

VILLAGE OF
VERNON HILLS,
ILLINOIS

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



YEAR ENDED
APRIL 30, 2010

**VILLAGE OF VERNON HILLS,
ILLINOIS**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED APRIL 30, 2010

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, Certificate of Achievement for Excellence in Financial Reporting and Transmittal Letter from Village Manager and Director of Finance/Village Treasurer.

VILLAGE OF VERNON HILLS, ILLINOIS

List of Principal Officials

April 30, 2010

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

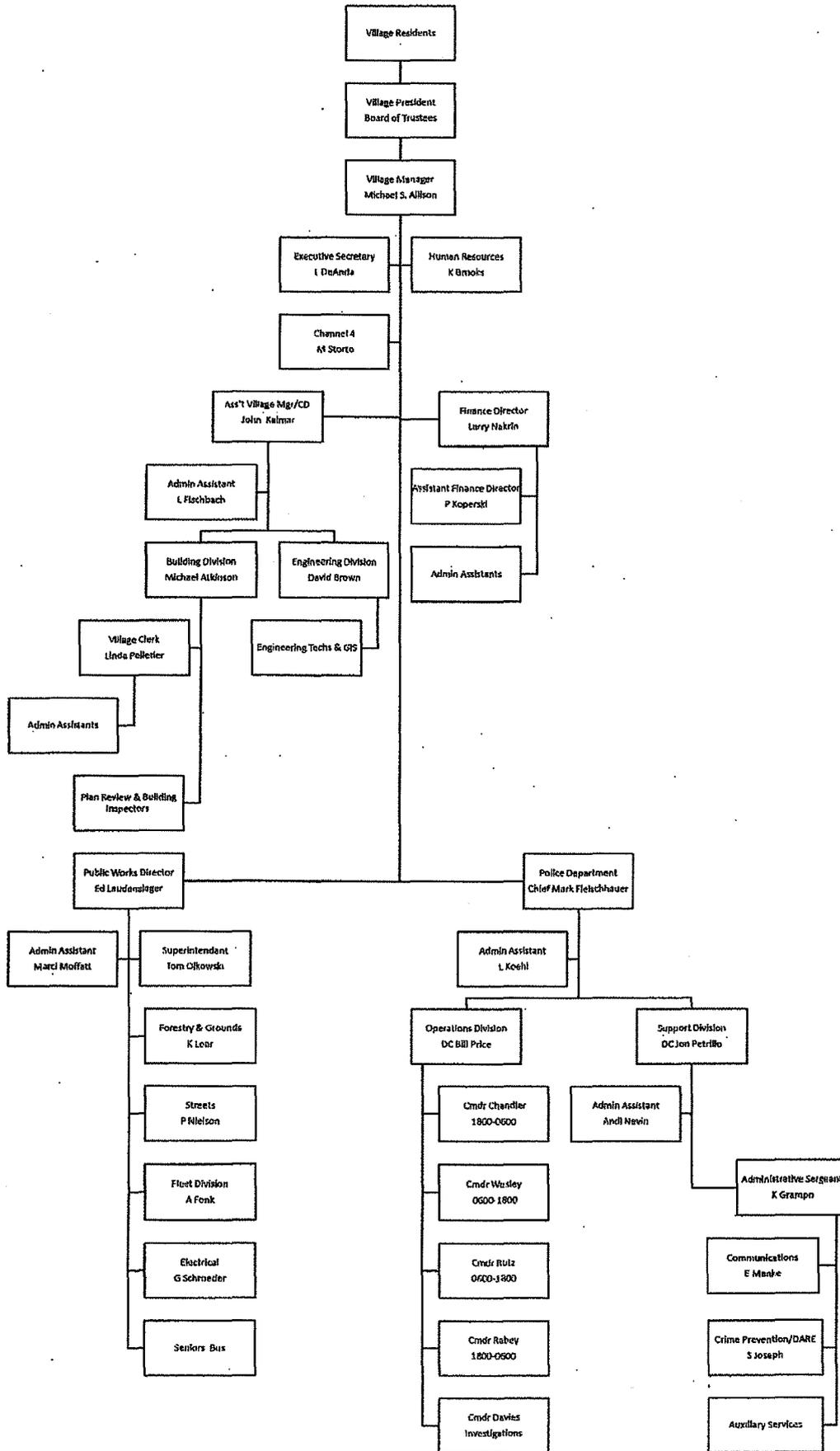
Robert Kenny, Village Attorney

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, 2009

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.



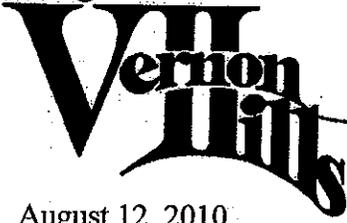
A stylized handwritten signature in black ink, appearing to read "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Village of



290 Evergreen Drive · Vernon Hills, IL 60061-2999 · 847-367-3700

August 12, 2010

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, 2010, 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 3.66 million square feet of retail space. The most significant component of that retail space is the Westfield Hawthorn Center, which was completed in 1974 and subsequently expanded. The Center has 1.30 million square feet of leasable retail space and is anchored by Sears Roebuck & Co., Carson Pirie Scott & Co., J.C. Pennys and Macy's. 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, lost Plunketts Furniture late in FY2008-09. In 2008, the 206 thousand square foot Shoppes at Gregg's Landing opened, bringing Vernon Hills a Lowes and a Staples. 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 completed in 2005 which brought the Village a Bed Bath and Beyond, an Old Navy, an Ashley Furniture, a Joanne's Fabrics and a DSW (Discount Shoe Warehouse). Marketplace lost the 110 thousand square foot Home Expo late FY2008-09. The 99 thousand square foot Hawthorn Commons is anchored by a Dominick's. Discussed in a paragraph below are the efforts to preserve the Hawthorn Fashion Square shopping center.

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

During 2008 and early in 2009 Linen's & Things and Wick's closed in the 203 thousand square foot Hawthorn Fashion Square, contributing to bringing that shopping center's vacancy rate to 57%. Of the 3.66 million square feet of retail in the Village, 2.82 million square feet is shopping center space and 837 thousand square feet is free standing retail space. Of the 2.82 million square feet of shopping center space, 386 thousand square feet of that retail space was vacant as of July 26, 2010. That major components of the 386 thousand square feet of vacant space were 195 thousand square feet of vacancies in the 1.3 million square foot Westfield Hawthorn Center and 116 thousand square feet in the 203 thousand square foot Hawthorn Fashion Square. The loss Linen's & Things and Wicks threatened the survival of Hawthorn Fashion Square. In order to assist Hawthorn Fashion Square's developers, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52 thousand square foot Dick's Sporting Goods to the Village and to Hawthorn Fashion Square. Dick's will be opening in early September of 2010. The 20 year agreement has 70% of the new sales tax rebated to the property owner in the first five year period, 60% in the second five year period, 40% in the third five year period and 30% in the final five year period. The agreement ends once Chase's \$1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years, whichever occurs first.

The other component of the Village's 3.66 million square feet of retail is 837 thousand square feet of freestanding retail. Of the 837 thousand square feet of freestanding retail, of which 15% was vacant as of July 26, 2010. Freestanding retail includes a 170 thousand square foot Target Greatland, a 128 thousand square foot Sam's Club, an 87 thousand square foot Kohl's, a 45 thousand square foot Sports Authority, a 37 thousand square foot Babies R US and a 37 thousand square foot Walter E. Smithe Furniture. Major vacancies among free standing stores that occurred early in 2009 included 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 Tweeter's building was redeveloped during FY2009-10 with a Verizon Store and a Qdoba Grill opening in June and July of 2010. As of the date of this letter, the Village is approved an economic incentive agreement to the owners of the former Circuit City Building to bring a CompUSA/Tiger Direct to Vernon Hills. The sharing arrangement allows the developer to keep everything above the first \$100,000 of sales tax generated for the Village for nine years or until the developer's net present value goal of \$518 thousand (discounted at 5%), whichever occurs first. Each year that the agreement is in effect, the Village keeps the first \$100,000 of sales tax generated by CompUSA/Tiger Direct.

Another significant retail development currently proposed for the Shoppes at Gregg's Landing is a 70 thousand square foot Mariano's Fresh Market, which is a high end grocery store owned by Roundy's. In order to assist the developer in bringing Mariano's to Vernon Hills, the Village is offering the developer 37% of the sales tax generated for fifteen years or until \$955,000 net present value (discounted at 5%) is realized, whichever occurs first. This agreement was approved by the Village on August 31, 2010. Construction of Mariano's is expected to start in September with the store opening in June of 2011. Another recent development was the construction of a five thousand square foot free standing Chili's restaurant in the Aspen Point Shopping Center, which opened in August of 2010.

Overall, for Shopping Malls and Free Standing stores, the Village, which had a vacancy rate of 7% on June 19, 2008, experienced a vacancy rate increase to 13% by July 24, 2009 and to 15% as of July 26, 2010. The increased vacancy rate, including the loss of Circuit City, Home Expo, Plunkett Furniture, Linens' & Things, and Wicks as well the effect of the national economy on reducing consumer demand has resulted in the reduction of the Village's major revenue source, sales tax, by \$495 thousand or 5.1% from the FY2008-09 level to \$9.15 million in FY2009-10. This comes on top of a \$715 thousand drop in FY2008-09 from the FY2007-08 level of \$10.36 million; thus over 2 years, sales tax has fallen by \$1.21 million.

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 Vlissingen and Company began development in the Village of a 320-acre office and light-manufacturing park known as Corporate Woods. According to *Crains*, Corporate Woods is the 15th largest industrial park in the Chicago region. Among the largest buildings in Corporate Woods is the 130 thousand square foot Richard Wolf Medical Instrument Corporation building, 235 thousand square foot Mitsubishi building and the 161 thousand square foot Z.F. Industries building. During 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 followed by a 201 thousand square foot American Hotel Register distribution center.

The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, PNC Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, Amcore Bank and the Vernon Hills Bank and Trust. A second PNC Bank is being planned in the Tax Increment District. The Village has four hotels: the 148 unit Hotel Indigo, the 119 unit Holiday Inn Express, the 124-unit Homestead Village and the 128-unit Extended Stay America. A 5% Hotel Motel Tax was extended on these facilities on October 1, 1999. Hotel Motel Taxes were down 8.3% in FY2009-10 from the FY2008-09 and down 30.8% from FY2007-08. Two multi-screen movie theatres and a comedy club contribute to the Village's amusement tax base. The Amusement Tax was up 8.4% in FY2009-10 from the prior year.

At this time, construction is expected to begin during October of 2010 on the Victory Centre of Vernon Hills. The complex will consist of a five story senior apartment complex with 114 units, a five story supportive living facility with 120 units and a 163 space parking deck/lot. The facility will be built on 3.5 acres currently owned by the Village, and the sale of this property to Pathway Senior Living LLC for \$1 million is anticipated to occur on or about October 1, 2010. It is anticipated that the project will be complete by December 1, 2011.

In 1988, the Village annexed the Cuneo Estate, which was a 1,200-acre track of previously undeveloped land. It is zoned to include retail, office park and residential components. The residential and golf course component of this development is called Gregg's Landing. Currently, of the 2,100 homes are approved for the development, as of April 30, 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 Village has the right to exercise buy out options in 2013 and 2018, and the Golf Course will automatically revert to the Village in 2024. The Village receives a share of gross revenues at an escalating rate that begins with 0.01% from 2007 through 2011, increases to 0.25% from 2012 through 2019, to 10% in 2020 and 2021, to 15% in 2022 and, finally reaches 20% in 2023 and 2024.

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. For Calendar year 2009, the TIF District had a \$3,645,858 thousand incremental assessed valuation and a \$236,288 tax extension. In the Opus North development, two 66 unit condo buildings were approved for this site, of which one has been built 66 units with the majority of the units sold or rented out. 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 15 have been occupied. In the VHTC development a Starbuck's and a Roti's Mediterranean Grill opened during FY2008-09. During FY2009-10, VHTC completed a six story mixed use building with 84 one and two bedroom luxury apartments, underground parking and 10,000 square feet of retail. Currently all 84 residential units have certificates of occupancy and have been rented out or are in the process of being rented out; while 40% of the retail space has been leased. A proposal has been submitted for the construction of a PNC Bank on another piece of the VHTC site.

FY 2009-10 Village capital expenditures in the Tax Increment District slowed down to \$995 thousand following \$7.18 million in FY2007-08 and \$5.19 million in FY2008-09. Going forward it is anticipated that the Village will of minimal capital expenditures in the TIF. During FY2009-10, \$793 thousand of TIF debt was issued following the issuance of \$10.63 million of TIF debt during FY2007-08 and the

issuance of \$1.54 million of TIF Debt during FY2008-09. 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 authorized to be purchased by the developer. The draws that occurred in FY2008-09 totaled \$1,542,192. Subsequently, early in FY2009-10, \$487,808 was drawn down, bringing the total draw down to \$2,030,000. In order to assist VHTC in obtaining enough liquidity to offer needed incentives to retailers, the Village agreed to authorize the assignment of those notes. As part of that process, the Redevelopment Agreement with VHTC was amended and those notes became unconditional contractual obligations of the Village. The amendment also extended the maturity of the original \$3,628,000 Note and the newly created \$2,030,000 Note until August 1, 2012 and made the notes callable at par on or after July 1, 2011. Those Notes were rated on August 26, 2009 and received an Aa1 rating from Moody's, the underlying rating of the Village. The Village's rating was also reconfirmed at Aa1. On March 29, 2010, a third Note for \$305,000 was issued to the developer with the same 8% coupon and maturity and call terms as the other notes. Subsequently, on April 20, 2010, Moody's, as part of its rating recalibration process, revised the Village's General Obligation bond rating to Aaa.

As mentioned above the Village has seen a significant drop in its major source of revenue over the past two years. Additionally, over the past couple of years the Village has seen significant declines in investment income, license permits and fees, income tax, the telecommunications tax, the electric utility tax, the hotel motel tax and fines and forfeitures. General Fund revenues have fallen from \$22.70 million in FY2007-08 to \$19.97 million in FY2008-09 to \$17.58 million in FY2009-10. Some of the revenue results in FY2007-08, particularly in investment income and licenses, permits and fees, were one time occurrences, but much of the decline over the past couple of years reflects a fundamental declining trend. While some recovery is anticipated going forward, it will not be enough to reverse the overall trend that started in the middle of Calendar Year 2008. In reaction to this trend, the Village offered an early retirement incentive of six months of pay and two years of health insurance to employees who were already eligible for a pension. Of the nine people who took advantage of the program, only one was replaced. Because the program ran through May 1, 2010, the benefits of this program will not be recognized until FY2010-11. This program, combined with attrition, reduced the full-time headcount from 109 employees in the beginning of FY2009-10 to 99 full-time employees in FY2010-11. The cost of the Accelerated Retirement Incentive was \$395 thousand in FY2009-10 and is anticipated to cost about \$100 thousand in FY 2010-11 and FY2011-12. After April 30, 2012, there will be no additional costs to the program. The Accelerated Retirement Incentive is anticipated to save over \$800 thousand a year in salary and fringes in FY2010-11 and 2011-12, and over \$900 thousand a year thereafter. A number of other reductions were initiated in FY2009-10 that will have a continual impact in future years. The most significant of these was the elimination of the Village's subsidy for the recycling services provided to the Village's residents. That subsidy was running at about \$331 thousand a year, with future increases anticipated. This subsidy was eliminated during the last three months of FY2009-10. Other reductions were made to employee benefits, Village events, equipment purchases, training and the level of certain contractual services.

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, 2009.

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.

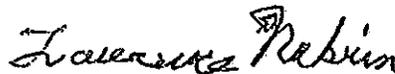
Vernon Hills' Village Manager Mike Allison, as well as Assistant Village Manager John Kalmar, are credentialed managers under the International City Manager's Association's program.

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. Mary Grampo is also appreciated 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.

INDEPENDENT AUDITORS' REPORT

August 12, 2010

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, 2010, 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.

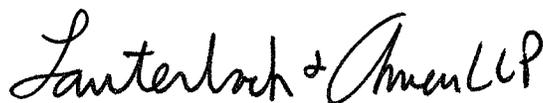
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes 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, 2010, 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.

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

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

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, 2010. 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 FY2009-10 the Village of Vernon Hills' net assets declined by 5% or \$5,946,026 to \$118,049,782. This was an improvement over FY2008-09 when net assets declined by \$8,160,446. This improvement in FY2009-10, when compared to FY2008-09, occurred despite a \$2,979,249 decline in revenues from FY2008-09 levels because of a \$5,193,669 decline in expenses from FY2008-09 levels.
- Governmental activity expenses decreased by \$5,089,198 or 17% from FY2008-09. The activities that contributed most to this decrease were General Government which decreased by \$2,048,004 from FY2008-09 to an FY2009-10 level of \$5,361,615, Economic Development which decreased by \$1,426,215 from FY2008-09 to an FY2009-10 level of \$1,426,215 and Streets and Roads which decreased by \$1,374,319 from FY2008-09 to an FY2009-10 level of \$7,233,167.
- General Government expenses decreased by \$2,048,004 in FY2009-10 from a level that was inflated in FY2008-09 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. The decrease in General Government occurred despite the payment of \$395,499 in Accelerated Early Retirement incentive payments.
- Economic Development costs decreased by \$1,426,215 from FY2008-09 levels as the contributions to developers for their capital and land acquisition costs slowed down as the Village's role in the project neared completion.
- Street and Roads expenses decreased by \$1,374,319 as the Village cut back on the size of its road maintenance and storm water maintenance programs and its operating costs.
- General revenues in the Statement of Activities declined by \$1,826,167 or by 10.7% from FY2008-09 levels. This included a \$710,945 decline in Interest Income, a \$495,458 decline in Sales Tax and a \$255,452 decline in State Income Tax.
- The \$710,945 decline in investment income from FY2008-09 levels represented a 76% decrease. Besides the lower interest rate environment, \$391,137 of this decrease was from a decline in market value surplus over book value as higher yielding investments in the Village's laddered investment either got closer to maturity or matured and were replaced by lower yielding securities.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

FINANCIAL HIGHLIGHTS - Continued

- Business-type Activity Net Assets decreased by 2% or \$13,757 to \$595,465 as Golf Course expenses were cut by \$104,471 or 16% from FY2008-09 levels.
- The General Fund had a \$1,974,000 deficit as revenues fell by \$2,389,837 or 12% and expenditures fell by \$546,715 or 3%.
- Among the other Governmental Funds, a \$1,022,175 deficit occurred in the Tax Increment Fund, a \$383,653 deficit occurred in the Motor Fuel Tax Fund and a \$19,589 deficit occurred in the VHAC Site Development Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 - 6) provide information about the activities of the Village of Vernon Hills as a whole and present a longer-term view of the Village of Vernon Hills' finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village of Vernon Hills' operation in more detail than the government-wide statements by providing information about the Village of Vernon Hills' most significant funds. The remaining statements provide financial information about activities for which the Village of Vernon Hills acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Village of Vernon Hills' finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 3 - 6 of this report.

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements – Continued

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

The Village of Vernon Hills does not include any separate legal entity in its report that would be considered a “component unit”. A “component unit” is defined as a legally separate unit for which a government is financially accountable for it. Financial information for the component unit is reported separately from the financial information presented for the primary government itself. The Village does have a “blended component unit” with the Police Pension Fund. Blended component units are separate legal entities that meet the component unit criteria and whose governing body is the same or substantially the same as the Village Board or the component unit provides services entirely to the Village.

Fund Financial Statements

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

Governmental Funds

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

USING THIS ANNUAL REPORT - Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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.

Proprietary Funds

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Golf Course Fund and for the Equipment Replacement Fund, which are considered to be major funds of the Village of Vernon Hills

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village of Vernon Hills' own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 16 - 17 of this report.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

USING THIS ANNUAL REPORT - Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village of Vernon Hills' I.M.R.F., police employee pension, and other postemployment benefits obligations. 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 - 72 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 \$118.1 million. The prior year, assets exceeded liabilities by \$124.0 million.

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 26.7	29.9	(0.2)	(0.2)	26.5	29.7
Capital Assets	120.5	123.7	0.8	0.9	121.3	124.6
Total Assets	147.2	153.6	0.6	0.7	147.8	154.3
Long-Term Debt Outstanding	(24.5)	(25.0)	-	-	(24.5)	(25.0)
Other Liabilities	(5.2)	(5.2)	-	(0.1)	(5.2)	(5.3)
Total Liabilities	(29.7)	(30.2)	-	(0.1)	(29.7)	(30.3)
Net Assets						
Invested in Capital Assets, Net of Debt	95.4	98.1	0.8	0.8	96.2	98.9
Restricted	3.0	3.4	-	-	3.0	3.4
Unrestricted (Deficit)	19.1	21.9	(0.2)	(0.2)	18.9	21.7
Total Net Assets	117.5	123.4	0.6	0.6	118.1	124.0

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Over 81 percent of the Village of Vernon Hills' net assets, or a total of \$96.2 million reflect the Village's investment in capital assets (for example, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village of Vernon Hills uses these capital assets to provide services to citizens`; consequently, these assets are not available for future spending. Although the Village of Vernon Hills' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 3 percent or \$3.0 million, of the Village of Vernon Hills' net assets represents resources that are subject to external restrictions on how they may be used. The remaining 16 percent, or \$18.9 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, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Assets (in Millions)					
	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	\$ 2.3	2.7	0.5	0.5	2.8	3.2
Operating Grants/Contributions	0.6	0.9	-	-	0.6	0.9
Capital Grants/Contributions	-	0.3	-	-	-	0.3
General Revenues						
Sales Tax	9.2	9.8	-	-	9.2	9.8
Utility Tax	1.4	1.4	-	-	1.4	1.4
Intergovt. Unrestricted						
State Income Tax	1.8	2.1	-	-	1.8	2.1
Telecommunications Tax	1.5	1.6	-	-	1.5	1.6
Other Taxes and Fees	1.1	1.3	-	-	1.1	1.3
Interest Income	0.2	0.9	-	-	0.2	0.9
Miscellaneous	0.1	0.2	-	-	0.1	0.2
Total Revenues	18.2	21.2	0.5	0.5	18.7	21.7
Expenses:						
General Government	5.4	7.4	-	-	5.4	7.4
Public Safety	8.8	8.9	-	-	8.8	8.9
Streets and Roads	7.2	8.7	-	-	7.2	8.7
Economic Development	1.1	2.5	-	-	1.1	2.5
Culture and Recreation	0.2	0.3	-	-	0.2	0.3
Interest on Long-Term Debt	1.4	1.4	-	-	1.4	1.4
Golf Course	-	-	0.5	0.6	0.5	0.6
Total Expenses	24.1	29.2	0.5	0.6	24.6	29.8
Increase (Decrease) in Net Assets	(5.9)	(8.0)	-	(0.1)	(5.9)	(8.1)
Net Assets-Beginning as Restated	123.4	131.4	0.6	0.7	124.0	132.1
Net Assets-Ending	117.5	123.4	0.6	0.6	118.1	124.0

Total net assets fell by \$5.9 million to \$118.1 million. In FY2008-09, net assets fell by \$8.1 million. The net assets for governmental activities fell by \$5.9 million to \$117.5 million, compared to a \$8.0 million decline in FY2008-09. Business activities fell by less than \$0.1 million to remain stable at \$0.6 million.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities

The Village's \$5.9 million decrease in its governmental net assets represented a 4.8% decrease; as compared to FY2008-09 when the decline was 6.1%. Revenues decreased by \$3.0 million or by 14.1%, while expenses decreased by \$5.1 million or by 17.4%. Highlights of this increase from FY2008-09 included:

- General Government expenses decreased by \$2.048 million from FY2008-09 levels predominantly because FY2008-09's expenditures in this category was inflated by a \$2.054 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. This 2.048 million decline occurred despite the fact that in FY2009-10, there were \$395 thousand of expenses for the bulk of the Village's Accelerated Retirement Incentive program.
- Economic Development decreased by \$1.426 million from FY2008-09 to an FY2009-10 level of \$1.147 million, which occurred because the contributions to developers for their capital and land acquisition costs slowed down as the Village's role in the project neared completion.
- Streets and Roads decreased by \$1.374 million from FY2008-09 to an FY2009-10 level of \$7.233 million, as the Village cut back on the size of its road maintenance and storm water maintenance programs and its operating costs.
- General revenues declined by \$1.826 million or by 10.7% from FY2008-09 levels. This included a \$711 thousand decline in Interest Income, a \$495 thousand decline in Sales Tax and a \$255 thousand decline in State Income Tax.
- The \$711 thousand decline in investment income from FY2008-09 levels represented a 76% decrease. Besides the lower interest rate environment, \$391 thousand of this decrease was from a decline in market value surplus over book value as higher yielding investments in the Village's laddered investment either got closer to maturity or matured and were replaced by lower yielding securities .
- Sales tax fell by \$495 thousand or 5.1 % from FY2008-09 levels. This follows a \$716 thousand drop in sales tax in FY2008-09 from FY2007-28 levels. Thus the cumulative effect of this severe economic downturn and Village sales in is a drop of \$1.211 million or 11.7% from FY2007-08 levels to FY2009-10 levels.
- Charges for service declined by \$608 thousand or 21.0%. This included a \$215 thousand drop in licenses and permits and a \$130 thousand declines in revenues from fines.
- Operating grants declined by \$291 thousand while capital grants declined by \$252 thousand.

The \$5.9 million decline in Governmental Activities net assets in FY2009-10 comes after a \$8.0 million decline in FY2008-09. This improvement in FY2009-10 occurred despite several adverse factors. First, the \$3.0 million drop in revenues from FY2008-09 levels. Second, economic development expenses continued in the Tax Increment District, but the resulting incremental revenues would not start to materialize during the FY2009-10 timeframe.

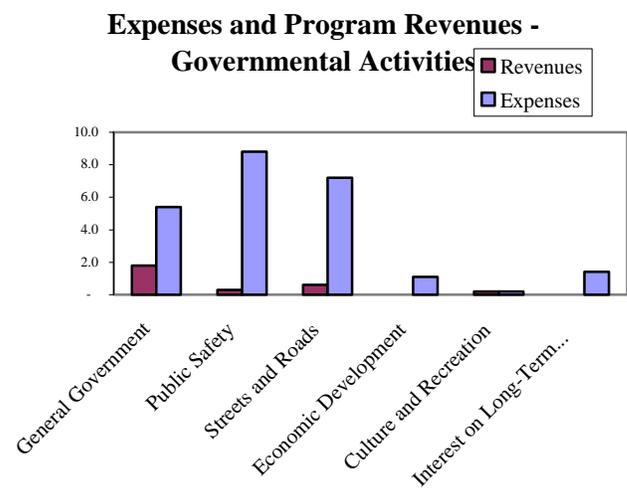
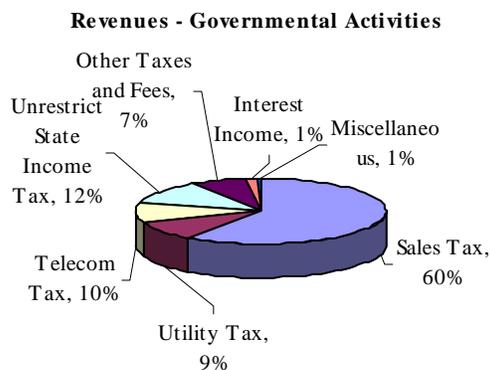
VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

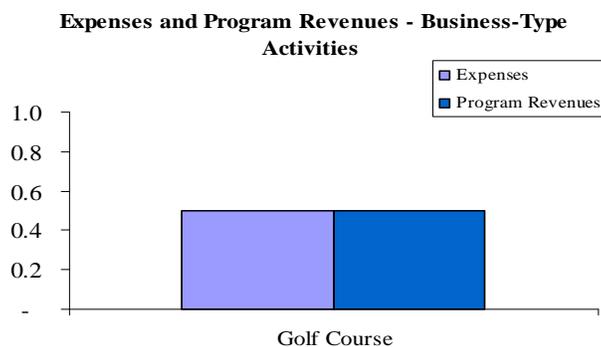
Governmental Activities – Continued

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



Business-type activities

As the graph below demonstrates, the \$544 thousand of golf course expenses were nearly matched by program revenues that amounted to \$530 thousand for charges for services. Expenses declined by \$104 thousand or 16% from FY2008-09 levels partly because of the reduction in improvements that did not meet the capitalization threshold. Revenues decreased by \$2 thousand from FY2008-09 levels. For Calendar Year 2009 there were 22.0 thousand rounds played, a 5.7% increase from Calendar Year 2008.



VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

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 \$4.193 million. However, due to the issuance of \$793 thousand in tax increment revenue debt in the Tax Increment Fund, the fund balance decrease was \$3.40 million to \$20.66 million. Of that amount \$16.28 million was Unreserved and Undesignated. Several major factors contributed to this deficit:

- The Tax Increment Fund had a \$1.02 million decrease in its fund balance reducing the balance to -\$2.08 million. This was the result of \$922 thousand expended for Economic Development in the Tax Increment District, \$883 thousand expended for debt service payments related to the development of the Tax Increment District, and \$10 thousand expended for the issuance of a note. The decline in the fund balance was mitigated by the issuance of \$793 thousand of TIF revenue notes.
- The General Fund balance decreased by \$1.97 million to \$19.90 million, compared to FY2008-09 when the fund balance increased by \$280 thousand. Most of the change was on the revenue side where revenues fell by \$2.39 million or 12.0%. Expenditures declined by \$547 thousand or 2.7%.
- Major components of the General Fund revenue decline from FY2008-09 levels included a \$611 thousand drop in Interest income, a \$495 thousand drop in Sales Tax, a \$252 thousand drop in State Income Tax, a \$215 thousand drop in Licenses, Permits and Fees, a \$132 thousand drop in the Telecommunication Tax and a \$130 thousand drop in Fines and Forfeitures.
- The \$611 thousand decline in investment income from FY2008-09 levels represented a 74% decrease. Besides the lower interest rate environment, \$381 thousand of this decrease was from a decline in market value surplus over book value as higher yielding investments in the Village's laddered investment either got closer to maturity or matured and were replaced by lower yielding securities.
- The Sales tax decline by \$495 thousand was a 5.1 % drop from FY2008-09 levels. This follows a \$716 thousand drop in sales tax in FY2008-09 from FY2007-28 levels. Thus the cumulative effect of this severe economic downturn and Village sales in is a drop of \$1.211 million or 11.7% from FY2007-08 levels to FY2009-10 levels.
- The \$547 thousand decline in General Fund expenditures occurred despite the fact that there was a \$395 thousand expenditure for an Accelerated Retirement Incentive in FY2009-10 that did not occur in FY2008-09.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental funds – Continued

- The Motor Fuel Tax Fund had a \$384 thousand decrease in its fund balance reducing its balance to \$2.27 million. This was the result of a \$1.00 million annual road program, offset by \$610 thousand of Motor Fuel Tax revenues and \$14 thousand of investment income.

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 2009, the Golf Course had projected 21.5 thousand rounds would be played, the actual play was 22.0 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 FY2009-10, the Golf Course Generated \$531 thousand of revenues and had \$545 thousand of expenditures resulting in a \$14 thousand operating loss. The decline in net assets was \$14 thousand bringing the net assets to a level of \$595 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Transfers are routinely made between expenditure accounts are made during the year. Additionally, increases to the budget occur routinely early in the fiscal year as a result of the Village's policy of carrying forward into the current fiscal year encumbrances or commitments budgeted but not expended in the prior fiscal year. In FY2009-10, carry forward increased the General Fund budget by \$1.341 million, of which \$967 thousand was in the Capital budget and \$374 thousand was in the operating budgets. The General budget was also increased by \$405 thousand to fund the Accelerated Retirement Incentive. In contrast to these two additions to the budget, there were \$767 thousand of net decreases in the budget, accomplished through budget cuts in response to the weakening revenue picture. Actual revenues in the General Fund missed budgeted revenues by \$3.772 million. Of that amount, \$1.0 million was a timing issue, because the sale of the Deerpath Atrium property was expected during FY2009-10 and it is now anticipated to occur during over during the first half of FY2010-11. Actual taxes missed budgeted projections by \$1.474 million; most significantly, sales tax missed its projection by \$470 thousand and State Income Tax missed its projection by \$352 thousand. The Telecommunications Tax, The Electric Utility Tax and the Hotel Motel Tax were also substantially short of the budgeted levels. Also significant was the fact that interest income missed its projection by \$477 thousand, largely because \$381 thousand of this decrease was from a decline in market value surplus over book value as higher yielding investments in the Village's laddered investment either got closer to maturity or matured and were replaced by lower by lower yielding securities. Expenditures were under budget \$2.298 million, of which \$1.095

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued

million was with the Capital budget and \$1.203 million was in the operating budget. Of the \$1.095 million of unexpended capital \$665 thousand was carried forward into the FY2010-11 budget and \$430 thousand was actual savings. Of the \$1.203 million of unexpended operating items, \$184 thousand was carried forward into the FY2010-11 budget and \$1.019 million was actual savings. Expenditures were substantially below budget in categories which included \$203 thousand in Police Personal Services costs, \$196 thousand in Public Works Commodities costs, \$156 thousand in Public Works Contractual costs, and \$160 thousand in Resident Benefit Contractual costs including the payment of recycling for Village residents. In the General Fund there was a \$23,538 overage in the 911 budget because the Village did not budget the amortization of a ten year pre payment of 911 services from AT&T. The Summer Celebration expenditures were \$648 over budget, with a \$4,205 overage in Commodities partially offset by a \$3,557 underage in Contractual Services. Finally, there was a \$923 overage in the Administration Equipment budget.

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, 2010 was \$121.3 million. This change represented a decrease of \$3.3 million, or 2.7% from FY2008-09. Additional information on the Village of Vernon Hills' capital assets can be found in note 3 on pages 34 - 35 of this report.

	Capital Assets - Net of Depreciation (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 5.6	5.6	0.3	0.3	5.9	5.9
Land Improvements	9.7	9.9	0.1	0.2	9.8	10.1
Buildings and Improvements	17.2	17.7	0.3	0.3	17.5	18.0
Equipment/Vehicles	1.6	1.9	0.1	0.1	1.7	2.0
Infrastructure	86.4	88.6	-	-	86.4	88.6
Total	120.5	123.7	0.8	0.9	121.3	124.6

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Capital Assets – Continued

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

Land Improvements	\$ 0.3
Equipment/Vehicles	0.1
Infrastructure	<u>0.3</u>
	<u><u>0.7</u></u>

Debt Administration

At year-end, the Village of Vernon Hills had total outstanding bonded debt of \$25.2 million as compared to \$25.5 million the previous year, a decrease of 1.4 percent. Although the amount of General Obligation debt had decreased \$1.55 million, an additional \$793 thousand of Tax Increment Notes were issued in FY2009-10. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-Type		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 12,190,000	13,340,000	-	-	12,190,000	13,340,000
Revenue Bonds/Notes	12,963,000	12,170,192	-	-	12,963,000	12,170,192
Capital Leases	-	-	15,230	27,612	15,230	27,612
Total	25,153,000	25,510,192	15,230	27,612	25,168,230	25,537,804

During FY2008-09, a \$2,335,000 Developer Infrastructure Draw-Down Note, also with an 8.0% coupon, was authorized to be purchased by the developer. The draws that occurred in FY2008-09 totaled \$1,542,192. Subsequently, early in FY2009-10, \$487,808 was drawn down, bringing the total draw down to \$2,030,000. In order to assist VHTC 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 an 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 26, 2009 and received an Aa1 rating from Moody's, the underlying rating of the Village. The Village's rating was also reconfirmed at Aa1. On March 29, 2010, a third Note for \$305,000 was issued to the developer with the same 8% coupon and maturity and call terms as the other notes.

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis April 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration – Continued

Subsequently, on April 20, 2010, Moody's, as part of its rating recalibration process, revised the Village's General Obligation bond rating to Aaa. Village's General Obligation bond rating from Standard & Poor's remains an AA rating. Additional information on the Village of Vernon Hills' debt administration can be found in note 3 on pages 36 - 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 and revising the fiscal-year 2009-10 budget, and fees that will be charged for its services. One of those factors is the economy. The average unemployment rate for calendar year 2009 for the Village of Vernon Hills was 9.3% which is over three percent higher than the 6.2% rate in 2008. The 9.3% unemployment rate for 2009 compares favorably to the Lake County unemployment rate for 2009 of 9.8% and the State of Illinois unemployment rate for 2009 of 10.1%. Although the median income date pre-dates the recession, 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 2009, the total sales tax before economic incentive rebate was \$10.24 million. This was \$1.380 million less than in Calendar Year 2008, representing an 11.9% decrease. The most significant reduction was an \$868 thousand or 22.0% reduction in the category the Standard Industrial Classification Code classifies as Furniture and Household and Radio, which fell to a level of \$3.084 million. Other significant reductions included a \$160 thousand or 20.1% reduction in the Category classified as Apparel, a \$109 thousand or 3.8% reduction in the Category classified as General Merchandise and an \$84 thousand reduction in the Category Drugs and Miscellaneous Retail. The only increase was in the Category Drinking and Eating places, which experienced a \$25 thousand or 3.1% increase.

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, 2010**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets

April 30, 2010

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 20,353,249	-	20,353,249
Receivables - Net of Allowances			
Taxes	1,511,098	-	1,511,098
Accounts	2,511,449	260	2,511,709
Accrued Interest	149,804	-	149,804
Prepays/Inventory	378,084	23,607	401,691
Internal Balances	662,899	(180,967)	481,932
Due from Other Governments	17,696	-	17,696
Total Current Assets	<u>25,584,279</u>	<u>(157,100)</u>	<u>25,427,179</u>
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	5,688,623	302,282	5,990,905
Depreciable Capital Assets	160,982,073	2,122,163	163,104,236
	<u>166,670,696</u>	<u>2,424,445</u>	<u>169,095,141</u>
Accumulated Depreciation	(46,161,494)	(1,639,370)	(47,800,864)
	<u>120,509,202</u>	<u>785,075</u>	<u>121,294,277</u>
Other Assets			
Long-Term Notes Receivable	907,834	-	907,834
Net Pension Asset	179,508	-	179,508
	<u>1,087,342</u>	<u>-</u>	<u>1,087,342</u>
Total Noncurrent Assets	<u>121,596,544</u>	<u>785,075</u>	<u>122,381,619</u>
Total Assets	<u>147,180,823</u>	<u>627,975</u>	<u>147,808,798</u>

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

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	190,158	8,725	198,883
Accrued Payroll	692,343	2,695	695,038
Accrued Interest Payable	1,065,644	-	1,065,644
Deposits Payable	962,402	-	962,402
Unearned/Deferred Revenue	933,337	5,860	939,197
Compensated Absences Payable	142,328	-	142,328
Current Portion of Long-Term Debt	1,190,000	15,230	1,205,230
Total Current Liabilities	5,176,212	32,510	5,208,722
Noncurrent Liabilities			
Compensated Absences Payable	569,312	-	569,312
Other Postemployment Benefit Payable	17,982	-	17,982
Installment Contracts/Capital Leases Payable	-	-	-
TIF Revenue Bonds/Notes Payable	12,963,000	-	12,963,000
Alternate Revenue Bonds Payable	11,000,000	-	11,000,000
Total Noncurrent Liabilities	24,550,294	-	24,550,294
Total Liabilities	29,726,506	32,510	29,759,016
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	95,356,202	769,845	96,126,047
Restricted - Special Revenues	2,076,789	-	2,076,789
Restricted - Capital	948,828	-	948,828
Unrestricted	19,072,498	(174,380)	18,898,118
Total Net Assets	117,454,317	595,465	118,049,782

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, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Primary Government				
Governmental Activities				
General Government	\$ 5,361,615	1,839,779	-	-
Public Safety	8,785,116	278,121	8,065	-
Streets and Roads	7,233,167	-	609,623	-
Economic Development	1,147,173	-	-	-
Culture and Recreation	245,328	170,780	-	-
Interest on Long-Term Debt	1,361,865	-	-	-
Total Governmental Activities	24,134,264	2,288,680	617,688	-
Business-Type Activities				
Golf Course	544,291	530,478	-	-
Total Primary Government	24,678,555	2,819,158	617,688	-

General Revenues

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

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
(3,521,836)	-	(3,521,836)
(8,498,930)	-	(8,498,930)
(6,623,544)	-	(6,623,544)
(1,147,173)	-	(1,147,173)
(74,548)	-	(74,548)
(1,361,865)	-	(1,361,865)
(21,227,896)	-	(21,227,896)
-	(13,813)	(13,813)
(21,227,896)	(13,813)	(21,241,709)
9,153,021	-	9,153,021
1,351,570	-	1,351,570
248,826	-	248,826
311,658	-	311,658
193,805	-	193,805
1,454,587	-	1,454,587
-	-	-
412,477	-	412,477
1,801,143	-	1,801,143
225,103	56	225,159
143,437	-	143,437
15,295,627	56	15,295,683
(5,932,269)	(13,757)	(5,946,026)
123,386,586	609,222	123,995,808
117,454,317	595,465	118,049,782

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

VILLAGE OF VERNON HILLS, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2010

	<u>General</u>
ASSETS	
Cash and Investments	\$ 16,736,079
Receivables - Net of Allowances	
Taxes	1,460,442
Accounts	2,510,137
Accrued Interest	143,997
Other	1,312
Prepays	378,084
Due from Other Governments	17,696
Due from Other Funds	1,738,899
Long-Term Notes Receivable	<u>907,834</u>
 Total Assets	 <u><u>23,894,480</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	170,198
Accrued Payroll	692,343
Interest Payable	-
Deposits Payable	962,402
Due to Other Funds	948,828
Unearned/Deferred Revenue	<u>1,220,047</u>
Total Liabilities	<u><u>3,993,818</u></u>
Fund Balances	
Reserved - Prepays	378,084
Reserved - Special Revenues	189,316
Reserved - Capital	-
Reserved - Long-Term Receivables	907,834
Unreserved - Designated - Commitments	80,917
Unreserved - Undesignated	<u>18,344,511</u>
Total Fund Balances	<u><u>19,900,662</u></u>
 Total Liabilities and Fund Balances	 <u><u>23,894,480</u></u>

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

Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
1,850,970	982,457	-	19,569,506
50,656	-	-	1,511,098
-	-	-	2,510,137
5,807	-	-	149,804
-	-	-	1,312
-	-	-	378,084
-	-	-	17,696
-	-	948,828	2,687,727
-	-	-	907,834
<u>1,907,433</u>	<u>982,457</u>	<u>948,828</u>	<u>27,733,198</u>
19,960	-	-	190,158
-	-	-	692,343
-	886,845	-	886,845
-	-	-	962,402
-	2,176,000	-	3,124,828
-	-	-	1,220,047
<u>19,960</u>	<u>3,062,845</u>	<u>-</u>	<u>7,076,623</u>
-	-	-	378,084
1,887,473	-	-	2,076,789
-	-	948,828	948,828
-	-	-	907,834
-	-	-	80,917
-	(2,080,388)	-	16,264,123
<u>1,887,473</u>	<u>(2,080,388)</u>	<u>948,828</u>	<u>20,656,575</u>
<u>1,907,433</u>	<u>982,457</u>	<u>948,828</u>	<u>27,733,198</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, 2010

Total Governmental Fund Balances \$ 20,656,575

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. 119,839,314

A net pension asset is not considered to represent a financial resource and
therefore, is not reported in the funds. 179,508

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. 2,553,631

Revenues not available to pay for current period expenditures
are deferred in the funds. 286,710

Long-term liabilities are not due and payable in the current
period and therefore, are not reported in the funds.

Revenue Bonds/Notes Payable	(12,963,000)
Alternate Revenue Source Bonds Payable	(12,190,000)
Compensated Absences Payable	(711,640)
Other Postemployment Benefit Obligation Payable	(17,982)
Accrued Interest Payable	(178,799)

Net Assets of Governmental Activities 117,454,317

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, 2010**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended April 30, 2010**

	<u>General</u>
Revenues	
Taxes	\$ 14,928,038
Intergovernmental	8,065
Licenses and Permits	1,012,321
Charges for Services	998,238
Fines and Forfeits	278,121
Interest	211,149
Miscellaneous	143,437
Total Revenues	<u>17,579,369</u>
Expenditures	
Current	
General Government	4,616,386
Public Safety	8,490,969
Streets and Roads	3,642,276
Economic Development	-
Culture and Recreation	245,328
Capital Outlay	933,539
Debt Service	
Principal Retirement	1,150,000
Interest and Fiscal Charges	475,771
Issuance Costs	-
Total Expenditures	<u>19,554,269</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,974,900)
Other Financing Sources	
Debt Issuance	<u>-</u>
Net Change in Fund Balances	(1,974,900)
Fund Balances - Beginning	<u>21,875,562</u>
Fund Balances - Ending	<u><u>19,900,662</u></u>

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

Motor Fuel Tax	Tax Increment	VHAC Site Development	Total Governmental Funds
-	-	-	14,928,038
609,623	-	-	617,688
-	-	-	1,012,321
-	-	-	998,238
-	-	-	278,121
13,820	134	-	225,103
-	-	-	143,437
623,443	134	-	18,202,946
-	-	-	4,616,386
-	-	-	8,490,969
1,007,096	-	-	4,649,372
-	922,078	-	922,078
-	-	-	245,328
-	-	19,589	953,128
-	-	-	1,150,000
-	883,039	-	1,358,810
-	10,000	-	10,000
1,007,096	1,815,117	19,589	22,396,071
(383,653)	(1,814,983)	(19,589)	(4,193,125)
-	792,808	-	792,808
(383,653)	(1,022,175)	(19,589)	(3,400,317)
2,271,126	(1,058,213)	968,417	24,056,892
1,887,473	(2,080,388)	948,828	20,656,575

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (3,400,317)

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	728,033
Depreciation Expense	(3,743,136)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (951)

An increase in a net pension asset is not considered to be a decrease in a
financial asset in the governmental funds. 45,156

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	(792,808)
Retirement of Alternate Revenue Source Bonds	1,150,000
Additions to Compensated Absences Payable	31,828
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. 6,945

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. 51,269

Changes in Net Assets of Governmental Activities (5,932,269)

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, 2010

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
ASSETS		
Current Assets		
Cash and Investments	\$ -	783,743
Receivables - Accounts	260	-
Inventory	23,607	-
Due from Other Funds	-	1,100,000
Total Current Assets	<u>23,867</u>	<u>1,883,743</u>
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,122,163	1,657,921
	<u>2,424,445</u>	<u>1,657,921</u>
Accumulated Depreciation	(1,639,370)	(988,033)
Total Noncurrent Assets	<u>785,075</u>	<u>669,888</u>
Total Assets	<u>808,942</u>	<u>2,553,631</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	8,725	-
Accrued Payroll	2,695	-
Due to Other Funds	180,967	-
Unearned/Deferred Revenue	5,860	-
Capital Lease Payable	15,230	-
Total Current Liabilities	<u>213,477</u>	<u>-</u>
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	769,845	669,888
Unrestricted	(174,380)	1,883,743
Total Net Assets	<u>595,465</u>	<u>2,553,631</u>

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

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
Year Ended April 30, 2010

	Business-Type Activities - Enterprise <u>Golf Course</u>	Governmental Activities <u>Internal Service Equipment Replacement</u>
Operating Revenues		
Charges for Services	\$ 530,478	170,447
Operating Expenses		
Operations	461,882	-
Depreciation	79,310	119,178
Total Operating Expenses	<u>541,192</u>	<u>119,178</u>
Operating Income (Loss)	<u>(10,714)</u>	<u>51,269</u>
Nonoperating Revenues (Expenses)		
Interest Income	56	-
Interest Expense	(3,099)	-
	<u>(3,043)</u>	<u>-</u>
Change in Net Assets	(13,757)	51,269
Net Assets - Beginning	<u>609,222</u>	<u>2,502,362</u>
Net Assets - Ending	<u>595,465</u>	<u>2,553,631</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, 2010

	Business-Type Activities - Enterprise <u>Golf Course</u>	Governmental Activities <u>Internal Service Equipment Replacement</u>
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 530,256	170,447
Payments to Suppliers and Employees	(527,872)	-
	<u>2,384</u>	<u>170,447</u>
Cash Flows from Noncapital Financing Activities		
Change in Interfund Balances	<u>11,727</u>	-
Cash Flows from Capital and Related Financing Activities		
Interest on Capital Debt	(3,099)	-
Principal on Capital Debt	(12,382)	-
	<u>(15,481)</u>	-
Cash Flows from Investing Activities		
Interest Received	<u>56</u>	-
Net Change in Cash and Cash Equivalents	(1,314)	170,447
Cash and Cash Equivalents - Beginning	<u>1,314</u>	<u>613,296</u>
Cash and Cash Equivalents - Ending	<u>-</u>	<u>783,743</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	<u>(10,714)</u>	<u>51,269</u>
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	79,310	119,178
(Increase) Decrease in Current Assets	(1,769)	-
Increase (Decrease) in Current Liabilities	(64,443)	-
	<u>13,098</u>	<u>119,178</u>
Net Cash Provided by Operating Activities	<u>2,384</u>	<u>170,447</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, 2010**

	<u>Pension Trust</u>	<u>Agency Development</u>
	<u>Police Pension</u>	
ASSETS		
Cash and Cash Equivalents	\$ 611,576	16,319
Investments		
U.S. Government and Agency Securities	11,553,022	-
Municipal Bonds	1,905,499	-
Common Stocks	4,006,606	-
Mutual Funds	6,827,557	-
Receivables		
Accrued Interest	48,831	-
	<u>24,953,091</u>	<u>16,319</u>
LIABILITIES		
Liabilities		
Due to Village	481,932	-
Deposits Payable	-	16,319
	<u>481,932</u>	<u>16,319</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>24,471,159</u>	-

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, 2010**

Additions	
Contributions - Employer	\$ 1,082,676
Contributions - Plan Members	<u>401,572</u>
Total Contributions	<u>1,484,248</u>
Investment Income	
Interest Earned	213,102
Net Change in Fair Value	<u>2,738,511</u>
	2,951,613
Less Investment Expenses	<u>(108,290)</u>
Net Investment Income	<u>2,843,323</u>
Total Additions	<u>4,327,571</u>
Deductions	
Administration	11,965
Benefits and Refunds	<u>808,068</u>
Total Deductions	<u>820,033</u>
Change in Net Assets	3,507,538
Net Assets - Beginning	<u>20,963,621</u>
Net Assets - Ending	<u>24,471,159</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, 2010

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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Blended Component Unit – Continued

Police Pension Employees Retirement System – Continued

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

BASIS OF PRESENTATION

Government-Wide Statements

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

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2010

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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2010

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, 2010

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, 2010

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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Interfund Receivables, Payables and Activity

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

Prepays

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.

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Capital Assets – Continued

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

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

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 2010.

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, 2010

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, 2010**

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, 2010:

<u>Fund</u>	<u>Deficit</u>
Tax Increment	\$ 2,088,388

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, 2010

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

Deposits. At year-end, the carrying amount of the Village's deposits for governmental, business-type, and agency activities totaled \$1,551,262 and the bank balances totaled \$1,864,320.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

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	\$ 6,756,171	1,001,211	5,754,960
U.S. Treasury Bonds	1,919,510	999,290	920,220
Federal National Mortgage Assoc	1,789,380	-	1,789,380
Federal Home Loan Banks	5,197,187	-	5,197,187
SBA GTD	80,666	-	80,666
Illinois Funds	2,560,955	2,560,955	-
Illinois Metropolitan Investment Trust	514,440	514,440	-
	<u>18,818,309</u>	<u>5,075,896</u>	<u>13,742,413</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, 2010

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, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

Deposits. At year-end, the carrying amount of the Fund’s deposits totaled \$611,576 and the bank balances totaled \$611,576.

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	\$ 4,023,692	1,100,667	1,080,359	1,798,776	43,890
U.S. Treasury Bond	2,740,659	-	-	-	2,740,659
Federal Home Loan Banks	102,705	-	-	-	102,705
Federal Home Loan Mortgage Corp	1,386,272	-	379,805	85,936	920,531
Government National Mortgage Assoc	49,812	4,153	-	16,330	29,329
Federal National Mortgage Assoc	2,949,463	-	601,783	88,467	2,259,213
Student Loan Marketing Assoc	150,487	-	-	-	150,487
Israel State	149,932	-	-	-	149,932
Municipal Bonds	1,905,499	-	-	418,741	1,486,758
	<u>13,458,521</u>	<u>1,104,821</u>	<u>2,061,947</u>	<u>2,408,250</u>	<u>7,883,514</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2010

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

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

The Fund's investment policy also states that the portfolio should be allocated appropriately between equity and fixed-income portfolios, and other such investment mediums, which the Fund deems appropriate and prudent, and within the constraints of state law. At year-end, the Fund is in compliance with the guidelines outlined above. In addition to the securities and fair values listed above, the Fund also has \$4,006,606 invested in common stock and \$6,827,557 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, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 5,688,623	-	-	5,688,623
Depreciable Capital Assets				
Land Improvements	13,273,922	266,357	-	13,540,279
Buildings and Improvements	22,639,674	-	-	22,639,674
Equipment/Vehicles	4,285,097	123,680	-	4,408,777
Infrastructure	120,055,347	337,996	-	120,393,343
	<u>160,254,040</u>	<u>728,033</u>	<u>-</u>	<u>160,982,073</u>
Less Accumulated Depreciation				
Land Improvements	3,330,762	515,730	-	3,846,492
Buildings and Improvements	4,943,796	506,151	-	5,449,947
Equipment/Vehicles	2,430,826	339,789	-	2,770,615
Infrastructure	31,593,796	2,500,644	-	34,094,440
	<u>42,299,180</u>	<u>3,862,314</u>	<u>-</u>	<u>46,161,494</u>
Total Net Depreciable Capital Assets	<u>117,954,860</u>	<u>(3,134,281)</u>	<u>-</u>	<u>114,820,579</u>
Total Net Capital Assets	<u>123,643,483</u>	<u>(3,134,281)</u>	<u>-</u>	<u>120,509,202</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 768,769
Public Safety	339,303
Streets and Roads	2,635,064
Equipment Replacement	<u>119,178</u>
	<u>3,862,314</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

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

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 302,282	-	-	302,282
Depreciable Capital Assets				
Land Improvements	736,971	-	-	736,971
Buildings and Improvements	1,019,002	-	-	1,019,002
Equipment/Vehicles	366,190	-	-	366,190
	<u>2,122,163</u>	-	-	<u>2,122,163</u>
Less Accumulated Depreciation				
Land Improvements	535,898	32,807	-	568,705
Buildings and Improvements	698,857	30,490	-	729,347
Equipment/Vehicles	325,305	16,013	-	341,318
	<u>1,560,060</u>	<u>79,310</u>	-	<u>1,639,370</u>
Total Net Depreciable Capital Assets	<u>562,103</u>	<u>(79,310)</u>	-	<u>482,793</u>
Total Net Capital Assets	<u>864,385</u>	<u>(79,310)</u>	-	<u>785,075</u>

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

Golf	<u>\$ 79,310</u>
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PROPERTY TAXES

Property taxes for 2009 attach as an enforceable lien on January 1, 2009, 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, 2010, and September 1, 2010. The County collects such taxes and remits them periodically. The Village has not levied taxes for the current or any of the prior ten fiscal years.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax Increment	\$ 1,076,000
General	Golf Course	180,967
General	Police Pension	481,932
VHAC Site Development	General	948,828
Equipment Replacement	Tax Increment	<u>1,100,000</u>
		<u><u>3,787,727</u></u>

Interfund balances are advances in anticipation of receipts.

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 payment is as follows:

<u>Year Ending April 30</u>	<u>Lease Payment</u>
2011	\$ 15,482
Interest Portion	<u>(252)</u>
Principal Balance	<u><u>15,230</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

Alternate Revenue Bonds

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

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
\$4,595,000 Alternate Revenue Bonds of 2002 - Due in annual installments of \$5,000 to \$480,000 plus interest at 1.75% to 3.75% through March 30, 2013.	General	\$ 1,810,000	-	425,000	1,385,000
\$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	3,095,000	-	300,000	2,795,000
\$3,790,000 Alternate Revenue Refunding Bonds of 2005 - Due in annual installments of \$15,000 to \$390,000 plus interest at 3.00% to 4.125% through March 30, 2021.	General	3,700,000	-	240,000	3,460,000

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds – Continued

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
\$2,050,000 Alternate Revenue Bonds of 2006 - Due in annual installments of \$45,000 to \$160,000 plus interest at 3.750% to 4.050% through March 30, 2026.	General	\$ 1,930,000	-	80,000	1,850,000
\$2,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of \$95,000 to \$220,000 plus interest at 4.00% to 4.125% through March 30, 2027.	General	1,805,000	-	105,000	1,700,000
\$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>13,340,000</u>	<u>-</u>	<u>1,150,000</u>	<u>12,190,000</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

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	487,808	-	2,030,000
\$305,000 Taxable Subordinate Lien Tax Increment Revenue Notes of 2010 - Due in one lump sum plus interest at 8.00% prior to August 1, 2012.	Tax Increment	-	305,000	-	305,000
		12,170,192	792,808	-	12,963,000

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

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	\$ 744,874	33,234	66,468	711,640	142,328
Alternate Revenue Bonds	13,340,000	-	1,150,000	12,190,000	1,190,000
TIF Revenue Bonds/Notes	12,170,192	792,808	-	12,963,000	-
Net Other Post-Employment Benefit Obligation	8,288	9,694	-	17,982	-
	<u>26,263,354</u>	<u>835,736</u>	<u>1,216,468</u>	<u>25,882,622</u>	<u>1,332,328</u>
Business-Type Activities					
Capital Leases Payable	<u>27,612</u>	<u>-</u>	<u>12,382</u>	<u>15,230</u>	<u>15,230</u>

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2010

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
2011	\$ 1,190,000	473,950	-	428,688	-	-
2012	1,245,000	430,324	-	428,688	-	-
2013	1,300,000	384,201	-	428,688	5,963,000 *	2,193,920
2014	845,000	335,636	90,000	428,688	-	-
2015	870,000	303,604	195,000	423,738	-	-
2016	915,000	270,265	260,000	413,013	-	-
2017	950,000	234,703	295,000	398,713	-	-
2018	995,000	196,833	335,000	382,488	-	-
2019	625,000	157,171	375,000	364,063	-	-
2020	655,000	131,959	420,000	340,625	-	-
2021	685,000	105,447	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	-	-
	12,190,000	3,291,182	7,000,000	5,503,637	5,963,000	2,193,920

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

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 - 2009	<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 Bonds	<u>12,190,000</u>
Legal Debt Margin	<u>98,440,985</u>

Defeased Debt

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Defeased Debt – Continued

Fiscal Year Ended April 30	2000 Alternate Revenue Bonds	2001 Alternate Revenue Bonds
2011	\$ 280,000	230,000
2012	295,000	245,000
2013	310,000	260,000
2014	325,000	270,000
2015	340,000	285,000
2016	360,000	305,000
2017	380,000	320,000
2018	400,000	340,000
2019	-	355,000
2020	-	375,000
2021	-	395,000
	<u>2,690,000</u>	<u>3,380,000</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Net Assets Classifications

Investments in capital assets – net of related debt was comprised of the following as of April 30, 2010:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 120,509,202
Less Capital Related Debt:	
Alternate Revenue Bonds of 2002	(1,385,000)
Alternate Revenue Bonds of 2004	(2,795,000)
Alternate Revenue Refunding Bonds of 2005	(3,460,000)
Alternate Revenue Bonds of 2006	(1,850,000)
Alternate Revenue Bonds of 2007	(1,700,000)
Alternate Revenue Bonds of 2007	(1,000,000)
TIF Revenue Bonds of 2007	(7,000,000)
TIF Revenue Notes of 2008	(3,628,000)
TIF Revenue Notes of 2008A	(2,030,000)
TIF Revenue Notes of 2010	(305,000)
	<u>(25,153,000)</u>
Investment in Capital Assets - Net of Related Debt	<u><u>95,356,202</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	785,075
Less Capital Related Debt:	
Capital Leases Payable	(15,230)
	<u>(15,230)</u>
Investment in Capital Assets - Net of Related Debt	<u><u>769,845</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2010

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND EQUITY

Restricted Net Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
General Fund				
Drug Forfeiture	\$ 27,249	2,470	2,148	27,571
Emergency Telephone 911	(13,399)	311,658	260,274	37,985
DUI Fines	62,363	10,174	-	72,537
RTA Metra Parking	68,068	84,919	101,764	51,223
	<u>144,281</u>	<u>409,221</u>	<u>364,186</u>	<u>189,316</u>
Negative Reserves Allocated to Unreserved Fund Balance	<u>13,399</u>			<u>-</u>
	<u>157,680</u>			<u>189,316</u>
Motor Fuel Tax Fund				
Motor Fuel Taxes	<u>2,271,126</u>	<u>623,443</u>	<u>1,007,096</u>	<u>1,887,473</u>

Fund Balance Designated for Commitments – General Fund

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

	Beginning Balances	Increases	Decreases	Ending Balances
Summer Celebration	\$ 91,088	116,983	127,154	80,917

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2010

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, 2010

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 2009 was 9.97 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.

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees 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 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	13
Current Employees	
Vested	36
Nonvested	<u>10</u>
	<u>59</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, 2010

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 for each plan is as follows:

	<u>Police Pension</u>
Annual Required Contribution	\$ 1,042,676
Interest on the NPO (NPA)	(9,378)
Adjustment to the ARC	<u>4,222</u>
Annual Pension Cost	1,037,520
Actual Contribution	<u>(1,082,676)</u>
Increase (Decrease) in the NPO (NPA)	(45,156)
NPO (NPA) Beginning of Year	<u>(134,352)</u>
NPO (NPA) End of Year	<u><u>(179,508)</u></u>

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

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

	IMRF	Police Pension
Contribution Rates		
Employer	9.97%	25.73%
Employee	4.50%	9.91%
Actuarial Valuation Date	12/31/09	4/30/09
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	23 Years	24 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 10.0%	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, 2010

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.

	<u>Year</u>	<u>IMRF</u>	<u>Police Pension</u>
Annual Pension Cost (APC)	2008	\$ 473,469	\$ 918,155
	2009	496,138	934,823
	2010	486,155	1,037,520
Actual Contributions	2008	473,469	921,600
	2009	496,138	998,400
	2010	486,155	1,082,676
Percentage of APC Contributed	2008	100.00%	100.38%
	2009	100.00%	106.80%
	2010	100.00%	104.35%
Net Pension Obligation (Asset)	2008	-	(70,775)
	2009	-	(134,352)
	2010	-	(179,508)

VILLAGE OF VERNON HILLS, ILLINOIS

**Notes to the Financial Statements
April 30, 2010**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

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

	IMRF	Police Pension
Actuarial Valuation Date	12/31/09	4/30/2009
Percent Funded	83.02%	64.45%
Accuarial Accrued Liability for Benefits	\$13,681,409	\$32,525,826
Actuarial Value of Assets	\$11,357,793	\$20,963,621
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$2,323,616)	(\$11,562,205)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$4,876,175	\$3,879,642
Ratio of UAAL to Covered Payroll	47.65%	298.02%

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, 2010**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

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

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

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

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2010, retirees contributed \$106,603. Active employees do not contribute to the plan until retirement.

At April 30, 2010, 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, 2010**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2010, was calculated as follows:

Annual Required Contribution	\$ 37,096
Interest on the NPO	1,878
Adjustment to the ARC	<u>-</u>
Annual OPEB Cost	38,974
Actual Contribution	<u>(29,280)</u>
Increase in the NPO	9,694
NPO - Beginning of Year	<u>8,288</u>
NPO - End of Year	<u><u>17,982</u></u>

Trend Information

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

Fiscal Year Ended April 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$ N/A	\$ N/A	N/A	\$ N/A
2009	37,568	29,280	77.94%	8,288
2010	37,096	29,280	78.93%	17,982

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements April 30, 2010

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

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

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

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 advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2010, was 29 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, 2010

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2005	\$ 427,798	\$ 427,798	100.00%
2006	452,677	452,677	100.00%
2007	464,212	464,212	100.00%
2008	473,469	473,469	100.00%
2009	496,138	496,138	100.00%
2010	486,155	486,155	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2010

Actuarial Valuation Date April 30	Employer Contributions	Annual Required Contribution	Percent Contributed
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%
2010	1,082,676	1,042,676	103.84%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information

Employer Contributions

April 30, 2010

Year Ended April 30	Employer Contributions	Annual Required Contributions	Percent Contributed
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%
2010	29,280	37,096	78.93%

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, 2010

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)
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%
2009	11,357,793	13,681,409	83.02%	2,323,616	4,876,175	47.65%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2010

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	\$ 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%
2009	20,963,621	32,525,826	64.45%	11,562,205	3,879,642	298.02%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

**Required Supplementary Information
Schedule of Funding Progress
April 30, 2010**

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)
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%
2010	N/A	N/A	N/A	N/A	N/A	N/A

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

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2010**

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 16,402,394	16,402,394	14,928,038
Intergovernmental	221,000	544,000	8,065
Licenses, Permits and Fees	1,085,350	1,085,350	1,012,321
Charges for Services	2,015,281	2,015,281	998,238
Fines and Forfeitures	458,500	458,500	278,121
Investment Income	688,200	688,200	211,149
Miscellaneous	157,580	157,580	143,437
Total Revenues	21,028,305	21,351,305	17,579,369
Expenditures			
General Government	4,672,655	4,914,293	4,616,386
Public Safety	8,995,278	8,917,074	8,490,969
Streets and Roads	4,386,352	4,089,788	3,642,276
Culture and Recreation	280,755	271,329	245,328
Capital Outlay	907,000	2,028,245	933,539
Debt Service			
Principal Retirement	1,150,000	1,150,000	1,150,000
Interest and Fiscal Charges	481,500	481,500	475,771
Total Expenditures	20,873,540	21,852,229	19,554,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	154,765	(500,924)	(1,974,900)
Other Financing (Uses)			
Transfer Out	(24,000)	-	-
Net Change in Fund Balance	130,765	(500,924)	(1,974,900)
Fund Balance - Beginning			21,875,562
Fund Balance - Ending			19,900,662

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, 2010

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 635,684	635,684	609,623
Interest	50,000	50,000	13,820
Total Revenues	<u>685,684</u>	<u>685,684</u>	<u>623,443</u>
Expenditures			
Streets and Roads			
Capital Outlay	<u>1,400,500</u>	<u>1,507,055</u>	<u>1,007,096</u>
Net Change in Fund Balance	<u>(714,816)</u>	<u>(821,371)</u>	(383,653)
Fund Balance - Beginning			<u>2,271,126</u>
Fund Balance - Ending			<u>1,887,473</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, 2010

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Tax Increment Financing	\$ 70,000	70,000	-
Interest	-	-	134
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>134</u>
Expenditures			
Economic Development			
Contractual Services	15,000	15,000	6,223
Capital	25,000	932,699	915,855
Debt Service			
Interest and Fiscal Charges	476,527	883,039	883,039
Issuance Costs	-	10,000	10,000
Total Expenditures	<u>516,527</u>	<u>1,840,738</u>	<u>1,815,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(446,527)</u>	<u>(1,770,738)</u>	<u>(1,814,983)</u>
Other Financing Sources			
Debt Issuance	-	-	792,808
Transfers In	9,000	9,000	-
	<u>9,000</u>	<u>9,000</u>	<u>792,808</u>
Net Change in Fund Balance	<u>(437,527)</u>	<u>(1,761,738)</u>	<u>(1,022,175)</u>
Fund Balance - Beginning			<u>(1,058,213)</u>
Fund Balance - Ending			<u><u>(2,080,388)</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
- 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.

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, 2010**

	Budget		Actual
	Original	Final	
Taxes			
Sales Tax	\$ 9,624,000	9,624,000	9,153,972
Utility Tax	1,520,000	1,520,000	1,351,570
Telecommunication Tax	1,656,000	1,656,000	1,454,587
State Income Tax	2,157,817	2,157,817	1,801,143
911 Surcharge	330,000	330,000	311,658
Other Taxes	464,577	464,577	412,477
Hotel/Motel Taxes	460,000	460,000	248,826
Road and Bridge Tax	190,000	190,000	193,805
	<u>16,402,394</u>	<u>16,402,394</u>	<u>14,928,038</u>
Intergovernmental - Grants	<u>221,000</u>	<u>544,000</u>	<u>8,065</u>
Licenses, Permits and Fees	<u>1,085,350</u>	<u>1,085,350</u>	<u>1,012,321</u>
Charges for Services			
Fees and Charges for Services	823,281	823,281	763,960
Event Fees and Charges for Services	100,000	100,000	105,559
Developer Fees	1,000,000	1,000,000	63,498
Summer Celebration Fees	92,000	92,000	65,221
	<u>2,015,281</u>	<u>2,015,281</u>	<u>998,238</u>
Fines and Forfeitures	<u>458,500</u>	<u>458,500</u>	<u>278,121</u>
Investment Income	<u>688,200</u>	<u>688,200</u>	<u>211,149</u>
Miscellaneous			
Donations	46,000	46,000	51,505
Other	111,580	111,580	91,932
	<u>157,580</u>	<u>157,580</u>	<u>143,437</u>
Total Revenues	<u>21,028,305</u>	<u>21,351,305</u>	<u>17,579,369</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2010

	Budget		Actual
	Original	Final	
General Government			
Administration			
Personal Services	\$ 996,342	1,030,660	1,014,750
Contractual Services	868,853	765,557	733,527
Commodities	41,350	36,487	22,830
Equipment	51,400	37,755	38,678
	<u>1,957,945</u>	<u>1,870,459</u>	<u>1,809,785</u>
Judiciary			
Contractual Services	290,000	297,400	297,340
President/Trustees			
Personal Services	49,737	49,737	49,736
Contractual Services	25,500	16,000	12,119
Commodities	3,450	3,450	1,050
	<u>78,687</u>	<u>69,187</u>	<u>62,905</u>
Community Development			
Personal Services	1,417,193	1,389,360	1,387,856
Contractual Services	105,082	71,352	45,871
Commodities	19,950	10,714	8,693
Equipment	32,864	29,364	27,257
	<u>1,575,089</u>	<u>1,500,790</u>	<u>1,469,677</u>
Committees			
Personal Services	4,739	3,739	922
Contractual Services	28,375	28,375	7,995
Commodities	6,600	6,600	3,327
Equipment	500	500	46
	<u>40,214</u>	<u>39,214</u>	<u>12,290</u>
Resident Direct Benefit			
Contractual Services	697,520	698,884	538,503
Commodities	15,200	15,400	14,578
	<u>712,720</u>	<u>714,284</u>	<u>553,081</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2010

	Budget		Actual
	Original	Final	
General Government - Continued			
General Purpose			
Personal Services	\$ -	404,959	395,500
Hotel/Motel Tax			
Contractual Services	18,000	18,000	15,808
Total General Government	4,672,655	4,914,293	4,616,386
Public Safety			
Police Department			
Personal Services	8,054,555	8,011,231	7,808,342
Contractual Services	450,813	381,168	351,851
Commodities	192,880	153,421	109,215
Equipment	157,130	187,235	161,829
	8,855,378	8,733,055	8,431,237
Fire and Police Commission			
Contractual Services	2,700	1,690	-
Commodities	200	200	-
	2,900	1,890	-
911			
Contractual Services	-	-	23,538
Contingencies	110,000	100,954	-
Equipment	25,000	77,026	34,046
	135,000	177,980	57,584
Drug Forfeiture			
Contractual Services	-	2,149	2,148
Equipment	2,000	2,000	-
	2,000	4,149	2,148
Total Public Safety	8,995,278	8,917,074	8,490,969

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2010

	Budget		Actual
	Original	Final	
Streets and Roads			
Public Works			
Personal Services	\$ 2,143,834	2,184,122	2,108,570
Contractual Services	1,027,382	932,254	776,622
Commodities	869,718	696,142	500,238
Equipment	234,082	160,764	155,082
	<u>4,275,016</u>	<u>3,973,282</u>	<u>3,540,512</u>
Metra Parking			
Contractual Services	59,136	67,306	56,139
Commodities	7,200	4,200	2,209
Capital	45,000	45,000	43,416
	<u>111,336</u>	<u>116,506</u>	<u>101,764</u>
Total Streets and Roads	<u>4,386,352</u>	<u>4,089,788</u>	<u>3,642,276</u>
Culture and Recreation			
Events			
Contractual Services	105,350	105,856	90,866
Commodities	41,545	31,613	20,934
Capital	5,660	5,660	4,680
	<u>152,555</u>	<u>143,129</u>	<u>116,480</u>
Summer Celebration			
Contractual Services	104,100	104,100	100,543
Commodities	24,100	24,100	28,305
	<u>128,200</u>	<u>128,200</u>	<u>128,848</u>
Total Culture and Recreation	<u>280,755</u>	<u>271,329</u>	<u>245,328</u>

VILLAGE OF VERNON HILLS, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2010

	Budget		Actual
	Original	Final	
Capital Outlay			
Community Infrastructure Development			
Equipment	\$ 110,000	90,610	85,545
Street Maintenance	-	2,725	2,725
Street Construction	215,000	174,183	149,338
Bike Path/Sidewalk Program	70,000	60,700	57,507
CIDF Improvements	7,000	941,797	308,987
Stormwater Projects	505,000	758,230	329,437
Total Capital Outlay	907,000	2,028,245	933,539
Debt Service			
Principal Retirement	1,150,000	1,150,000	1,150,000
Interest and Fiscal Charges	481,500	481,500	475,771
Total Debt Service	1,631,500	1,631,500	1,625,771
Total Expenditures	20,873,540	21,852,229	19,554,269

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, 2010**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ -	-	-
Expenditures			
Capital Outlay			
Construction	5,000	51,999	19,589
Net Change in Fund Balance	<u>(5,000)</u>	<u>(51,999)</u>	(19,589)
Fund Balance - Beginning			<u>968,417</u>
Fund Balance - Ending			<u>948,828</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Equipment Replacement - Internal Service Fund

**Schedule of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2010**

	Budget		Actual
	Original	Final	
Revenues			
Interfund Services	\$ 250,447	250,447	170,447
Operating Expenses			
Operations	2,050,000	2,050,000	-
Depreciation	-	-	119,178
Total Operating Expenses	2,050,000	2,050,000	119,178
Change in Net Assets	<u>(1,799,553)</u>	<u>(1,799,553)</u>	51,269
Net Assets - Beginning			<u>2,502,362</u>
Net Assets - Ending			<u>2,553,631</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Development - Agency Fund

**Statement of Changes in Assets and Liabilities
Year Ended April 30, 2010**

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balances</u>
ASSETS				
Cash and Investments	\$ 14,406	1,913	-	16,319
LIABILITIES				
Deposits Payable				
Due to School Districts	7,463	635	-	8,098
Due to Other Districts	6,943	1,278	-	8,221
Total Liabilities	14,406	1,913	-	16,319

SUPPLEMENTAL SECTION

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2002

April 30, 2010

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
2011	\$ 445,000	50,136	495,136
2012	460,000	34,560	494,560
2013	480,000	18,000	498,000
	<u>1,385,000</u>	<u>102,696</u>	<u>1,487,696</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Refunding Bonds of 2004
April 30, 2010**

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
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>2,795,000</u>	<u>493,253</u>	<u>3,288,253</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Refunding Bonds of 2005
April 30, 2010**

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
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>3,460,000</u>	<u>905,783</u>	<u>4,365,783</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Bonds of 2006
April 30, 2010**

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
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>1,850,000</u>	<u>689,610</u>	<u>2,539,610</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Alternate Revenue Bonds of 2007
April 30, 2010**

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
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>1,700,000</u>	<u>578,279</u>	<u>2,278,279</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

Alternate Revenue Bonds of 2007

April 30, 2010

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
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>521,565</u>	<u>1,521,565</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Senior Lien Tax Increment Revenue Bonds of 2007
April 30, 2010**

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
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>5,503,637</u>	<u>12,503,637</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Long-Term Debt Requirements

**Taxable Subordinate Lien Tax Increment Revenue Notes of 2008
April 30, 2010**

Date of Issue	January 8, 2008
Date of Maturity	August 1, 2012
Authorized Issue	\$3,628,000
Denomination of Bonds	\$5,000
Interest Rate	8.00%
Interest Date	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
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, 2010**

Date of Issue	December 16, 2008
Date of Maturity	August 1, 2012
Authorized Issue	\$2,030,000
Denomination of Bonds	\$5,000
Interest Rate	8.00%
Interest Date	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
2011	\$ -	-	-
2012	-	-	-
2013	2,030,000 *	605,998	2,635,998
	<u>2,030,000</u>	<u>605,998</u>	<u>2,635,998</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 2010
April 30, 2010**

Date of Issue	March 29, 2010
Date of Maturity	August 1, 2012
Authorized Issue	\$305,000
Denomination of Bonds	\$5,000
Interest Rate	8.00%
Interest Date	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
2011	\$ -	-	-
2012	-	-	-
2013	305,000 *	57,137	362,137
	<u>305,000</u>	<u>57,137</u>	<u>362,137</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 Seven Fiscal Years
April 30, 2010 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Net Assets by Component - Last Seven Fiscal Years
April 30, 2010 (Unaudited)**

	<u>2004</u>	<u>2005</u>
Governmental Activities		
Invested in Capital Assets, Net of Related Debt	\$ 18,134,143	19,760,398
Restricted	3,853,227	3,350,367
Unrestricted	19,356,210	21,540,099
	<u>41,343,580</u>	<u>44,650,864</u>
Business-Type Activities		
Invested in Capital Assets, Net of Related Debt	931,835	868,332
Unrestricted	(134,012)	(56,226)
	<u>797,823</u>	<u>812,106</u>
Primary Government		
Invested in Capital Assets, Net of Related Debt	19,065,978	20,628,730
Restricted	3,853,227	3,350,367
Unrestricted	19,222,198	21,483,873
	<u>42,141,403</u>	<u>45,462,970</u>

Data Source: Village Records

The Village implemented GASB 34 in Fiscal Year 2004.

2006	2007	2008	2009	2010
22,324,954	26,034,819	101,767,949	97,942,912	95,356,202
4,061,109	4,843,742	4,461,603	3,329,155	3,025,617
20,698,906	20,749,058	23,237,045	21,924,140	19,072,498
47,084,969	51,627,619	129,466,597	123,196,207	117,454,317
838,495	777,357	822,680	836,773	769,845
18,691	(15,983)	(97,704)	(227,551)	(174,380)
857,186	761,374	724,976	609,222	595,465
23,163,449	26,812,176	102,590,629	98,779,685	96,126,047
4,061,109	4,843,742	4,461,603	3,329,155	3,025,617
20,717,597	20,733,075	23,139,341	21,696,589	18,898,118
47,942,155	52,388,993	130,191,573	123,805,429	118,049,782

VILLAGE OF VERNON HILLS, ILLINOIS

Changes in Net Assets - Last Seven Fiscal Years
April 30, 2010 (Unaudited)

	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities							
General Government	\$ 4,696,155	5,093,639	5,115,671	4,851,163	4,933,995	7,409,619	5,361,615
Public Safety	7,219,218	7,374,195	7,918,764	8,373,183	8,996,733	8,916,041	8,785,116
Streets and Roads	3,417,348	3,071,698	3,253,181	3,923,585	10,586,487	8,607,486	7,233,167
Economic Development	58,679	185,738	503,977	778,073	7,146,756	2,573,388	1,147,173
Culture and Recreation	418,792	440,481	364,112	273,675	301,480	308,954	245,328
Interest on Long-Term Debt	620,604	579,120	504,000	553,919	1,296,357	1,407,974	1,361,865
Total Governmental Activities Expenses	16,430,796	16,744,871	17,659,705	18,753,598	33,261,808	29,223,462	24,134,264
Business-Type Activities							
Golf Course	579,381	597,455	555,473	652,563	605,598	648,762	544,291
Total Business-Type Activities Net Assets	579,381	597,455	555,473	652,563	605,598	648,762	544,291
Total Primary Government Expenses	17,010,177	17,342,326	18,215,178	19,406,161	33,867,406	29,872,224	24,678,555
Program Revenues							
Governmental Activities							
Charges for Services							
General Government	2,426,528	2,626,182	2,081,865	3,452,952	2,958,577	2,090,182	1,839,779
Public Safety	458,489	499,782	498,386	516,298	457,078	407,813	278,121
Culture and Recreation	237,096	244,989	103,081	99,274	190,913	210,327	170,780
Operating Grants/Contributions	820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002	617,688
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	2,906,368
Business-Type Activities							
Charges for Services							
Golf Course	615,866	611,158	599,270	554,905	567,712	532,529	530,478
Operating Grants/Contributions	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	615,866	611,158	599,270	554,905	567,712	532,529	530,478
Total Primary Government Program Revenues	4,558,426	5,261,428	4,347,186	5,865,899	5,248,270	4,401,853	3,436,846
Net (Expense) Revenue							
Governmental Activities	(12,488,236)	(12,094,601)	(13,911,789)	(13,442,604)	(28,581,250)	(25,354,138)	(21,227,896)
Business-Type Activities	36,485	13,703	43,797	(97,658)	(37,886)	(116,233)	(13,813)
Total Primary Government Net Revenue (Expense)	(12,451,751)	(12,080,898)	(13,867,992)	(13,540,262)	(28,619,136)	(25,470,371)	(21,241,709)

	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets							
Governmental Activities							
Taxes							
Sales Tax	\$ 10,094,832	9,982,577	9,614,858	10,067,439	10,364,210	9,836,554	9,153,021
Utility Tax	1,769,465	1,836,314	1,607,189	1,437,886	1,475,406	1,416,128	1,351,570
Hotel/Motel Tax (1)	-	-	325,597	364,879	359,784	298,914	248,826
911 Surcharge Tax (1)	-	-	286,773	328,771	331,258	361,267	311,658
Road and Bridge Tax (1)	-	-	145,680	156,811	175,219	188,350	193,805
Telecommunications Tax (1)	-	-	1,276,789	1,539,095	1,569,859	1,586,588	1,454,587
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	412,477
Intergovernmental							
State Income Tax	1,213,728	1,434,889	1,806,391	2,014,206	2,200,234	2,056,595	1,801,143
Interest Income	308,968	370,584	562,463	1,314,040	1,909,544	935,625	225,103
Disposal of Capital Assets	39,275	-	-	-	-	-	-
Miscellaneous	197,315	77,795	96,475	271,609	179,250	158,384	143,437
Total Governmental Activities	14,940,777	15,153,536	16,185,603	17,985,254	19,089,440	17,309,446	15,295,627
Business-Type Activities							
Interest Income	315	580	1,283	1,846	1,488	479	56
Total Primary Government	14,941,092	15,154,116	16,186,886	17,987,100	19,090,928	17,309,925	15,295,683
Changes in Net Assets							
Governmental Activities	2,452,541	3,058,935	2,273,814	4,542,650	(9,491,810)	(8,044,692)	(5,932,269)
Business-Type Activities	36,800	14,283	45,080	(95,812)	(36,398)	(115,754)	(13,757)
Total Primary Government	2,489,341	3,073,218	2,318,894	4,446,838	(9,528,208)	(8,160,446)	(5,946,026)

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, 2010 (Unaudited)**

	2001	2002	2003
General Fund			
Reserved	\$ 647,718	2,750	1,270,747
Unreserved	16,360,721	17,571,564	17,659,820
	<hr/>	<hr/>	<hr/>
Total General Fund	17,008,439	17,574,314	18,930,567
	<hr/>	<hr/>	<hr/>
All Other Governmental Funds			
Reserved	228,853	363,702	-
Unreserved, Reported in:			
Special Revenues Funds	3,152,853	2,901,083	1,595,065
Capital Projects Funds	2,785,207	3,422,377	1,950,750
	<hr/>	<hr/>	<hr/>
Total All Other Governmental Funds	6,166,913	6,687,162	3,545,815
	<hr/>	<hr/>	<hr/>

Data Source: Village Records

2004	2005	2006	2007	2008	2009	2010
2,371,433	2,335,551	2,511,367	1,962,416	1,612,801	1,480,580	1,475,234
16,010,914	17,899,856	17,467,567	17,973,238	20,542,721	20,394,982	18,425,428
18,382,347	20,235,407	19,978,934	19,935,654	22,155,522	21,875,562	19,900,662
-	-	3,166,528	6,256,284	4,411,999	3,239,543	2,836,301
1,162,434	1,470,725	-	(431,047)	2,725,573	(848,598)	(2,080,388)
1,866,365	1,023,006	-	-	(145,862)	-	-
3,028,799	2,493,731	3,166,528	5,825,237	6,991,710	2,390,945	755,913

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Revenues By Source - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

Source	2001	2002	2003
Sales Tax	\$ 9,585,863	9,936,356	9,454,483
Other Taxes	2,202,722	4,050,322	4,075,087
Intergovernmental Revenue	2,889,071	1,073,143	837,783
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	3,760,846	2,746,864	2,469,944
Investment Income	2,526,124	1,524,030	1,193,890
Miscellaneous	277,303	282,795	231,164
Total	21,241,929	19,613,510	18,262,351

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

2004	2005	2006	2007	2008	2009	2010
10,094,832	9,982,577	9,633,728	10,067,801	10,364,210	9,648,749	9,153,972
4,300,387	4,722,580	5,911,807	6,332,166	6,619,099	6,378,613	5,774,066
820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002	617,688
2,998,133	3,441,719	2,683,332	4,068,524	3,606,568	2,708,322	2,288,680
308,968	370,584	562,463	1,314,040	1,909,544	935,625	225,103
197,315	329,368	96,475	271,609	179,250	158,384	143,437
<u>18,720,082</u>	<u>19,874,572</u>	<u>19,952,389</u>	<u>23,296,610</u>	<u>23,752,661</u>	<u>20,738,695</u>	<u>18,202,946</u>

VILLAGE OF VERNON HILLS, ILLINOIS

**General Governmental Expenditures By Function - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

Function	2001	2002	2003
General Government	\$ 4,531,971	4,097,387	4,131,013
Public Safety	6,337,605	7,098,996	6,961,837
Streets and Roads	3,207,496	3,302,767	2,890,882
Economic Development	-	-	-
Culture and Recreation	-	378,728	505,069
Capital Outlay	5,942,514	7,066,233	8,198,126
Debt Service			
Principal	1,325,000	975,000	900,000
Interest and Fiscal Charges	509,143	608,275	581,278
Total	<u>21,853,729</u>	<u>23,527,386</u>	<u>24,168,205</u>

Data Source: Village Records

2004	2005	2006	2007	2008	2009	2010
4,316,046	4,367,174	4,036,681	4,178,902	4,278,264	4,575,960	4,616,386
7,028,067	7,074,687	7,605,573	8,572,206	8,779,490	8,643,644	8,490,969
4,057,485	3,815,230	3,105,943	3,406,307	4,849,825	5,519,961	4,649,372
58,679	185,738	503,977	778,073	7,146,756	4,350,636	922,078
418,792	440,481	364,112	273,675	301,480	308,954	245,328
2,185,247	1,221,624	3,232,183	7,145,135	3,556,553	1,332,878	953,128
1,680,000	965,000	1,040,000	850,000	1,035,000	1,105,000	1,150,000
637,936	585,806	508,931	526,883	1,046,952	1,324,579	1,368,810
<u>20,382,252</u>	<u>18,655,740</u>	<u>20,397,400</u>	<u>25,731,181</u>	<u>30,994,320</u>	<u>27,161,612</u>	<u>22,396,071</u>

VILLAGE OF VERNON HILLS, ILLINOIS

Changes in Fund Balances for Governmental Funds - Last Ten Fiscal Years April 30, 2010 (Unaudited)

	2001	2002	2003
Revenues			
Sales Tax	\$ 9,585,863	9,936,356	9,454,483
Other Taxes	2,202,722	4,050,322	4,075,087
Intergovernmental Revenue	2,889,071	1,073,143	837,783
Licenses, Permits and Fees, Fines and Forfeits and Charges for Services	3,760,846	2,746,864	2,469,944
Investment Income	2,526,124	1,524,030	1,193,890
Miscellaneous	277,303	282,795	231,164
Total Revenues	21,241,929	19,613,510	18,262,351
Expenditures			
General Government	4,531,971	4,097,387	4,131,013
Public Safety	6,337,605	7,098,996	6,961,837
Streets and Roads	3,207,496	3,302,767	2,890,882
Economic Development	-	-	-
Culture and Recreation	-	378,728	505,069
Capital Outlay	5,942,514	7,066,233	8,198,126
Debt Service			
Principal	1,325,000	975,000	900,000
Interest and Fiscal Charges	509,143	608,275	581,278
Total Expenditures	21,853,729	23,527,386	24,168,205
Excess of Revenues Over (Under) Expenditures	(611,800)	(3,913,876)	(5,905,854)
Other Financing Sources (Uses)			
Proceeds from Bonds	-	5,000,000	4,595,000
Payments to Escrow Agent	-	-	(581,641)
Transfers In	2,375,200	3,126,691	934,958
Transfers Out	(4,115,200)	(3,126,691)	(934,958)
Sale of Property	-	-	-
Total Other Financing Sources (Uses)	(1,740,000)	5,000,000	4,013,359
Net Change in Fund Balances	(2,351,800)	1,086,124	(1,892,495)
Debt Service as a Percentage of Noncapital Expenditures	11.53%	9.62%	9.28%

Data Source: Village Records

2004	2005	2006	2007	2008	2009	2010
10,094,832	9,982,577	9,633,728	10,067,801	10,364,210	9,648,749	9,153,972
4,300,387	4,722,580	5,911,807	6,332,166	6,619,099	6,378,613	5,774,066
820,447	1,027,744	1,064,584	1,242,470	1,073,990	909,002	617,688
2,998,133	3,441,719	2,683,332	4,068,524	3,606,568	2,708,322	2,288,680
308,968	370,584	562,463	1,314,040	1,909,544	935,625	225,103
197,315	329,368	96,475	271,609	179,250	158,384	143,437
18,720,082	19,874,572	19,952,389	23,296,610	23,752,661	20,738,695	18,202,946
4,316,046	4,367,174	4,036,681	4,178,902	4,278,264	4,575,960	4,616,386
7,028,067	7,074,687	7,605,573	8,572,206	8,779,490	8,643,644	8,490,969
4,057,485	3,815,230	3,105,943	3,406,307	4,849,825	5,519,961	4,649,372
58,679	185,738	503,977	778,073	7,146,756	4,350,636	922,078
418,792	440,481	364,112	273,675	301,480	308,954	245,328
2,185,247	1,221,624	3,232,183	7,145,135	3,556,553	1,332,878	953,128
1,680,000	965,000	1,040,000	850,000	1,035,000	1,105,000	1,150,000
637,936	585,806	508,931	526,883	1,046,952	1,324,579	1,368,810
20,382,252	18,655,740	20,397,400	25,731,181	30,994,320	27,161,612	22,396,071
(1,662,170)	1,218,832	(445,011)	(2,434,571)	(7,241,659)	(6,422,917)	(4,193,125)
-	3,540,000	3,807,001	5,050,000	10,628,000	1,542,192	792,808
-	(3,462,420)	(3,741,267)	-	-	-	-
-	-	635,310	770,190	8,115	147,551	-
-	-	-	(770,190)	(8,115)	(147,551)	-
50,432	21,580	-	-	-	-	-
50,432	99,160	701,044	5,050,000	10,628,000	1,542,192	792,808
(1,611,738)	1,317,992	256,033	2,615,429	3,386,341	(4,880,725)	(3,400,317)
12.74%	8.90%	9.02%	7.56%	7.59%	10.21%	11.62%

VILLAGE OF VERNON HILLS, ILLINOIS

Taxable Sales by Category - Last Ten Calendar Years
April 30, 2010 (Unaudited)

Calendar Year	2000	2001	2002
General Merchandise	\$ 2,892,115	3,000,237	2,934,693
Food	385,803	380,868	361,257
Drinking and Eating Places	760,942	644,411	609,813
Apparel	772,272	733,971	795,710
Furniture and H.H. and Radio	1,114,672	1,168,998	1,228,774
Lumber, Building, Hardware	199,438	325,218	541,839
Automobile and Filling Stations	123,673	103,627	126,575
Drugs and Misc. Retail	1,099,482	1,106,600	1,179,410
Agriculture and All Others	3,317,978	3,502,231	3,495,773
Manufacturers	188,538	127,905	90,082
Total	10,854,913	11,094,066	11,363,926
Village Direct Rate	1.00%	1.00%	1.00%

Data Source: Village and State Records

2003	2004	2005	2006	2007	2008	2009
2,970,776	2,937,760	2,610,491	3,160,430	2,955,471	2,891,816	2,782,847
334,399	343,233	340,093	360,262	389,624	372,836	342,202
648,777	690,192	726,977	804,761	775,849	788,022	812,685
690,072	777,335	851,755	863,592	863,980	797,133	637,015
2,503,134	3,590,995	3,429,573	3,480,979	3,857,032	3,952,073	3,083,717
514,586	523,018	530,821	509,206	480,791	478,018	438,776
122,119	119,583	126,045	159,790	245,525	250,520	215,700
1,269,525	1,258,764	1,273,623	1,299,881	1,258,072	1,162,553	1,078,428
1,740,114	905,924	650,469	633,262	681,030	707,998	657,960
83,789	155,255	186,467	198,074	190,214	222,906	194,254
10,877,291	11,302,059	10,726,314	11,470,237	11,697,588	11,623,875	10,243,584
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, 2010 (Unaudited)**

Fiscal Year	State Rate	RTA Rate	County Rate	Total Sales Tax Rate	% Distributed to Village
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%
2010	6.00%	0.50%	0.50%	7.00%	1.00%

Data Source: Village and County Records

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

Tax Levy Year	Residential Property	Farm
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
2009	928,731,639	60,953

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

Commercial Property	Industrial Property	Total	Railroad	Total Assessed Value (Lake County)
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
360,691,287	544,172	1,290,028,051	171,251	1,290,199,302

VILLAGE OF VERNON HILLS, ILLINOIS

**Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

<u>Tax Levy Year</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
CLC Joint Action Water	0.072	0.066	0.064
Grade School 73	3.401	3.292	3.201
High School 128	2.203	2.344	2.391
Jr. College 532	0.235	0.211	0.208
Vernon Township	0.109	0.105	0.105
Lake County	0.521	0.516	0.502
Lake County Forest Preserve	0.231	0.221	0.232
Vernon Hills Park District	0.360	0.352	0.340
Cook Memorial Library	0.256	0.254	0.247
Countryside Fire District	0.462	0.458	0.436
Village of Vernon Hills	0.000	0.000	0.000
Total Direct and Overlapping Tax Rate	<u>7.850</u>	<u>7.819</u>	<u>7.726</u>

Data Source: Office of the County Clerk

2003	2004	2005	2006	2007	2008	2009
0.058	0.054	0.049	0.046	0.042	0.042	0.042
3.086	2.990	2.922	2.887	2.842	2.878	2.899
2.359	2.291	2.225	2.179	2.136	2.163	2.179
0.201	0.200	0.197	0.195	0.192	0.196	0.200
0.101	0.095	0.093	0.094	0.092	0.092	0.104
0.490	0.465	0.454	0.450	0.444	0.453	0.453
0.225	0.219	0.210	0.204	0.201	0.199	0.199
0.373	0.346	0.334	0.351	0.343	0.344	0.344
0.236	0.231	0.225	0.222	0.219	0.222	0.222
0.420	0.422	0.400	0.398	0.390	0.417	0.417
0.000	0.000	0.000	0.000	0.000	0.000	0.000
7.549	7.313	7.109	7.026	6.901	7.006	7.059

VILLAGE OF VERNON HILLS, ILLINOIS

**Principal Property Tax Payers - Current Year and Nine Years Ago
April 30, 2010 (Unaudited)**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value
Van Vlissingen & Co	\$ 21,388,738	1	1.66%	\$ 4,986,224	9	0.63%
Westfield Shoppingtown Hawthorn	19,933,340	2	1.54%	14,932,687	1	1.90%
Leahy Vernon Hills Development	11,798,664	3	0.91%	10,763,823	3	1.37%
Museum Garderns II LLC	11,609,910	4	0.90%			
Inland Real Estate Column I, LLC	10,746,574	5	0.83%	12,832,738	2	1.63%
CDW Computer Centers, Inc.	9,627,300	6	0.75%	9,912,575	4	1.26%
HCP Ventures	6,572,420	7	0.51%	8205744	6	1.04%
Wal-mart Property	6,497,544	8	0.50%			
PAC/SIB LLC	6,265,314	9	0.49%			
Hawthorn-Vernon Hills LLC	6,077,677	10	0.47%	9,026,764	5	1.15%
	<u>110,517,481</u>		<u>8.57%</u>	<u>70,660,555</u>		<u>8.99%</u>

Data Source: Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

**Property Tax Levies and Collections - Last Ten Fiscal Years
April 30, 2010 (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
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%
2010	2009	-	-	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, 2010 (Unaudited)**

Fiscal Year Ended April 30	Tax Levy Year	Equalized Assessed Valuation	Tax Extension	Total Collections	Percent Collected
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	N/A	N/A	N/A
2010	2009	N/A	N/A	N/A	N/A

N/A - Not Available

The Village's Tax Increment Financing District was first levied for in 2002 and no levy for 2008 and after.

VILLAGE OF VERNON HILLS, ILLINOIS

**Ratios of Outstanding Debt By Type - Last Ten Fiscal Years
April 30, 2010 (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			
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	1,026.98
2009	13,340,000	-	12,170,192	27,612	25,537,804	N/A	1,043.98
2010	12,190,000	-	12,963,000	15,230	25,168,230	N/A	1,028.87

N/A - Not Available

Data Source: Village's Records

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

**Schedule of Direct and Overlapping Bonded Debt
April 30, 2010 (Unaudited)**

Governmental Unit	Gross Debt	Percentage to Debt Applicable to Village (1)	Village's Share of Debt
Village of Vernon Hills	\$ 12,190,000	100.000%	\$ 12,190,000
School District Number 73	48,435,158	67.620%	32,751,854
School District Number 76	4,443,734	26.710%	1,186,921
School District Number 96	6,085,000	2.460%	149,691
School District Number 103	4,180,000	18.650%	779,570
High School District Number 120	8,201,723	1.050%	86,118
High School District Number 125	29,420,000	8.780%	2,583,076
High School District Number 128	33,385,000	29.090%	9,711,697
Community College Number 532	7,545,560	4.500%	339,550
Lake County	67,780,000	4.280%	2,900,984
Lake County Forest Preserve District	306,575,000	4.280%	13,121,410
Central Lake Co. Joint Action Water Agency	22,545,000	16.300%	3,674,835
Mundelein Park District	3,245,000	0.001%	32
Vernon Hills Park District	6,235,000	99.980%	6,233,753
Subtotal	548,076,175		73,519,491
Totals	560,266,175		85,709,491

Source: Lake County Clerk.

VILLAGE OF VERNON HILLS, ILLINOIS

**Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years
April 30, 2010 (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)
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%	590.51
2009	13,340,000	-	13,340,000	1.04%	545.34
2010	12,190,000	-	12,190,000	0.94%	498.32

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, 2010 (Unaudited)**

Assessed Valuation - 2009	<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>12,190,000</u>
Legal Debt Margin	<u>98,440,985</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, 2010 (Unaudited)**

Fiscal Year Ended April 30	Population	Personal Income (in Thousands)	Per Capita Personal Income	Median Age	School Enrollment	(1) Unemployment Rate
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%
2010	24,462	N/A	N/A	N/A	N/A	9.30%

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, 2010 (Unaudited)**

Employer	2010			2001		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Westfield Shoppingtown Hawthorn	2,500	1	N/A	2,500	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
Richard Wolf Medical Instruments Corp	200	7	N/A	200	11	
Rust-Oleum	180	8	N/A			
Z.F. Industries, Inc.	180	9	N/A	280	10	N/A
Experient, Inc.	160	10	N/A			N/A
Manhardt Consulting Ltd.	156	11	N/A			N/A
Focus Products Group	80	12	N/A			N/A
Paslode	75	13	N/A	200	11	N/A
	<u>5,831</u>			<u>7,676</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, 2010 (Unaudited)**

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Government			
Administration	10.00	8.25	8.25
Finance	4.00	4.00	4.00
Public Works	24.00	24.00	24.00
Police	68.00	73.00	75.00
Community Development	16.00	19.25	19.25
Total	<u>122.00</u>	<u>128.50</u>	<u>130.50</u>

Data Source: Village Records

2004	2005	2006	2007	2008	2009	2010
7.35	4.35	4.35	4.35	4.85	4.85	4.85
4.00	3.60	3.60	3.60	3.60	3.60	3.60
24.00	20.50	22.00	22.00	23.50	23.50	23.50
75.00	69.75	69.75	69.00	70.50	69.50	69.50
18.50	20.50	18.70	17.75	15.00	14.00	15.00
128.85	118.70	118.40	116.70	117.45	115.45	116.45

VILLAGE OF VERNON HILLS, ILLINOIS

Operating Indicators by Function/Program - Last Ten Fiscal Years
April 30, 2010 (Unaudited)

Function/Program	2001	2002	2003
Public Works			
Forestry			
Number of Parkway Trees Planted*	N/A	81	60
Number of Parkway Trees Trimmed*	N/A	N/A	205
Fleet Services			
Number of Cars/SUVs/Vans Maintained*	N/A	N/A	48
Number of Light Trucks Maintained*	N/A	N/A	15
Number of Heavy Trucks Maintained*	N/A	N/A	10
Number of Loaders/Backhoes Maintained*	N/A	N/A	4
Number of Small Tractors Maintained*	N/A	N/A	1
Number of Sweepers Maintained*	N/A	N/A	1
Number of Buses Maintained*	N/A	N/A	0
Public Safety			
Police			
Part I Crime*	1,019	1,022	933
Part II Crime*	976	1,076	996
Calls for Service*	15,354	14,906	16,764
State Tickets Issued*	7,229	6,829	6,196
Compliance Tickets Issued*	627	651	485
Parking Tickets Issued*	3,536	3,338	3,800
Community Development			
Number of Building Permits Issued	1,875	2,183	2,789
Number of Building Inspections	10,859	11,826	15,592
Highways and Streets			
Sidewalk/Bike Trail Program (\$)	N/A	N/A	N/A
Annual Resurfacing Program (\$)	573,283	733,161	1,425,114

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.

2004	2005	2006	2007	2008	2009	2010
44	65	199	131	124	119	89
1712	1175	1173	750	642	1,182	1,420
49	52	52	52	44	46	42
15	15	15	15	15	15	15
10	41	10	10	10	10	10
4	4	4	4	4	4	4
1	1	1	1	1	2	2
1	1	1	1	1	1	1
0	1	1	1	1	1	1
766	813	784	699	738	686	779
922	928	875	1,010	1,026	717	759
16,281	17,288	17,524	18,617	17,963	20,793	18,974
7,287	6,133	6,429	5,963	5,686	5,388	2,386
583	468	714	650	702	489	156
3,734	3,817	3,418	3,583	3,149	2,536	1,644
2,137	2,030	1,716	1,660	1,518	1,136	972
16,755	17,165	13,397	13,127	4,902	4,486	4,276
82,052	47,633	112,017	32,196	39,457	105,591	57,507
528,233	252,060	988,338	1,131,594	879,268	1,600,000	899,984

VILLAGE OF VERNON HILLS, ILLINOIS

**Capital Asset Statistics by Function/Program - Last Ten Fiscal Years
April 30, 2010 (Unaudited)**

Function/Program	2001	2002	2003
Police			
Stations	1	1	1
Communications/Training Center	-	-	-
Patrol Units	33	34	34
Public Works			
Streets (Lane Miles)	95.9	109.2	113.7
Sidewalks (Miles)	71.9	81.7	83.8
Streetlights	1,834	2,042	2,148
Traffic Lights (Village Owned)	2	3	3
Recreation			
Athletic Complex	-	-	1
Golf Courses	2	2	2
Community Center	-	-	1
Administration			
Village Hall	1	1	1

Data Source: Village Records

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

2004	2005	2006	2007	2008	2009	2010
1	1	1	1	1	1	1
-	-	-	-	1	1	1
36	36	36	36	36	34	36
125.6	136.1	137.2	140.9	140.5	141.1 *	141.1
98.8	105.5	106.4	106.4	112.7	113.3	113.3
2,234	2,356	2,413	2,429	2,217	2,247 *	2,247
4	4	4	4	4	5	5
1	1	1	1	1	1	1
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1