

**VILLAGE OF VERNON HILLS, ILLINOIS**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2008**

**VILLAGE OF VERNON HILLS,  
ILLINOIS**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**YEAR ENDED APRIL 30, 2008**

Prepared by the Finance Department

Larry Nakrin, Director of Finance/Village Treasurer

**VILLAGE OF VERNON HILLS, ILLINOIS**

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## **INTRODUCTORY SECTION**

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

**VILLAGE OF VERNON HILLS, ILLINOIS**

**List of Principal Officials**

**April 30, 2008**

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**ELECTED OFFICIALS**

**VILLAGE BOARD OF TRUSTEES**

Roger Byrne, Village President

Thomas Koch, Village Trustee

Cynthia Hebda, Village Trustee

Barbara Williams, Village Trustee

Michael Marquardt, Village Trustee

Jeanne Schwartz, Village Trustee

James Schultz, Village Trustee

**APPOINTED OFFICIALS**

Mike Allison, Village Manager

John Kalmar, Assistant Village Manager

David Brown, Village Engineer

Mark Fleischhauer, Chief of Police

Michael Atkinson, Building Commissioner

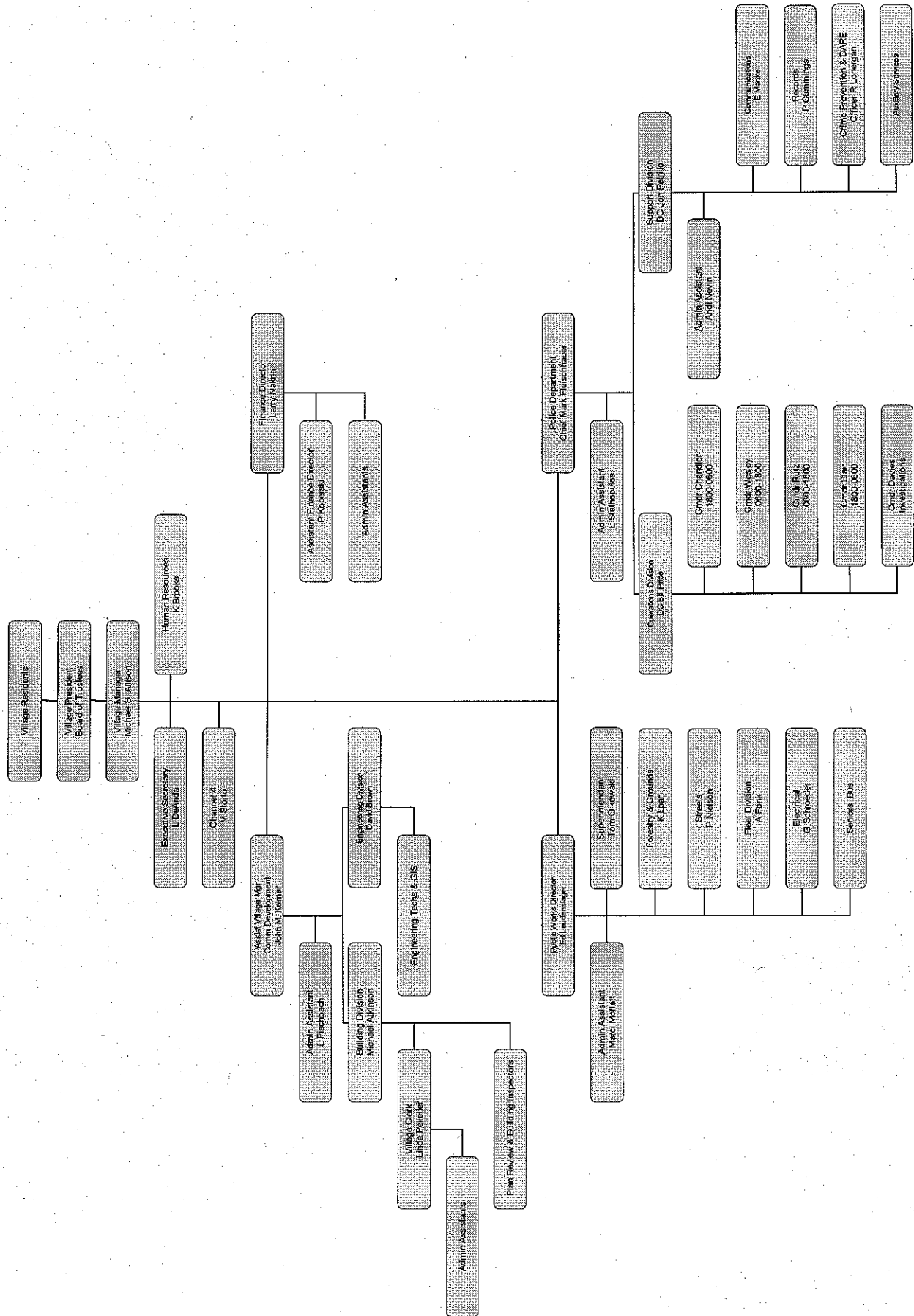
Bernard Citron, Village Attorney

Ed Laudenslager, Director of Public Works

Larry Nakrin, Finance Director/Treasurer

Linda Pelletier, Clerk

# VILLAGE OF VERNON HILLS ORGANIZATIONAL STRUCTURE



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Vernon Hills  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
April 30, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director



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

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September 19, 2008

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, 2008, 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 Tax Increment Districts. 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's retail base includes the Westfield Hawthorn Center, with 1.4 million square feet of leasable retail space anchored by Sears Roebuck & Co., Carson Pirie Scott & Co., J.C. Penneys and Macy's. Westfield has recently negotiated a lease with McCarthy's restaurant to fill a vacancy. The 240 thousand square foot Hawthorn Fashion Square was completed in 1987 and is anchored by Linens & Things, and Wickes Furniture. The 320 thousand-foot Rivertree Mall was completed in 1988 and includes Best Buy, Office Depot, PetsMart and T.J. Maxx. The Townline Commons was completed in 1990 and is anchored by Walmart, Toys R Us and Plunketts Furniture. It also has a freestanding Jared's Jewelers. In 1992 a freestanding 45 thousand square foot Sportmart was opened; it subsequently became a Sports Authority. In 1993, a 131 thousand square foot Target Greatland opened; in February of 2006 Target completed a 40 thousand square foot upgrade to a Super Target. The Marketplace Shopping Center, opened in 1994, is currently anchored by a Home Depot, a Circuit City; subsequently, a 110 thousand square foot Home Expo was added to Marketplace in 2001. A redevelopment of a 200,000 square foot former Super K-Mart was completed in early 2005 bringing a Bed Bath and Beyond, an Old Navy, an Ashley Furniture, a Joanne's Fabrics and a DSW (Discount Shoe Warehouse) to Marketplace. A freestanding Sam's Club and a freestanding Kohls opened in 2000 to the south of Marketplace. In 2007, a 40 thousand square foot free standing Walter E. Smithe showroom was completed, replacing an existing 6 thousand square foot store that was located elsewhere in the Village. The Village is currently working with Bradford Real Estate on a 35 acre retail planned unit development on Milwaukee Avenue. In June of 2008 a 170 thousand square foot Lowes opened. Four out lots, are planned including a Staples, which is currently under construction.

In July of 1997, the mail order, warehouse and corporate facility for CDW opened in Continental Executive Parke. The original facility was 224 thousand square feet and cost \$10.6 million. CDW has subsequently become a Fortune 1000 Company. It continued its expansion with a \$5 million new facility including a child care facility and an employee fitness center. In calendar year 2000, CDW opened a new facility in Vernon Hills containing over 200 thousand square feet. CDW is currently leasing a 140 thousand square foot building owned by Pac Trust that was formerly occupied by Allstate. The Village has an economic development agreement with CDW in effect to July 31, 2019

involving the rebating of sales tax. It has a maximum rebate level of 50%, which is applicable as long as the Village collects at least \$2 million annually in sales tax from CDW. If sales tax receipts fall between \$650,000 and \$2 million, the rebate is 35%. Between \$500,000 and \$650,000, the rebate is 20% and below \$500,000 there is no rebate.

The Village has a number of neighborhood shopping centers, including Hawthorn Village Commons, Vernon Plaza, White Hen Plaza, and Evergreen Plaza. These shopping centers include Dominick's, Dollar Tree, 7-11, and White Hen Pantry. The Village also has a number of freestanding restaurants that are independent or part of national and local chains. Two multi-screen movie theatres and a comedy club contribute to the Village's amusement tax base.

The Village's sales tax before the payment of its economic incentive rebates grew by \$365 thousand or 3.2%. Net of the rebates, the growth was \$280 thousand or 2.8%.

The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, National City Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank and the recently completed Vernon Hills Bank and Trust. The Village has four hotels: the 148 unit Hotel Indigo, the 119 unit Holiday Inn Express, the 124-unit Homestead Village and the 128-unit Extended Stay America. A 5% Hotel Motel Tax was extended on these facilities on October 1, 1999. Hotel Motel tax receipts were down 1.4% from FY2007-08.

Prior to 1986, few office buildings were located in the Village, the most significant of which being the Rustoleum's international headquarters. In 1986, Van Vilssingen and Company began development in the Village of a 320-acre office and light-manufacturing park known as Corporate Woods. According to *Crains*, Corporate Woods is the 15<sup>th</sup> 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, the 161 thousand square foot Z.F. Industries building, and the Zebra Technologies building, which has been expanded to 122 thousand square feet. During FY2007-08, a Lifetime Fitness facility was constructed and will open during FY2008-09 in Corporate Woods. In 1988, Prentiss / Copley began development of the 600 acre office park known as Continental Executive Parke. It includes the 260 thousand square foot Cole Parmer building and the 200 thousand square foot Baxter Credit Union/ Pac Sib building. Adjacent to the Continental Executive Parke is the 70 acre American Hotel Register site. It consists of a 258 thousand square foot original American Hotel Register headquarters building and the newer 201 thousand square foot American Hotel Register distribution center. American Hotel Register is currently proposing an office and retail development on its site consisting of four multi story office buildings totaling 1.1 million square feet, a 217 square foot parking garage and 70 thousand square feet.

In 1988, the Village annexed the Cuneo Estate, which was a 1,200-acre track of previously undeveloped land. It is zoned to include retail, office park and residential components. The residential and golf course component of this development is called Gregg's Landing. Currently, of the 2,100 homes approved for the development, as of April 30, 2007, 1,920 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 will begin to receive a share of gross revenues in 2007 at an escalating rate that begins at .01% in 2007 and reaches 20% by 2023 and 2024. The lease payment for Calendar Year 2007 was \$2,168.

Additionally, on Route 60 is the Aspen Pointe Development consisting of 132 town homes as well as 70 thousand square feet of retail and office space including a Walgreen's Drug Store is near completion. The Walgreen's was relocated from another location in Vernon Hills.

During FY2007-08, work continued on the Tax Increment Financing District which the Village negotiated agreements with Opus North, VHTC and the College of Lake County, in order to develop the area where Routes 45 and 21 intersect. The area was difficult to develop because of the distribution of land ownership and traffic flow obstacles. The College of Lake County added 50,000 square feet to its facility in Vernon Hills, which opened in the Spring of 2007. Opus North is currently constructing a condominium building with 66 units. Opus North has also constructed or is the process of completing four town home buildings consisting of 20 units; of those 20 units, nine are currently occupied. VHTC has put in the foundation for a multiuse building which will consist of 80 condominiums and 80 condominium and nine retail units. VHTC is also constructing a small retail building which is one-third rented to Starbucks. Also in the TIF, River Grove has completed and sold 11 town homes, and 2 more units were recently completed but not occupied. At the end of FY2006-2007, the Village issued a \$3 million Sales Tax Alternate Revenue Bond; of which, \$1 million was used for infrastructure on the TIF including amounts due the College of Lake County. During FY2007-08, the Village issued a \$7 million TIF Revenue Bond with an average coupon of 6.18%, and a \$3,628 thousand TIF Revenue Note with an 8.0% interest rate, in order to fund TIF projects. 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' 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, which was purchased by VHTC. The Village has agreed in the development agreement to refinance the Note by May of 2011. The Village intends to issue a TIF Revenue

Developer Draw Down Note for about \$2.5 million to \$3.0 million during FY2008-09. The Village has also agreed to refinance that note by May of 2011. Another \$500,654 was expended from the Tax Increment Fund for street construction and engineering during FY2007-08.

Because of the permitting of several large buildings enumerated above, including the building in the Tax Increment District, the Bradford development on Milwaukee Avenue including a Lowes and a Staples, the building of the Lifetime Fitness facility and the building of the Vernon Hills Bank and Trust, the Village had significant growth in its licenses, permits and fees revenue. The \$2,123,822 license permit and fees revenue amount in FY2007-08 was a \$854,512 increase from FY2006-07, which represented a 67.3% increase.

During the fall of 2007, an opportunity developed to solve the problem of over crowding in the Village's police building. The American Family Insurance building adjacent to the police building came up for sale. The Village was able to purchase that property for \$2 million, during December of 2006. Late in FY2006-07, a \$3 million bond was issued that was issued in December of 2006. The Village began construction to renovate the building in order that it could serve as the communications and training center for the police station, as well as provide badly needed storage. The cost of these renovations is projected to be about \$2 million. \$2.03 million was expended on this project during FY2007-08, primarily from the bond proceeds.

During FY2007-08, the Village began planning for the commemoration of its 50<sup>th</sup> anniversary which would occur during FY2008-09 on July 16, 2008. Because of its timing, it took place one day before the Village's regular Summer Celebration as a lead up to the event. To commemorate the event, entertainment was enhanced to include Creedence Clearwater Revisited and the Gin Blossoms.

#### 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, 2007.

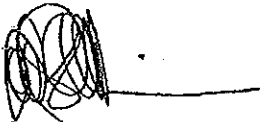
In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive financial report, whose contents conform to program standards. Such reports must satisfy generally accepted accounting principles and applicable legal requirements.

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

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

The hard work, long hours and dedication to quality of Jayshree Taswala and Peggy Koperski in the Finance Department made the preparation of the comprehensive annual financial report possible. Also deserving of note is Mary Grampo, for her part-time efforts on behalf of the Finance Department. The staff of the Village Manager's Office, Community Development Department, the Police Department and the Public Works Department provided additional important support. The assistance and suggestions of our auditing firm, Lauterbach & Amen, LLP have contributed greatly to the success of this report and the financial operations of the Village. The leadership and support provided by the Village President and Village Board were essential to the preparation of this report.

Sincerely,



Michael S. Allison  
Village Manager



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

## **FINANCIAL SECTION**

This section includes:

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

## **INDEPENDENT AUDITORS' REPORT**

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

## INDEPENDENT AUDITORS' REPORT

August 7, 2008

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, 2008, 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, 2008, 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 schedules, as well as the information listed as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Vernon Hills, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Village of Vernon Hills, Illinois

August 7, 2008

Page 2

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.

*Lauterbach + Amen LLP*

LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## VILLAGE OF VERNON HILLS, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

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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, 2008. 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 16.

#### FINANCIAL HIGHLIGHTS

- In FY2007-08 the Village of Vernon Hills' net assets declined by 6.8% or \$9,528,208 to \$130,191,573. In FY2006-07 net assets increased by \$4,542,650.
- Governmental activity expenses increased by \$14,508,210 or 77% from FY2006-07. The activities that contributed most to these increases were Streets and Roads which increased by \$6,662,902 from FY2006-07 and Economic Development which increased by \$6,368,683 from FY2006-07.
- Of that increase in Streets and Roads, \$2,344,605 was caused by increased depreciation expenses as the final requirement of Governmental Accounting Standards Board Statement Number 34 was implemented resulting in the accounting for older infrastructure. Also, related policy changes resulted in \$3,428,715 of additional one-time expenses from the disposal of infrastructure improvements that would no longer meet the Village's capitalization policy.
- Business-type activities decreased by 4.8% or \$36,393 to \$724,976.
- The General Fund had a \$2,227,983 surplus in FY2007-08. Substantial unanticipated increases in two significant revenue sources-Licenses and Permits and Interest-contributed to that increase. Licenses and Permits were \$2,123,822 or \$854,512 more than in FY2006-07. Interest was \$1,650,651 or \$480,257 more than in FY2006-07.

#### 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 16 - 19) 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 20. 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.

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2007

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### USING THIS ANNUAL REPORT - Continued

#### Government-Wide Financial Statements -- Continued

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 16 - 19 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 nonfinancial factors, such as changes in the Village of Vernon Hills' property tax base and the condition of the Village of Vernon Hills' roads, is needed to assess the overall health of the Village of Vernon Hills.

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

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

The Village of Vernon Hills does not include any separate legal entity in its report that would be considered a "component unit". A "component unit" is defined as a legally separate unit for which a government is financially accountable for it. Financial information for the component 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 of substantially the same as the Village Board or the component unit provides services entirely to the Village.

#### Fund Financial Statements

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

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2008

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### USING THIS ANNUAL REPORT - Continued

#### Fund Financial Statements – Continued

##### Governmental Funds

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

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

The Village of Vernon Hills maintains 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, NIKE 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 20 - 25 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.

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2007

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### USING THIS ANNUAL REPORT - Continued

#### Fund Financial Statements - Continued

#### Proprietary Funds – Continued

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 26 - 28 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 29 - 30 of this report.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 66 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. and police employee pension obligations. Required supplementary information can be found on pages 67 - 73 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 74 - 82 of this report.

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2008

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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 \$130.2 million. Additional older infrastructure which was not included in the prior year's financial statements but is included in the current year's financial statements had a significant affect on the Village's net assets. This change occurred because during FY2007-08 the Village implemented the final requirement of Government Accounting Standards Board Number 34, which requires the accounting for older infrastructure. The prior year, assets exceeded liabilities by \$52.4 million.

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 34.8	31.4	-	0.1	34.8	31.5
Capital Assets	124.1	39.7	0.9	0.8	125.0	40.5
Total Assets	158.9	71.1	0.9	0.9	159.8	72.0
Long-Term Debt Outstanding	(24.5)	(15.1)	-	-	(24.5)	(15.1)
Other Liabilities	(4.9)	(4.4)	(0.2)	(0.1)	(5.1)	(4.5)
Total Liabilities	(29.4)	(19.5)	(0.2)	(0.1)	(29.6)	(19.6)
Net Assets						
Invested in Capital Assets, Net of Debt	101.8	26.0	0.8	0.8	102.6	26.8
Restricted	4.5	4.8	-	-	4.5	4.8
Unrestricted (Deficit)	23.2	20.8	(0.1)	-	23.1	20.8
Total Net Assets	129.5	51.6	0.7	0.8	130.2	52.4

Almost 79 percent of the Village of Vernon Hills' net assets, or a total of \$102.6 million reflect the Village's investment in capital assets (for example, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village of Vernon Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Vernon Hills' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 3 percent, of the Village of Vernon Hills' net assets represents resources that are subject to external restrictions on how they may be used. The remaining 18 percent, or \$23.1 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, 2007

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Assets (in Millions)					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2008	2007
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 3.6	4.1	0.5	0.6	4.1	4.7
Operating Grants/Contributions	1.1	1.3	-	-	1.1	1.3
Capital Grants/Contributions	-	-	-	-	-	-
General Revenues						
Sales Tax	10.4	10.1	-	-	10.4	10.1
Utility Tax	1.5	1.4	-	-	1.5	1.4
Intergovt. Unrestricted						
State Income Tax	2.2	2.0	-	-	2.2	2.0
Telecommunications Tax	1.6	1.5	-	-	1.6	1.5
Other Taxes and Fees	1.4	1.3	-	-	1.4	1.3
Interest Income	1.9	1.3	-	-	1.9	1.3
Miscellaneous	0.2	0.3	-	-	0.2	0.3
Total Revenues	23.9	23.3	0.5	0.6	24.4	23.9
<b>Expenses:</b>						
General Government	4.9	4.8	-	-	4.9	4.8
Public Safety	9.0	8.4	-	-	9.0	8.4
Streets and Roads	10.6	3.9	-	-	10.6	3.9
Economic Development	7.2	0.8	-	-	7.2	0.8
Culture and Recreation	0.3	0.3	-	-	0.3	0.3
Interest on Long-Term Debt	1.3	0.6	-	-	1.3	0.6
Golf Course	-	-	0.6	0.7	0.6	0.7
Total Expenses	33.3	18.8	0.6	0.7	33.9	19.5
Increase (Decrease) in Net Assets	(9.4)	4.5	(0.1)	(0.1)	(9.5)	4.4
Net Assets-Beginning	138.9	47.1	0.8	0.9	139.7	48.0
Net Assets-Ending	129.5	51.6	0.7	0.8	130.2	52.4

With the addition of older infrastructure, the net assets of the Village of Vernon Hills' as of April 30, 2007 was increased from \$52.4 million as stated in last year's report to \$139.7 million. During FY2007-08, net assets decreased by \$9.5 million to \$130.2 million. Governmental activities accounted for \$9.4 million of that \$9.5 million decline.

## VILLAGE OF VERNON HILLS, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS -- Continued

The net assets for governmental activities had increased by \$4.5 million in FY2006-07. Most of the reversal from the prior year's \$4.5 million increase to a \$9.4 million decrease can be attributed to a \$6.7 million increase in Streets and Roads expenses and a \$6.4 million increase in economic development expenses.

The net assets for business-type activities decreased by \$36 thousand during FY2007-08, representing a 4.8% decline in these assets. This is an improvement from the prior year when the decline was 11.2% to \$761 thousand.

#### Governmental Activities

The Village decreased its governmental net assets by \$9.4 million or by 6.7%; whereas, in FY2006-07 the increase was \$4.5 million or 9.6%. Expenses increased by \$14.5 million or by 77%. Revenues increased by \$0.6 million or by 2.6%. Highlights of this increase from FY2007-08 included:

- Of the \$14.508 million increase in expenses, \$6.663 million was an increase in Streets and Roads expenses; \$6.369 million was an increase in spending for Economic Development expenses and \$742 thousand was an increase in Interest on Long term debt.
- The Villages expended \$10.586 million for Streets and Roads, an increase of \$6.663 million from FY2006-7. Of that \$6.369 million increase, \$2.344 million was caused by increased depreciation expenses as a result of implementing the final requirement of Governmental Accounting Standards Board Statement Number 34 resulting in accounting for older infrastructure. Also, related policy changes resulted in the disposal of \$3.429 million of additional one-time expenses from the disposal of infrastructure improvements that would no longer meet the Village's capitalization of infrastructure policy.
- The Village has an aggressive road rehabilitation program, but since the Village's asset policy has a 50 year life for its roads, and the Village's road system is, on the whole, much newer than 50 years, very little of that road rehabilitation qualifies for capitalization.
- Economic Development expenses increased by \$6.368 million from the prior year to a FY2007-08 level \$7.147 million. That increase is attributable to \$6.63 million paid to assist a developer working in the Village's Tax Increment District with the purchase of the Half Day Inn so it could be demolished in order to allow for improved development in the district.
- Interest on long term debt increased by \$742 thousand from last year's level to \$1.296 million in FY2007-08. Most of this increase is attributable to interest costs and issuance costs associated with the Tax Increment District's newly issued Tax Increment revenue bond and Tax Increment revenue note.
- Program Income fell by only \$462 thousand from the prior year to \$3.606 million in FY2007-08, despite the fact that the FY2006-07 Program Income was boosted by a one time \$1.26 million developer fee receipt. This decrease was mitigated by an \$854 thousand increase in licenses and permits to a \$2.124 million level in FY2007-08 due to fees generated by some large building projects initiated during the fiscal year.

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2007

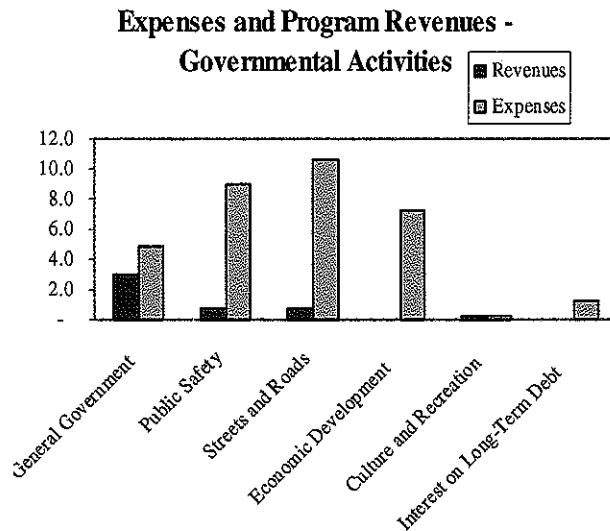
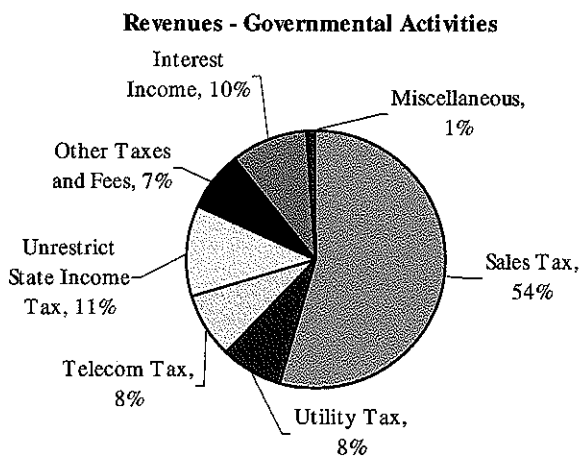
### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

#### Governmental Activities – Continued

- Investment income grew by \$596 thousand from the prior year to \$1.910 million. A \$717 thousand increase in the surplus of the market value of the General Fund bond portfolio relative to book value contributed to this increase.
- The Village's major revenue source, Sales Tax, increased by 2.9% to \$10.364 million.

While General revenues grew by \$1.104 million and Program revenues declined by \$630 thousand, expenses increased \$14.508 million, resulting in a reversal from a \$4.543 million increase in net assets in FY2006-07 to a \$9.492 decrease in FY2007-08. Major contributors to the reversal was Economic Development expenses and Interest on Long Term Debt, which were both the result of activity in the Village's Tax Increment District, but it is anticipated that developments occurring in the District will provide substantial additional Tax Increment revenues in future years. The level of Road and Street expenses will be tied to the nature of road rehabilitation projects in the future, and whether they should be capitalized.

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



#### Business-type activities

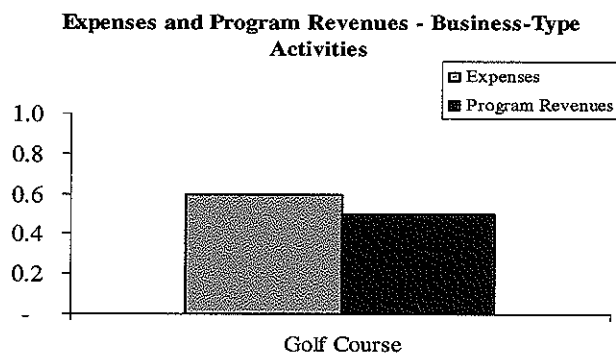
As the graph below demonstrates, the \$606 thousand of golf course expenses narrowly exceeded program revenues that amounted to \$568 thousand for charges for services. Revenues increased by \$12,807 from the FY2006-07 levels while expenses decreased by \$46,965 from the FY2006-07 levels. This allowed the Village to maintain a fairly close match between expenses and revenues as a result of the Village's policy to have the users of the golf course pay for its operations and capital costs.

# VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis  
April 30, 2008

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

### Business-type activities – Continued



## 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 \$7.241 million. However, after the issuance of \$10.628 million in tax increment revenue debt in the Tax Increment Fund, the fund balance increase was \$3.386 million to \$20.147 million. In FY2006-07, expenditures exceeded revenues by \$2.435 million, but \$5.050 million of General Obligation Alternate Revenue debt issuance caused the fund balance to increase by \$2.615 million. Several major factors contributed to these changes:

- The General Fund increased its balance by \$2.219 to \$22.155 million. Most of that increase is attributable to actual revenues exceeding budgeted revenues by \$1.950 million. This was a significant change from last year, when the General Fund balance decreased by \$43 thousand. Revenues increased by \$818 thousand in the General Fund from last year while expenditures decreased by \$2.99 million.
- The \$818 thousand increase in General Fund revenues was a 3.7% from the FY2006-07 level. Major increases included an \$854 thousand increase in Licenses and Permits to \$2.124 million, a \$480 thousand increase in Investment Income to \$1.651 million and a \$296 thousand increase in sales tax to \$10.364. The most significant reduction was in Developer Fees that fell by \$1.351 million from FY2006-07 which was boosted by a one time developer fee.
- Licenses and Permits generated \$2.124 million, which was a 67% increase over the prior year. Several large retail developments permitted during FY2007-08, including Lowes and Staples, Vernon Hills Bank and Trust, Lifetime Fitness as well as buildings permitted in the Tax Increment District contributed to this increase. This revenue source can fluctuate substantially based on development activity.

## VILLAGE OF VERNON HILLS, ILLINOIS

### Management's Discussion and Analysis April 30, 2007

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#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

##### Governmental funds – Continued

- Of the \$1.661 million generated in investment income, \$717 thousand, or 43% of that amount can be attributed to market increases in the market value of the General Fund bond portfolio relative to book value, generating a \$684 thousand market value surplus over book value. This was caused by increased prices on Village bond holdings resulting from falling interest rates. However, interest markets are often cyclical, and bonds return toward book value as they approach maturity, so it is anticipated that this gain in market value will be reversed in future years.
- Overall, expenditures in the General Fund decreased by \$2.99 million from the prior year, which was largely the result of a \$3.456 million reduction in Capital expenditures from the General Fund. A major component of this reduction in capital spending from the General Fund was caused by moving the funding of the annual road program to the Motor Fuel Tax Fund.
- The Motor Fuel Tax Fund balance increased by \$6 thousand to \$3.143 million in FY2007-08. Expenditures in this fund were \$880 thousand as opposed to \$43 thousand in FY2006-07. This is the result of moving the funding of the annual road program from the General Fund to the Motor Fuel Tax Fund this year.
- The Tax Increment Fund balance increased by \$3.156 million to \$2.726 million because of the issuance of \$10.628 million in bonds. There were \$7.616 million of expenditures in the Tax Increment Fund, including \$6.630 million paid to a developer to assist in the purchase of the Half Day Inn, which was then demolished in order to enable improvements to the district.
- The Capital Projects Fund balance decreased by \$1.997 million to (\$146) thousand, as the project to convert the recently acquired American Family Insurance Building into the Police Department's Communications and Training Center. Most of these costs were funded by an Alternate Revenue Bond issued during FY2006-07.

##### 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 whole golf course is operated. The golf course projects about 23 thousand rounds for the year. 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. The \$568 thousand in charges for service narrowly exceeded the \$606 thousand of golf course expenses. This allowed the Village to maintain a fairly close match between expenses and revenues as a result of the Village's policy to have the users of the golf course pay for its operations and capital costs.

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2008

### GENERAL FUND BUDGETARY HIGHLIGHTS

Although the General Fund was budgeted based on assumptions that expenditures and revenues would be at about the same levels during FY2007-08, the fund balance actually increased by \$2.219 to \$22.155 million. Most of that increase is attributable to actual revenues exceeding budgeted revenues by \$1.950 million. Two revenue categories make up most of that amount: Investment Income exceeded budgeted revenues by \$895 thousand and Licenses and Permits exceeded budgeted levels by \$836 thousand. Over the course of the year, the Village Board revised the budget several times. Transfers are routinely made between expenditure accounts are made during the year. Most of the increase to the budget during the fiscal year resulted from the Village's policy of carrying forward into the current fiscal year encumbrances or commitments budgeted but not expended in the prior fiscal year. In the Tax Increment Fund, there was a \$7.585 million increase in that budget as the status of the implementation of the Development Agreement with the developers of the Tax Increment District reached the point where the method and timing of the Village's expenditures on behalf of the district became more certain.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Village of Vernon Hills' investment in capital assets for its governmental and business type activities as of April 30, 2008 was \$125.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and dams. There was a decrease in the Village of Vernon Hills investment in capital assets increased by 2.3% in FY2006-07 from the prior year.

The fiscal year 2007-08 capital program included \$1.902 million for the renovation of the former American Family Insurance building located next to the Village's police station, which now serves as the police department's communications and training complex. Additional information on the Village of Vernon Hills' capital assets can be found in note 3 on pages 49 - 50 of this report.

* As Restated for retroactive infrastructure implementation for GASB 34	Capital Assets - Net of Depreciation (in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2008	2007*	2008	2007	2008	2007*
Land	\$ 7.6	7.5	0.3	0.3	7.9	7.8
Land Improvements	8.8	8.5	0.1	-	8.9	8.5
Buildings and Improvements	18.1	16.6	0.4	0.4	18.5	17.0
Equipment/Vehicles	1.3	1.4	0.1	0.1	1.4	1.5
Infrastructure	88.3	93.0	-	-	88.3	93.0
<b>Total</b>	<b>124.1</b>	<b>127.0</b>	<b>0.9</b>	<b>0.8</b>	<b>125.0</b>	<b>127.8</b>

# VILLAGE OF VERNON HILLS, ILLINOIS

## Management's Discussion and Analysis April 30, 2007

### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

#### Capital Assets – Continued

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

Police Communications Building	\$ 1.9
Police Equipment	0.6
Infrastructure improvements including road rehabilitation and street lights	<u>1.0</u>
	<u><u>3.5</u></u>

#### Debt Administration

At year-end, the Village of Vernon Hills had total outstanding bonded debt of \$25.1 million as compared to \$15.5 million the previous year, an increase of 62 percent. Although the amount of General Obligation debt had decreased \$1.0 million, \$10.6 million of Tax Increment revenue debt was issued in FY2007-08. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 14,445,000	15,480,000	-	-	14,445,000	15,480,000
Revenue Bonds/Notes	10,628,000	-	-	-	10,628,000	-
Capital Leases	-	-	48,908	67,136	48,908	67,136
Total	<u>25,073,000</u>	<u>15,480,000</u>	<u>48,908</u>	<u>67,136</u>	<u>25,121,908</u>	<u>15,547,136</u>

In December of 2006, the Village issued a \$7 million TIF Revenue Bond with an average coupon of 6.18%, and a \$3,628 thousand TIF Revenue Note with an 8.0% interest rate, in order to fund TIF projects. The underwriter did not recommend obtaining a rating for this bond, because it was being issued so early in the TIF development process. 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' 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.

## VILLAGE OF VERNON HILLS, ILLINOIS

### Management's Discussion and Analysis

April 30, 2008

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#### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

##### Debt Administration – Continued

The remaining \$3,628,000 payment to VHTC was financed by a Developer Note, which was purchased by VHTC. The Village has agreed in the development agreement to refinance the Note by May of 2011. The village intends to issue a Tax Increment Revenue Draw Down Note for about \$2.5 million to \$3.0 million during FY2008-09. The Village has also agreed to refinance that note by May of 2011.

The Village's General Obligation debt rating from Moody's is Aa1 rating and its General Obligation bond rating from Standard & Poor's is AA rating. Additional information on the Village of Vernon Hills' debt administration can be found in note 3 on pages 53 - 59 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2006-2007 budget, and fees that will be charged for its services. One of those factors is the economy. The average unemployment rate for calendar year 2007 for the Village of Vernon Hills was 4.5% which half a percent higher than the 4.0% rate in 2006. Census figures for 2000 show median family incomes for Vernon Hills at \$83,806 which is 110 percent of the average for Lake County and 151 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 2007, the total sales tax before economic incentive rebate was \$11.70 million. This was \$227 thousand more than in 2006, representing a 2.0% increase. The largest portion of this change came from what the Standard Industrial Classification Code classifies as Furniture and Household and Radio. This category grew to \$3.86 million which was a \$376 thousand increase from 2006, representing a 10.8% increase. The second largest component of the Village's sales is the category General Merchandise. General Merchandise declined by \$205 thousand from 2006 levels to \$2.96 million representing a 6.5% decline. However, this follows unusually rapid growth in General Merchandise in 2006, when the category experienced 21.1% growth over 2005. For the fiscal year, before the payment for rebates were deducted, sales tax grew by \$422 thousand or 3.2% from FY2006-07 levels to \$11.64 million. Net of rebates, sales tax grew by \$296 thousand or 2.9% to \$10.36 million.

#### 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, 2008**

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**See Following Page**

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets  
April 30, 2008

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 27,842,518	19,109	27,861,627
Receivables - Net of Allowances			
Taxes	4,012,031	-	4,012,031
Accounts	115,677	260	115,937
Accrued Interest	217,372	-	217,372
Prepays/Inventory	411,572	28,747	440,319
Due from Other Governments	934,615	-	934,615
Total Current Assets	33,533,785	48,116	33,581,901
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	7,554,919	302,282	7,857,201
Depreciable Capital Assets	155,012,975	2,170,078	157,183,053
	162,567,894	2,472,360	165,040,254
Accumulated Depreciation	(38,452,518)	(1,600,772)	(40,053,290)
	124,115,376	871,588	124,986,964
Other Assets			
Long-Term Notes Receivable	1,151,625	-	1,151,625
Net Pension Asset	70,774	-	70,774
	1,222,399	-	1,222,399
Total Noncurrent Assets	125,337,775	871,588	126,209,363
Total Assets	158,871,560	919,704	159,791,264

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

	Governmental Activities	Business- Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	570,482	129,660	700,142
Accrued Payroll	452,865	10,231	463,096
Accrued Interest Payable	311,964	-	311,964
Deposits Payable	1,183,072	-	1,183,072
Unearned/Deferred Revenue	1,100,939	5,929	1,106,868
Compensated Absences Payable	142,528	-	142,528
Current Portion of Long-Term Debt	1,105,000	19,716	1,124,716
<b>Total Current Liabilities</b>	<b>4,866,850</b>	<b>165,536</b>	<b>5,032,386</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	570,113	-	570,113
Installment Contracts/Capital Leases Payable	-	29,192	29,192
TIF Revenue Bonds/Notes Payable	10,628,000	-	10,628,000
Alternate Revenue Bonds Payable	13,340,000	-	13,340,000
<b>Total Noncurrent Liabilities</b>	<b>24,538,113</b>	<b>29,192</b>	<b>24,567,305</b>
<b>Total Liabilities</b>	<b>29,404,963</b>	<b>194,728</b>	<b>29,599,691</b>
<b>NET ASSETS</b>			
Invested in Capital Assets - Net of Related Debt	101,767,949	822,680	102,590,629
Restricted - Special Revenues	3,192,383	-	3,192,383
Restricted - Capital	1,269,220	-	1,269,220
Unrestricted	23,237,045	(97,704)	23,139,341
<b>Total Net Assets</b>	<b>129,466,597</b>	<b>724,976</b>	<b>130,191,573</b>

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, 2008

	Expenses	Program Revenues	
		Charges for Services	Operating Grants/ Contributions
<b>Primary Government</b>			
Governmental Activities			
General Government	\$ 4,933,995	2,958,577	-
Public Safety	8,996,733	457,078	355,120
Streets and Roads	10,586,487	-	718,870
Economic Development	7,146,756	-	-
Culture and Recreation	301,480	190,913	-
Interest on Long-Term Debt	1,296,357	-	-
Total Governmental Activities	<u>33,261,808</u>	<u>3,606,568</u>	<u>1,073,990</u>
Business-Type Activities			
Golf Course	605,598	567,712	-
	<u>33,867,406</u>	<u>4,174,280</u>	<u>1,073,990</u>

General Revenues

Taxes

- Sales Tax
- Utility Tax
- Hotel/Motel Tax
- 911 Surcharge Tax
- Road and Bridge Tax
- Telecommunication Tax
- Tax Increment Tax
- Other Taxes

Intergovernmental - Unrestricted

State Income Tax

Interest Income

Miscellaneous

Change in Net Assets

Net Assets - Beginning as Restated

Net Assets - Ending

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

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
(1,975,418)	-	(1,975,418)
(8,184,535)	-	(8,184,535)
(9,867,617)	-	(9,867,617)
(7,146,756)	-	(7,146,756)
(110,567)	-	(110,567)
(1,296,357)	-	(1,296,357)
(28,581,250)	-	(28,581,250)
-	(37,886)	(37,886)
(28,581,250)	(37,886)	(28,619,136)
10,364,210	-	10,364,210
1,475,406	-	1,475,406
359,784	-	359,784
331,258	-	331,258
175,219	-	175,219
1,569,859	-	1,569,859
81,149	-	81,149
443,527	-	443,527
2,200,234	-	2,200,234
1,909,544	1,488	1,911,032
179,250	-	179,250
19,089,440	1,488	19,090,928
(9,491,810)	(36,398)	(9,528,208)
138,958,407	761,374	139,719,781
129,466,597	724,976	130,191,573

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

VILLAGE OF VERNON HILLS, ILLINOIS

Balance Sheet - Governmental Funds  
April 30, 2008

	<u>General</u>
<b>ASSETS</b>	
Cash and Investments	\$ 19,037,155
Receivables - Net of Allowances	
Taxes	4,012,031
Accounts	50,646
Accrued Interest	183,659
Other	65,031
Prepays	411,572
Due from Other Governments	882,337
Due from Other Funds	843,983
Long-Term Notes Receivable	<u>1,151,625</u>
 Total Assets	 <u><u>26,638,039</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	376,835
Accrued Payroll	452,865
Deposits Payable	1,183,072
Due to Other Funds	1,269,220
Unearned/Deferred Revenue	<u>1,200,525</u>
Total Liabilities	<u><u>4,482,517</u></u>
Fund Balances	
Reserved - Prepays	411,572
Reserved - Special Revenues	49,604
Reserved - Capital	-
Reserved - Long-Term Receivables	1,151,625
Unreserved - Designated - Commitments	147,265
Unreserved - Undesignated	<u>20,395,456</u>
Total Fund Balances	<u><u>22,155,522</u></u>
 Total Liabilities and Fund Balances	 <u><u>26,638,039</u></u>

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

Motor Fuel Tax	Tax Increment	NIKE Site Development	Capital Projects	Total Governmental Funds
3,169,513	3,504,616	-	-	25,711,284
-	-	-	-	4,012,031
-	-	-	-	50,646
33,713	-	-	-	217,372
-	-	-	-	65,031
-	-	-	-	411,572
52,278	-	-	-	934,615
-	-	1,269,220	-	2,113,203
-	-	-	-	1,151,625
<u>3,255,504</u>	<u>3,504,616</u>	<u>1,269,220</u>	<u>-</u>	<u>34,667,379</u>
112,725	8,722	-	72,200	570,482
-	-	-	-	452,865
-	-	-	-	1,183,072
-	770,321	-	73,662	2,113,203
-	-	-	-	1,200,525
<u>112,725</u>	<u>779,043</u>	<u>-</u>	<u>145,862</u>	<u>5,520,147</u>
-	-	-	-	411,572
3,142,779	-	-	-	3,192,383
-	-	1,269,220	-	1,269,220
-	-	-	-	1,151,625
-	-	-	-	147,265
-	2,725,573	-	(145,862)	22,975,167
<u>3,142,779</u>	<u>2,725,573</u>	<u>1,269,220</u>	<u>(145,862)</u>	<u>29,147,232</u>
<u>3,255,504</u>	<u>3,504,616</u>	<u>1,269,220</u>	<u>-</u>	<u>34,667,379</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, 2008**

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<b>Total Governmental Fund Balances</b>	<b>\$ 29,147,232</b>
 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.	123,427,698
A net pension asset is not considered to represent a financial resource and therefore, is not reported in the funds.	70,774
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.	2,818,912
Revenues not available to pay for current period expenditures are deferred in the funds.	99,586
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Revenue Bonds/Notes Payable	(10,628,000)
Alternate Revenue Source Bonds Payable	(14,445,000)
Compensated Absences Payable	(712,641)
Accrued Interest Payable	<u>(311,964)</u>
 <b>Net Assets of Governmental Activities</b>	 <b><u>129,466,597</u></b>

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, 2008**

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**See Following Page**

**VILLAGE OF VERNON HILLS, ILLINOIS**

**Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
Year Ended April 30, 2008**

	<u>General</u>
Revenues	
Taxes	\$ 16,902,160
Intergovernmental	355,120
Licenses and Permits	2,123,822
Charges for Services	1,025,668
Fines and Forfeits	457,078
Interest	1,650,651
Miscellaneous	179,250
Total Revenues	<u>22,693,749</u>
Expenditures	
Current	
General Government	4,278,264
Public Safety	8,779,490
Streets and Roads	3,970,067
Economic Development	-
Culture and Recreation	301,480
Capital Outlay	1,523,348
Debt Service	
Principal Retirement	1,035,000
Interest and Fiscal Charges	578,117
Issuance Costs	-
Total Expenditures	<u>20,465,766</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,227,983</u>
Other Financing Sources	
Debt Issuance	-
Transfers In	-
Transfers Out	(8,115)
	<u>(8,115)</u>
Net Change in Fund Balances	2,219,868
Fund Balances - Beginning	<u>19,935,654</u>
Fund Balances - Ending	<u><u>22,155,522</u></u>

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

Motor Fuel Tax	Tax Increment	NIKE Site Development	Capital Projects	Total Governmental Funds
-	81,149	-	-	16,983,309
718,870	-	-	-	1,073,990
-	-	-	-	2,123,822
-	-	-	-	1,025,668
-	-	-	-	457,078
167,309	54,947	-	36,637	1,909,544
-	-	-	-	179,250
886,179	136,096	-	36,637	23,752,661
-	-	-	-	4,278,264
-	-	-	-	8,779,490
879,758	-	-	-	4,849,825
-	7,146,756	-	-	7,146,756
-	-	-	-	301,480
-	-	-	2,033,205	3,556,553
-	-	-	-	1,035,000
-	-	-	-	578,117
-	468,835	-	-	468,835
879,758	7,615,591	-	2,033,205	30,994,320
6,421	(7,479,495)	-	(1,996,568)	(7,241,659)
-	10,628,000	-	-	10,628,000
-	8,115	-	-	8,115
-	-	-	-	(8,115)
-	10,636,115	-	-	10,628,000
6,421	3,156,620	-	(1,996,568)	3,386,341
3,136,358	(431,047)	1,269,220	1,850,706	25,760,891
3,142,779	2,725,573	1,269,220	(145,862)	29,147,232

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, 2008**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,386,341</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlays	3,562,846
Depreciation Expense	(3,678,401)
The net effect of various transactions Involving capital assets is to decrease net assets.	
Disposals - Cost	(4,212,312)
Disposals - Accumulated Depreciation	1,417,544
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	17,337
A decrease in a net pension asset is not considered to be a decrease in a financial asset in the governmental funds.	2,361
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	(10,628,000)
Additions to Compensated Absences Payable	(16,075)
Retirement of Alternate Revenue Source Bonds	1,035,000
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.	(249,405)
Internal service funds are used by the Village to charge the costs of liability insurance and vehicle and equipment management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(129,046)</u>
<b>Changes in Net Assets of Governmental Activities</b>	<u><u>(9,491,810)</u></u>

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

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Assets - Proprietary Funds  
April 30, 2008

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 19,109	2,131,234
Receivables - Accounts	260	-
Inventory	28,747	-
Total Current Assets	<u>48,116</u>	<u>2,131,234</u>
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,170,078	1,676,616
	<u>2,472,360</u>	<u>1,676,616</u>
Accumulated Depreciation	(1,600,772)	(988,938)
Total Noncurrent Assets	<u>871,588</u>	<u>687,678</u>
Total Assets	<u>919,704</u>	<u>2,818,912</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	129,660	-
Accrued Payroll	10,231	-
Unearned/Deferred Revenue	5,929	-
Capital Lease Payable	19,716	-
Total Current Liabilities	<u>165,536</u>	<u>-</u>
Noncurrent Liabilities		
Capital Lease Payable	29,192	-
Total Liabilities	<u>194,728</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in Capital Assets - Net of Related Debt	822,680	687,678
Unrestricted	(97,704)	2,131,234
Total Net Assets	<u>724,976</u>	<u>2,818,912</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, 2008

	Business-Type Activities - Enterprise <u>Golf Course</u>	Governmental Activities <u>Internal Service Equipment Replacement</u>
Operating Revenues		
Charges for Services	\$ 567,712	-
Interfund Services	-	145,778
Total Operating Revenues	<u>567,712</u>	<u>145,778</u>
Operating Expenses		
Operations	520,448	127,487
Depreciation	75,709	147,337
Total Operating Expenses	<u>596,157</u>	<u>274,824</u>
Operating Income (Loss)	<u>(28,445)</u>	<u>(129,046)</u>
Nonoperating Revenues (Expenses)		
Interest Income	1,488	-
Disposal of Capital Assets	(5,946)	-
Interest Expense	(3,495)	-
	<u>(7,953)</u>	<u>-</u>
Change in Net Assets	(36,398)	(129,046)
Net Assets - Beginning	<u>761,374</u>	<u>2,947,958</u>
Net Assets - Ending	<u>724,976</u>	<u>2,818,912</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, 2008

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 566,524	-
Receipts from Interfund Services	-	145,778
Payments to Suppliers	(427,193)	(128,705)
	<u>139,331</u>	<u>17,073</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of Capital Assets	(108,748)	(178,135)
Interest on Capital Debt	(3,495)	-
Principal on Capital Debt	(18,230)	-
	<u>(130,473)</u>	<u>(178,135)</u>
<b>Cash Flows from Investing Activities</b>		
Interest Received	1,488	-
	<u>10,346</u>	<u>(161,062)</u>
Net Change in Cash and Cash Equivalents	10,346	(161,062)
Cash and Cash Equivalents - Beginning	8,763	2,292,296
	<u>19,109</u>	<u>2,131,234</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided (Used) by Operating Activities		
Operating Income (Loss)	(28,445)	(129,046)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	75,709	147,337
(Increase) Decrease in Current Assets	(1,188)	-
Increase (Decrease) in Current Liabilities	93,255	(1,218)
	<u>167,776</u>	<u>146,119</u>
Net Cash Provided by Operating Activities	<u>139,331</u>	<u>17,073</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, 2008**

	<u>Pension Trust</u>	<u>Agency Development</u>
	<u>Police Pension</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 31,798	776,682
Investments		
U.S. Government and Agency Securities	11,267,402	-
Municipal Bonds	2,171,422	-
Common Stocks	5,956,821	-
Mutual Funds	3,974,659	
Receivables		
Accrued Interest	64,867	-
Other	7,529	-
		<u>                    -</u>
Total Assets	<u>23,474,498</u>	<u>776,682</u>
<b>LIABILITIES</b>		
Liabilities		
Due to Village	819,010	-
Deposits Payable	-	776,682
Total Liabilities	<u>819,010</u>	<u>776,682</u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits		
(A schedule of funding progress is presented following the notes to the financial statements.)	<u>22,655,488</u>	<u>-</u>

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