2005	12,130,000	-	-	62,348	12,192,348	N/A	522.09
2006	11,280,000	-	-	86,520	11,366,520	N/A	486.73
2007	15,480,000	-	-	67,136	15,547,136	N/A	665.74
2008	14,445,000	-	10,628,000	48,908	25,121,908	N/A	1,075.75
2009	13,340,000	-	12,170,192	27,612	25,537,804	N/A	1,093.56

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, 2009 (Unaudited)**

Governmental Unit	Gross Debt	Percentage to Debt Applicable to Village (1)	Village's Share of Debt
Village of Vernon Hills	\$ 13,340,000	100.000%	\$ 13,340,000
School District Number 73	33,813,922	67.180%	22,716,193
School District Number 76	4,988,326	26.930%	1,343,356
School District Number 96	7,625,000	2.440%	186,050
School District Number 103	5,095,000	18.080%	921,176
High School District Number 120	8,847,688	1.050%	92,901
High School District Number 125	32,160,000	8.630%	2,775,408
High School District Number 128	36,365,000	29.070%	10,571,306
Community College Number 532	8,660,229	4.430%	383,648
Lake County	37,955,000	4.210%	1,597,906
Lake County Forest Preserve District	252,435,000	4.210%	10,627,514
Central Lake Co. Joint Action Water Agency	24,360,000	16.050%	3,909,780
Mundelein Park District	3,590,000	0.001%	36
Vernon Hills Park District	6,404,000	99.970%	6,402,079
Subtotal	462,299,165		61,527,351
Totals	475,639,165		74,867,351

Source: Lake County Clerk.

VILLAGE OF VERNON HILLS, ILLINOIS

**Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years
April 30, 2009 (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)
2000	\$ 6,675,000	\$ 744,499	\$ 5,930,501	0.95%	\$ 294.76
2001	5,700,000	195,887	5,504,113	0.78%	273.56
2002	10,090,000	123,804	9,966,196	1.27%	495.34
2003	13,600,000	-	13,600,000	1.58%	675.94
2004	12,760,000	-	12,760,000	1.37%	634.19
2005	12,130,000	-	12,130,000	1.21%	519.42
2006	11,280,000	-	11,280,000	1.02%	483.02
2007	15,480,000	-	15,480,000	1.33%	662.87
2008	14,445,000	-	14,445,000	1.17%	618.55
2009	13,340,000	-	13,340,000	1.04%	571.23

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, 2009 (Unaudited)**

Assessed Valuation - 2008	<u>\$ 1,282,678,086</u>
Legal Debt Limit - 8.625% of Assessed Valuation	110,630,985
Amount of debt applicable to debt limit Alternate Revenue Source Bonds	<u>13,340,000</u>
Legal Debt Margin	<u>97,290,985</u>

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979.

VILLAGE OF VERNON HILLS, ILLINOIS

**Demographic and Economic Statistics - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Fiscal Year Ended April 30	Population	Personal Income (in Thousands)	Per Capita Personal Income	Median Age	School Enrollment	(1) Unemployment Rate
2000	20,120	\$ 648,790	\$ 32,246	34	6,226	N/A
2001	20,120	N/A	N/A	N/A	N/A	3.20%
2002	20,120	N/A	N/A	N/A	N/A	4.00%
2003	20,120	N/A	N/A	N/A	N/A	5.00%
2004	20,120	N/A	N/A	N/A	N/A	5.30%
2005	23,353	N/A	N/A	N/A	N/A	5.00%
2006	23,353	N/A	N/A	N/A	N/A	4.40%
2007	23,353	948,459	39,316	35	N/A	4.10%
2008	24,462	N/A	N/A	N/A	N/A	4.70%
2009	24,462	N/A	N/A	N/A	N/A	6.40%

Data Sources:

Data for 2000 was provided by census.

Data for 2005 was provided by a special census.

Data for 2007 and 2008 reflect estimates by census.

(1) Data provided by Ron Payne of the Illinois Department of Employment Security's Economic Information and Analysis Division for Vernon Hills. Data for 2003 through 2008 were updated in 2009. 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, 2009 (Unaudited)**

Employer	2009			2000		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Westfield Shoppingtown Hawthorn	2,500	1	N/A	3,500	1	N/A
Zebra Technologies Corp	900	2	N/A	1,700	2	N/A
American Hotel Register	400	3	N/A	500	6	N/A
CDW Computer Centers, Inc.	350	4	N/A	1,626	3	N/A
Mitsubishi Electric Automation, Inc.	350	4	N/A	350	8	N/A
Cole-Palmer Instrument Co.	300	6	N/A	320	9	N/A
Manhard Consulting Ltd	275	7	N/A			
Focus Products Group	250	8	N/A			
Z.F. Industries, Inc.	200	8	N/A	280	10	N/A
Paslode	200	10	N/A	200	12	N/A
Richard Wolf Medical Instruments Corp	200	10	N/A	200	12	N/A
	<u>5,925</u>			<u>8,676</u>		

Data Sources: U.S. Census Bureau.

N/A - Not Available

VILLAGE OF VERNON HILLS, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Government			
Administration	10.00	10.00	8.25
Finance	4.00	4.00	4.00
Public Works	23.00	24.00	24.00
Police	65.00	68.00	73.00
Community Development	16.00	16.00	19.25
Total	<u>118.00</u>	<u>122.00</u>	<u>128.50</u>

Data Source: Village Records

2003	2004	2005	2006	2007	2008	2009
8.25	7.35	4.35	4.35	4.35	4.85	4.85
4.00	4.00	3.60	3.60	3.60	3.60	3.60
24.00	24.00	20.50	22.00	22.00	23.50	23.50
75.00	75.00	69.75	69.75	69.00	70.50	69.50
19.25	18.50	20.50	18.70	17.75	15.00	14.00
130.50	128.85	118.70	118.40	116.70	117.45	115.45

VILLAGE OF VERNON HILLS, ILLINOIS

**Operating Indicators by Function/Program - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Function/Program	2000	2001	2002
Public Works			
Forestry			
Number of Parkway Trees Planted*	N/A	N/A	81
Number of Parkway Trees Trimmed*	N/A	N/A	N/A
Fleet Services			
Number of Cars/SUVs/Vans Maintained*	N/A	N/A	N/A
Number of Light Trucks Maintained*	N/A	N/A	N/A
Number of Heavy Trucks Maintained*	N/A	N/A	N/A
Number of Loaders/Backhoes Maintained*	N/A	N/A	N/A
Number of Small Tractors Maintained*	N/A	N/A	N/A
Number of Sweepers Maintained*	N/A	N/A	N/A
Number of Buses Maintained*	N/A	N/A	N/A
Public Safety			
Police			
Part I Crime*	998	1,019	1,022
Part II Crime*	962	976	1,076
Calls for Service*	15,354	15,354	14,906
State Tickets Issued*	7,229	7,229	6,829
Compliance Tickets Issued*	627	627	651
Parking Tickets Issued*	3,536	3,536	3,338
Community Development			
Number of Building Permits Issued	1,965	1,875	2,183
Number of Building Inspections	11,415	10,859	11,826
Highways and Streets			
Sidewalk/Bike Trail Program (\$)	N/A	N/A	N/A
Annual Resurfacing Program (\$)	938,836	573,283	733,161

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.

2003	2004	2005	2006	2007	2008	2009
60	44	65	199	131	124	119
205	1712	1175	1173	750	642	1,182
48	49	52	52	52	44	46
15	15	15	15	15	15	15
10	10	41	10	10	10	10
4	4	4	4	4	4	4
1	1	1	1	1	1	2
1	1	1	1	1	1	1
0	0	1	1	1	1	1
933	766	813	784	699	738	686
996	922	928	875	1,010	1,026	717
16,764	16,281	17,288	17,524	18,617	17,963	20,793
6,196	7,287	6,133	6,429	5,963	5,686	5,388
485	583	468	714	650	702	489
3,800	3,734	3,817	3,418	3,583	3,149	2,536
2,789	2,137	2,030	1,716	1,660	1,518	1,136
15,592	16,755	17,165	13,397	13,127	4,902	4,486
N/A	82,052	47,633	112,017	32,196	39,457	105,591
1,425,114	528,233	252,060	988,338	1,131,594	879,268	1,600,000

VILLAGE OF VERNON HILLS, ILLINOIS

**Capital Asset Statistics by Function/Program - Last Ten Fiscal Years
April 30, 2009 (Unaudited)**

Function/Program	2000	2001	2002
Police			
Stations	1	1	1
Communications/Training Center	-	-	-
Patrol Units	28	33	34
Public Works			
Streets (Lane Miles)	94.8	95.9	109.2
Sidewalks (Miles)	71.0	71.9	81.7
Streetlights	1,823	1,834	2,042
Traffic Lights (Village Owned)	2	2	3
Recreation			
Athletic Complex	-	-	-
Golf Courses	2	2	2
Community Center	-	-	-
Administration			
Village Hall	1	1	1

Data Source: Village Records

2003	2004	2005	2006	2007	2008	2009
1	1	1	1	1	1	1
-	-	-	-	-	1	1
34	36	36	36	36	36	34
113.7	125.6	136.1	137.2	140.9	140.5	141.1
83.8	98.8	105.5	106.4	106.4	112.7	113.3
2,148	2,234	2,356	2,413	2,429	2,217	2,247
3	4	4	4	4	4	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