FY 2018
ANNUAL TAX INCREMENT FINANCE REPORT

STATE OF ILLINOIS
COMPTROLLER
SUSANA A. MENDOZA

Name of Municipality:	Village of Vernon Hills	Reporting Fiscal Year:	**2018**
County:	Lake	Fiscal Year End:	4/30/2018
Unit Code:	049-190-032		

TIF Administrator Contact Information					
First Name:	Mark	Last Name:	Fleischhauer		
Address:	290 Evergreen Drive	Title:	Village Manager		
Telephone:	847-918-3550	City:	Vernon Hills	Zip:	60061
E-mail-required	Mfleischhauer@Vhills.org				

I attest to the best of my knowledge, that this FY 2018 report of the redevelopment project area(s)

in the City/Village of:
is complete and accurate pursuant to Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] and or Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.].

Mark Fleischhauer
Written signature of TIF Administrator

2/5/19
Date

Section 1 (65 ILCS 5/11-74.4-5 (d) (1.5) and 65 ILCS 5/11-74.6-22 (d) (1.5)*)

FILL OUT ONE FOR EACH TIF DISTICT		
Name of Redevelopment Project Area	**Date Designated**	**Date Terminated**
Milwaukee Ave/Townline Rd Redevelopment Project	1/10/2017	

*All statutory citations refer to one of two sections of the Illinois Municipal Code: The Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

SECTION 2 [Sections 2 through 5 must be completed for each redevelopment project area listed in Section 1.]
FY 2018

Name of Redevelopment Project Area (below):
Milwaukee Ave/Townline Rd Redevelopment Project
Primary Use of Redevelopment Project Area*: Residential/Retail

* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.

If "Combination/Mixed" List Component Types: Residential/Retail
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one):
Tax Increment Allocation Redevelopment Act X
Industrial Jobs Recovery Law

Please utilize the information below to properly label the Attachments.

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)] **If yes, please enclose the amendment (labeled Attachment A).**	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] **Please enclose the CEO Certification (labeled Attachment B).**		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] **Please enclose the Legal Counsel Opinion (labeled Attachment C).**		X
Statement setting forth all activities undertaken in furtherance of the objectives of the redevelopment plan, including any project implemented and a description of the redevelopment activities. [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)] **If yes, please enclose the Activities Statement (labled Attachment D).**	X	
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] **If yes, please enclose the Agreement(s) (labeled Attachment E).**	X	
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] **If yes, please enclose the Additional Information (labeled Attachment F).**	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] **If yes, please enclose the contract(s) or description of the contract(s) (labeled Attachment G).**	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] **If yes, please enclose the Joint Review Board Report (labeled Attachment H).**		X
Were any obligations issued by the municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] **If yes, please enclose any Official Statement (labeled Attachment I). If Attachment I is answered yes, then the Analysis must be attached and (labeled Attachment J).**		X
An analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage. [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)] **If attachment I is yes, then Analysis MUST be attached and (labeled Attachment J).**		X
Has a cumulative of $100,000 of TIF revenue been deposited into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2) **If yes, please enclose Audited financial statements of the special tax allocation fund (labeled Attachment K).**		X
Cumulatively, have deposits of incremental taxes revenue equal to or greater than $100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9)] **If yes, the audit report shall contain a letter from the independent certified public accountant indicating compliance or noncompliance with the requirements of subsection (q) of Section 11-74.4-3 (labeled Attachment L).**	X	
A list of all intergovernmental agreements in effect to which the municipality is a part, and an accounting of any money transferred or received by the municipality during that fiscal year pursuant to those intergovernmental agreements. [65 ILCS 5/11-74.4-5 (d) (10)] **If yes, please enclose the list only, not actual agreements (labeled Attachment M).**	X	

SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d)(5)(a)(b)(d)) and (65 ILCS 5/11-74.6-22 (d) (5)(a)(b)(d))
Provide an analysis of the special tax allocation fund.

FY 2018

TIF NAME: **Milwaukee Ave/Townline Rd Redevelopment Project**

Special Tax Allocation Fund Balance at Beginning of Reporting Period $ -

SOURCE of Revenue/Cash Receipts:	Revenue/Cash Receipts for Current Reporting Year	Cumulative Totals of Revenue/Cash Receipts for life of TIF	% of Total
Property Tax Increment	$ -		0%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	$ 60,401	$ 60,401	0%
Land/Building Sale Proceeds			0%
Bond Proceeds	$ 20,190,000	$ 20,190,000	95%
Transfers from Municipal Sources	$ 1,000,000	$ 1,000,000	5%
Private Sources			0%
Other (identify source _____________; if multiple other sources, attach schedule)			0%

All Amount Deposited in Special Tax Allocation Fund	$ 21,250,401		
Cumulative Total Revenues/Cash Receipts		$ 21,250,401	100%
Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)	$ 15,445,447		
Transfers to Municipal Sources			
Distribution of Surplus			
Total Expenditures/Disbursements	$ 15,445,447		
Net/Income/Cash Receipts Over/(Under) Cash Disbursements	$ 5,804,954		
FUND BALANCE, END OF REPORTING PERIOD*	$ 5,804,954		

* If there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) (c) and 65 ILCS 5/11-74.6-22 (d) (5)(c))

FY 2018

TIF NAME: Milwaukee Ave/Townline Rd Redevelopment Project

ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND
(by category of permissible redevelopment project costs)

PAGE 1

Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]	Amounts	Reporting Fiscal Year
1. Cost of studies, surveys, development of plans, and specifications. Implementation and administration of the redevelopment plan, staff and professional service cost.		
		$ -
2. Annual administrative cost.		
		$ -
3. Cost of marketing sites.		
		$ -
4. Property assembly cost and site preparation costs.		
		$ -
5. Costs of renovation, rehabilitation, reconstruction, relocation, repair or remodeling of existing public or private building, leasehold improvements, and fixtures within a redevelopment project area.		
		$ -
6. Costs of the constructuion of public works or improvements.		
		$ -

SECTION 3.2 A		
PAGE 2		
7. Costs of eliminating or removing contaminants and other impediments.		
		$ -
8. Cost of job training and retraining projects.		
		$ -
9. Financing costs.		
Closing costs-legal/disclosure counsel/financial advisor/bond rating	152,764	
unamortized bond discount	201,900	
Legal fees	160,818	
General Obligation Bond Interest	538,289	
		$ 1,053,771
10. Capital costs.		
Mellody Farms redevelopment construction	14,391,676	
		$ 14,391,676
11. Cost of reimbursing school districts for their increased costs caused by TIF assisted housing projects.		
		$ -
12. Cost of reimbursing library districts for their increased costs caused by TIF assisted housing projects.		
		$ -

SECTION 3.2 A		
PAGE 3		
13. Relocation costs.		
		$ -
14. Payments in lieu of taxes.		
		$ -
15. Costs of job training, retraining, advanced vocational or career education.		
		$ -
16. Interest cost incurred by redeveloper or other nongovernmental persons in connection with a redevelopment project.		
		$ -
17. Cost of day care services.		
		$ -
18. Other.		
		$ -

TOTAL ITEMIZED EXPENDITURES		$ 15,445,447

Section 3.2 B

FY 2018

TIF NAME: Milwaukee Ave/Townline Rd Redevelopment Project

Optional: Information in the following sections is not required by law, but would be helpful in creating fiscal transparency.

List all vendors, including other municipal funds, that were paid in excess of $10,000 during the current reporting year.

Name	Service	Amount
Bank of New York Mellon	Debt Payment	$ 539,039.28
Chicago Title Insurance Company	TIF Escrow Funding	$ 14,389,746.94
Chapman and Cutler	Bond issuance costs	$ 72,500.00
Standard and Poors	Bond issuance costs	$ 21,000.00
Speer Financial, Inc	Bond issuance costs	$ 53,975.00

SECTION 3.3 - (65 ILCS 5/11-74.4-5 (d) (5d) 65 ILCS 5/11-74.6-22 (d) (5d)
Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period by source

FY 2018
TIF NAME: Milwaukee Ave/Townline Rd Redevelopment
FUND BALANCE BY SOURCE $ 5,804,954

1. Description of Debt Obligations

	Amount of Original Issuance	Amount Designated
Series 2017	$ 20,190,000	$ 20,190,000
Total Amount Designated for Obligations	$ 20,190,000	$ 20,190,000

2. Description of Project Costs to be Paid

Total Amount Designated for Project Costs $ -

TOTAL AMOUNT DESIGNATED $ 20,190,000

SURPLUS/(DEFICIT) $ (14,385,046)

SECTION 4 [65 ILCS 5/11-74.4-5 (d) (6) and 65 ILCS 5/11-74.6-22 (d) (6)]

FY 2018

TIF NAME: **Milwaukee Ave/Townline Rd Redevelopment Project**

Provide a description of all property purchased by the municipality during the reporting fiscal year within the redevelopment project area.

X	**Check here if no property was acquired by the Municipality within the Redevelopment Project Area.**

Property Acquired by the Municipality Within the Redevelopment Project Area.

Property (1):	
Street address:	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (2):	
Street address:	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (3):	
Street address:	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (4):	
Street address:	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Optional: Information in the following sections is not required by law, but would be helpful in evaluating the performance of TIF in Illinois. *even though optional MUST be included as part of the complete TIF report

SECTION 6
FY 2018

TIF NAME: **Milwaukee Ave/Townline Rd Redevelopment Project**

Provide the base EAV (at the time of designation) and the EAV for the year reported for the redevelopment project area

Year redevelopment project area was designated	Base EAV	Reporting Fiscal Year EAV
2017	$ 290,981	$ 7,090,348

List all overlapping tax districts in the redevelopment project area.
If overlapping taxing district received a surplus, list the surplus.

X Check if the overlapping taxing districts did not receive a surplus.

Overlapping Taxing District	Surplus Distributed from redevelopment project area to overlapping districts
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -

SECTION 7
Provide information about job creation and retention:

Number of Jobs Retained	Number of Jobs Created	Description and Type (Temporary or Permanent) of Jobs	Total Salaries Paid
			$ -
			$ -
			$ -
			$ -
			$ -
			$ -
			$ -

SECTION 8
Provide a general description of the redevelopment project area using only major boundaries:

Optional Documents	Enclosed
Legal description of redevelopment project area	X
Map of District	X

Village of Vernon Hills
290 Evergreen Drive, Vernon Hills, IL 60061

Certification by the Chief Executive Officer

I, Roger L. Byrne, the duly elected President and Chief Executive Officer of the Village of Vernon Hills, County of Lake, State of Illinois, do herby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning May 1, 2017 and ending April 30, 2018.

Roger L. Byrne
President

February 1, 2019
Date

Attachment B

Village of Vernon Hills
290 Evergreen Drive, Vernon Hills, IL 60061

Certification by the Village Attorney

This will confirm that I am the duly appointed Village Attorney of the Village of Vernon Hills, County of Lake, State of Illinois. I have reviewed all information provided to me by the Village of Vernon Hills staff and consultants. To the best of my knowledge and belief, I find that the Village has conformed to all the applicable requirements of the Illinois Tax Increment Redevelopment Allocation Act set forth there under for the fiscal year beginning May 1, 2017 and ending April 30, 2018.

Keith Hunt
Village Attorney

Date February 1, 2019

Attachment C

Meeting of the Joint Review Board Minutes
Wednesday, March 9, 2016

I. Call to Order and Roll Call

Village President Byrne called to order the Meeting of the Joint Review Board at 5:00 PM. A quorum was established.

II. Introduction of Representatives

Present:

Jeff Fougerousse, Vernon Hills Park District
Robert Kenny, Village Attorney
Aaron Lawlor, Lake County
Jeff Steingart, Countryside Fire Protection District
Nick Brown, Hawthorn Consolidated School District 73
Yasmin Dada, Libertyville High School District 128
Kathleen O'Connor, Libertyville Township
Roger L. Byrne, Village President Village of Vernon Hills
Rob Schuler, Cook Memorial Library District

Absent:

College of Lake County District 532

Staff Members:

Joseph T. Carey, Assistant Village Manager
Nikki Larson, Assistant Director of Finance
Brian Bourdeau, Assistant to the Finance Director

III. Selection of Public Member

<u>On a motion by Jeff Fougerousse and seconded by Aaron Lawlor, Richard Chiarello was appointed as the Member of the Public</u>

<u>Vote:</u>
Ayes: 8 - Lake County, Vernon Hills Park District, Cook Memorial Library District, Countryside Fire Protection District, Hawthorn Consolidated School District 73, Libertyville High School District 128, Village of Vernon Hills, Libertyville Township
Nays: 0 - None
Absent: 1 - College of Lake County District 532
Motion Carried

IV. Selection of Chair Person

<u>On a motion by Aaron Lawlor and seconded by Kathleen O'Connor, Village President Roger Byrne was appointed Chairman of the Joint Review Board.</u>

<u>Vote:</u>
Ayes: 9 - Lake County, Vernon Hills Park District, Cook Memorial Library District, Countryside Fire Protection District, Hawthorn Consolidated School District 73, Libertyville High School District 128, Village of Vernon Hills, Libertyville Township, Member of the Public
Nays: 0 - None

Absent: 1 - College of Lake County District 532
Motion Carried

V. Review of Joint Review Board Procedures and Duties

Assistant Village Manager Joseph Carey introduced Kane McKenna and Associates.

Bob Rychlicki, Kane, McKenna and Associates. The Joint Review Board is a requirement under the TIF Act that the Village has to convene this meeting as it relates to the proposed designation of the TIF District. The function of the Joint Review Board (JRB) is advisory, ultimately the Village Board makes the decision as it relates to the final yea or nay on the TIF District designation; but your input is important.

Under the TIF Act there are three possible outcomes to the meeting today. One is the JRB can provide a positive recommendation as it relates to the review of both the Village's TIF Plan and the Eligibility. You have basically 30 days but you can make that determination today if you so desire. But there are 30 days that you have under the Statute in which to make that decision. The second possible outcome is if there is no decision made in that 30 day period that equals a yes vote.

The third possible outcome is disagreeing with the Village's findings. The TIF Act indicates that the no vote has to be specific as to the actual reasons for disagreement and it does have to be in writing. The no vote does trigger a second 30 days in which the Village will try to get additional opportunities to convince the JRB otherwise, but at the end of that second 30 day period if the vote is still no; again it is advisory and the only thing that changes is that at the end of the day the Village Board's vote changes from a simple majority to a super majority vote in order to approve the TIF ordinances, which we are also going to go over.

VI. TIF Plan and TIF Eligibility Criteria - Review

Mr. Rychlicki indicated the Village asked for Kane McKenna's assistance in terms of preparation of the TIF Plan as well as the eligibility findings. Kane McKenna has worked on over 300 TIF Districts within the State of Illinois. He noted that there are three elements of the presentation; how the TIF District fits into the strategic and fiscal plan; what qualifies the area as a TIF District and a summary of the TIF Plan. The area is 53 to 55 acres not including right-of-way and is located at the intersection of Townline Road and Milwaukee and the area is vacant. The current proposal on the property is mixed use with retail, commercial and residential.

The area suffers from chronic flooding as identified by a registered Illinois engineer. There is an unused disposal site at the southeast end. There will be a requirement for site remediation as well as other extensive site preparation. The property has lagged behind in EAV valuation as compared to the CPI. The piece is important to the Villages redevelopment and has been identified in the Comprehensive Plan. The TIF will improve competitiveness and encourage vacant land development. It will allow for the redevelopment of the property, provide for job creation, sales tax growth and continue to build upon the area's retail strength at that intersection.

The TIF Act has several different ways that property can qualify. The area qualifies as blighted vacant based on the declining and lagging EAV and the environmental remediation. The area also qualifies as blighted vacant based on the stand alone factors of chronic flooding and the unused disposal site. This particular parcel has been lagging in EAV for the past five years.

It was noted that the Phase 1 Environmental survey identified recognized environmental conditions on the property. The north central portion of the area was identified as a former dump site. A former household waste landfill with possible chemical storage and the south east portion of the area includes fill piles associated with Route 21.

The TIF Act provides that if an area, prior to its designation, is subject to chronic flooding that adversely impacts on real property in the area as certified by a registered professional engineer or appropriate regulatory agency and the redevelopment project provides for facilities or improvements to contribute to the alleviation of all or part of the flooding where a finding of chronic flooding can be made. According to Manhard consulting, the area often becomes inundated with standing water during rain events based on various factors including large amounts of offsite flow from sewers draining onto and through the area, the slope of the property and soil conditions combined with the presence of wetlands, renders certain parts of the site unusable for development.

To summarize, the TIF Act requires 2 out of 6 factors which we have; the lagging EAV compared to the CPI, the environmental remediation that is required, chronic flooding and the unused disposal site. There are three different ways the site could be qualified and you only need one.

The TIF Plan indicated the 2014 EAV on the property is $263,115 and the 2015 EAV may be applied. The TIF Budget for the 23 year period including all components is estimated at $35,500,000. The statutory payments for the schools and library have to be paid if the amounts are generated within that year. The CAP that is set forth in the TIF Act, those amounts are paid out. If there are shifts that have to be made that would be done under the prevue of the TIF Plan. There is flexibility and all expenditures are subject to Village approval.

Mr. Rychlicki noted they are about half way through the process and there is a Public Hearing scheduled for April 19th. There are notices that will go out to the tax payers and two newspaper publications. We have also notified all residents within 750 feet and the taxing districts. The Village has complied with all the requirements pursuant to the Act.
Member Dada asked when the residential portion will be available for occupancy. AVM Carey advised it was still in Technical Review and would not expect completion until 2018. There are 260 units and 143 are one bedroom as well as 16 studios. The remaining units will be 75 two bedroom and 26 three bedroom units. Focus Development will do the residential portion of the project. It was noted that calculations show an estimated 21 students per year. Fire Chief Steingart noted that the TIF District would cause financial difficulties for the Fire Protection District. AVM noted that fees for the Fire District will be paid out in the development phase of the process.

VII. Review of DRAFT TIF Ordinances

Mr. Rychlicki noted that the draft TIF Ordinances were provided to all members of the Joint Review Board. The first Ordinance would approve the draft plan which was submitted to the district and public member for review. The second Ordinance sets up the geographic area of the TIF District. The third Ordinance directs the Village Finance office to set up the TIF Fund.

VIII. Questions/Comments

IX. Consideration of a Resolution Recommending Approval of the Redevelopment Plan and Project for the Village of Vernon Hills Milwaukee/Townline Road Redevelopment Project Area

On a motion by Roger Byrne and seconded by Aaron Lawlor a motion for Consideration of a Resolution Recommending Approval of the Redevelopment Plan and Project for the Village of Vernon Hills Milwaukee/Townline Road Redevelopment Project Area

Ayes: 9 - Lake County, Vernon Hills Park District, Cook Memorial Library District, Countryside Fire Protection District, Hawthorn Consolidated School District 73, Libertyville High School District 128, Village of Vernon Hills, Libertyville Township, Member of the Public

Nays: 0 - None

Absent: 1 - College of Lake County District 532

X. Review of Timetable and Next Steps

AVM Carey provided a timeline of the approvals needed for the TIF District.

XI. Adjournment

On a motion by Kathleen O'Connor and seconded by Jeff Steingart, the Joint Review Board voted 9-0 to adjourn the meeting.

Meeting adjourned at 5:38 PM.

Respectfully submitted

Joseph T. Carey
Assistant Village Manager

Distribution:

Village President and Trustees
Village Clerk
Village Manager
Department Heads
Village Attorney
JRB Members

4/27/18
Approval Date

Chairperson

New Issue Attachment I

Investment Rating:
S&P Global Ratings … AAA (Stable Outlook)

Final Official Statement Dated May 16, 2017

Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See ***"TAX MATTERS"*** *herein for a more complete discussion*

$20,190,000

VILLAGE OF VERNON HILLS

Lake County, Illinois

Taxable General Obligation Bonds, Series 2017

Dated Date of Delivery **Book-Entry** **Due Serially March 30, as shown below**

The $20,190,000 Taxable General Obligation Bonds, Series 2017 (the "Bonds"), are being issued by the Village of Vernon Hills, Lake County, Illinois (the "Village"). Interest is payable semiannually on March 30 and September 30 of each year, commencing March 30, 2018. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. So long as DTC or its nominee is the owner of the Bonds, principal and interest on the Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, as paying agent and bond registrar. The Bonds will mature on March 30 in the following years and amounts:

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS[(1)]

Principal Amount	Due March 30	Interest Rates	Yield	CUSIP Number(1)	Principal Amount	Due March 30	Interest Rates	Yield	CUSIP Number(1)
$ 945,000......	2021	2.000%	2.000%	924488 JZ3	$1,125,000	2028	3.100%	3.100%	924488 KG3
965,000......	2022	2.150%	2.150%	924488 KA6	1,160,000	2029	3.200%	3.200%	924488 KH1
985,000......	2023	2.350%	2.350%	924488 KB4	1,195,000	2030	3.300%	3.300%	924488 KJ7
1,005,000......	2024	2.550%	2.550%	924488 KC2	1,235,000	2031	3.400%	3.400%	924488 KK4
1,035,000......	2025	2.700%	2.700%	924488 KD0	1,275,000	2032	3.500%	3.500%	924488 KL2
1,060,000......	2026	2.850%	2.850%	924488 KE8	1,320,000	2033	3.600%	3.600%	924488 KM0
1,090,000......	2027	3.000%	3.000%	924488 KF5	1,370,000	2034	3.700%	3.700%	924488 KN8

$4,425,000..... 3.900% Term Bonds due March 30, 2037; Yield 3.900%; CUSIP Number 924488 KR9

The Bonds due on March 30, 2037 are subject to mandatory sinking fund redemption as described in this Official Statement. For further details see **"THE BONDS - Mandatory Redemption"** herein.

OPTIONAL REDEMPTION

The Bonds due March 30, 2021-2022, inclusive, are not subject to redemption prior to maturity. The Bonds due March 30, 2023-2037, inclusive, are callable in whole or in part on any date on or after March 30, 2022, at a price of par and accrued interest. See **"THE BONDS - Optional Redemption"** herein.

PURPOSE, LEGALITY AND SECURITY

The proceeds of the Bonds will be used to (i) finance redevelopment costs within the Mellody Farm TIF District (as defined herein), (ii) pay interest on the Bonds through and including March 30, 2020, and (iii) pay the costs of issuing the Bonds. See "**THE PLAN OF FINANCE**" herein.

In the opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, the Bonds are valid and legally binding upon the Village and are payable from any funds of the Village legally available for such purpose, and all taxable property in the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. See "**THE BONDS – Security**" herein.

This Final Official Statement is dated May 16, 2017, and has been prepared under the authority of the Village. An electronic copy of this Final Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Official Statements Sales Calendars/Competitive". Additional copies may be obtained from Ms. Nikki Larson, Finance Director, Village of Vernon Hills, 290 Evergreen Drive, Vernon Hills, Illinois 60061, or from the Municipal Advisor to the Village:

Speer Financial, Inc.
INDEPENDENT MUNICIPAL ADVISORS • ESTABLISHED 1954
ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602
Telephone: (312) 346-3700; Facsimile: (312) 346-8833
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(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The Village is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds, nor shall there be any offer to sell or solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. Certain information contained in the Official Statement may have been obtained from sources other than records of the Village and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE DATE HEREOF. The information contained in this Official Statement concerning DTC has been obtained from DTC.

This Final Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Final Official Statement. References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Final Official Statement they will be furnished on request.

Any statements made in this Final Official Statement, including the Exhibits and Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Final Official Statement contains "forward-looking statements" that are based upon the Village's current expectations and its projections about future events. When used in this Final Official Statement, the words "project," "estimate," "intend," "expect," "scheduled," "pro-forma" and similar words identify forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and factors that are outside of the control of the Village. Actual results could differ materially from those contemplated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Neither the Village nor any other party plans to issue any updates or revisions to these forward-looking statements based on future events.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS FINAL OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement, which is provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

Issuer:	Village of Vernon Hills, Lake County, Illinois (the "Village").
Issue:	$20,190,000 Taxable General Obligation Bonds, Series 2017 (the "Bonds").
Dated Date:	Date of delivery.
Delivery:	The Bonds are expected to be delivered on or about June 1, 2017.
Interest Due:	Each March 30 and September 30, commencing March 30, 2018.
Principal or Mandatory Redemption Due:	Each March 30, commencing March 30, 2021, through March 30, 2034, and March 30, 2037 as detailed on the front page of this Final Official Statement.
Optional Redemption:	The Bonds maturing on or after March 30, 2023, are callable in whole or in part on any date on or after March 30, 2022, at a price of par and accrued interest. See **"THE BONDS - Optional Redemption"** herein.
Mandatory Redemption:	The Bonds due March 30, 2037, are subject to mandatory sinking fund redemption as detailed in **"THE BONDS - Mandatory Redemption"** herein.
Authorization:	The Bonds are being issued pursuant to the home-rule powers of the Village under Section 6, Article VII of the 1970 Constitution of the State of Illinois and a bond ordinance to be adopted by the President and Board of Trustees of the Village on May 16, 2017.
Security:	The Bonds are valid and legally binding upon the Village and are payable from any funds of the Village legally available for such purpose, and all taxable property in the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount. See "**THE BONDS – Security**" herein.
Investment Rating:	The Bonds have been rated AAA (Stable Outlook) from S&P Global Ratings, New York, New York. See **"INVESTMENT RATING"** herein.
Purpose:	The proceeds of the Bonds will be used to (i) finance redevelopment costs within the Mellody Farm TIF District (as defined herein), (ii) pay interest on the Bonds up to and including March 30, 2020, and (iii) pay the costs of issuing the Bonds. See "**THE PLAN OF FINANCE**" herein.
Tax Treatment:	Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bond Registrar/Paying Agent:	The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.
Denomination:	$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Chicago, Illinois.

THE BONDS

Authorization

The Taxable General Obligation Bonds, Series 2017 (the "Bonds"), are being issued pursuant to the home-rule powers of the Village of Vernon Hills, Lake County, Illinois (the "Village"), under Section 6, Article VII of the 1970 Constitution of the State of Illinois. The Bonds are authorized to be issued pursuant to a bond ordinance adopted by the President and Board of Trustees of the Village (the "Board") on the 16th day of May, 2017 (the "Bond Ordinance").

Security

The Bonds are valid and legally binding upon the Village and are payable from any funds of the Village legally available for such purpose, and all taxable property of the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount. The Bond Ordinance provides for the levy of ad valorem taxes (the "Pledged Taxes"), unlimited as to rate or amount, upon all taxable property within the Village in amounts sufficient to pay, as and when due, all principal of and interest on the Bonds. The Bond Ordinance will be filed with the County Clerk of The County of Lake, Illinois (the "County Clerk"), and will serve as authorization to the County Clerk to extend and collect the property taxes as set forth in the Bond Ordinance.

The Board presently intends to utilize available incremental taxes derived from the Mellody Farm TIF District (as hereinafter defined) pursuant to the TIF Act (as hereinafter defined) (the "Incremental Taxes"), along with such other funds of the Village as be necessary and on hand from time to time and lawfully available for such purpose (collectively, the "TIF Funds"), to pay the principal of and interest on the Bonds issued for the hereinafter defined Village Financed Projects (excluding the portion to be paid from capitalized interest on the Bonds) and to abate the Pledged Taxes accordingly, to the extent such Incremental Taxes in the Mellody Farm TIF Fund are lawfully permitted to be used for such purpose.

In the Bond Ordinance, the Village completely reserves the authority to issue future obligations without limit having such lien or pledge on the TIF Funds as the Board may determine, the Bonds having no express lien or pledge on the Incremental Taxes or the other TIF Funds; provided, however, that if Incremental Taxes are available and may lawfully be used for such purpose, the Treasurer of the Village will, without further order or direction, in each year, allocate such Incremental Taxes to the fund established under the Bond Ordinance for the payment of the principal of and interest on the Bonds (the "Bond Fund"). Further, whenever other funds from any lawful source are determined by the Village to be available to pay any principal of or interest on the Bonds to enable the abatement of the Pledged Taxes, the Board may direct the deposit of such funds into the Bond Fund. Upon the deposit of TIF Funds or other lawfully available moneys in the Bond Fund, the Village will file such documents with the County Clerk as necessary to effect a corresponding abatement of Pledged Taxes.

Redemption

Optional Redemption. The Bonds due on March 30, 2021, and March 30, 2022, are not subject to redemption prior to maturity. The Bonds due on or after March 30, 2023, are subject to redemption prior to maturity at the option of the Village as a whole or in part in integral multiples of $5,000 in any order of their maturity as determined by the Village (less than all of the Bonds of a single maturity to be selected by The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, as bond registrar and paying agent for the Bonds (the "Bond Registrar")), on March 30, 2022, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

Mandatory Redemption. The Bonds maturing on March 30, 2037, are subject to mandatory redemption, in part by lot, on March 30, 2035-2036, consisting of sinking fund payments at redemption prices equal to the principal amounts as set forth below:

Year	Principal Amount
2035	$1,420,000
2036	1,475,000

The final principal amount of the Bonds maturing on March 30, 2037, is $1,530,000.

The principal amounts of Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the Village may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the Village shall, purchase Bonds required to be retired on such mandatory redemption date. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

General Redemption Provisions. The Village will, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate (except when the Bonds are held in a book-entry system, in which case the selection of Bonds to be redeemed will be made in accordance with procedures established by The Depository Trust Company, New York, New York ("DTC"), or any other book-entry depository); provided that such lottery shall provide for the selection for redemption of Bonds or portions thereof in principal amounts of $5,000 and integral multiples thereof.

Unless waived by any holder of Bonds to be redeemed, notice of the call for any redemption will be given by the Bond Registrar on behalf of the Village by mailing the redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. The Bond Registrar will give notice of redemption, identifying the Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed at the option of the Village are received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Village, state that said redemption will be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the Village will not redeem such Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the Village will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, and notwithstanding failure to receive such notice, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Village shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Bond Registrar at the redemption price.

Defeasance Obligations

Any Bond or Bonds (a) which are paid and cancelled, (b) which have matured and for which sufficient sums been deposited with the Bond Registrar to pay all principal and interest due thereon, or (c) (i) for which sufficient funds and Defeasance Obligations have been deposited with the Bond Registrar or similar institution to pay, taking into account investment earnings on such obligations, all principal of and interest on such Bond or Bonds when due at maturity, pursuant to an irrevocable escrow or trust agreement, (ii) accompanied by an opinion of bond counsel as to compliance with the covenants with respect to such Bonds, and (iii) accompanied by an express declaration of defeasance by the Board; shall cease to have any lien on or right to receive or be paid from the Pledged Taxes and shall no longer have the benefits of any covenant for the registered owners of outstanding Bonds as set forth in the Bond Ordinance as such relates to lien and security of the outstanding Bonds. All covenants relative to the payment, registration, transfer, and exchange of the Bonds are expressly continued for all Bonds whether outstanding Bonds or not. For purposes of this section, “Defeasance Obligations” means (a) non-callable, non-redeemable, direct and general full faith and credit obligations of the United States Treasury (“Directs”), (b) certificates of participation or trust receipts in trusts comprised wholly of Directs or (c) other non-callable, non-redeemable, obligations unconditionally guaranteed as to timely payment by the United States Treasury.

PLAN OF FINANCE

The proceeds of the Bonds will be used to (i) finance redevelopment costs within the Milwaukee Avenue/Townline Road Tax Increment Financing District (commonly known, and referred to herein, as the "Mellody Farm TIF District"), including, but not limited to, land acquisition, public road improvements, off-site public improvements, site preparation costs and improvements and other eligible costs (the "Village Financed Projects") as provided in the Tax Increment Allocation Redevelopment Act, as amended (the "TIF Act"), (ii) pay interest on the Bonds through March 30, 2020, and (iii) pay the costs of issuing the Bonds.

The Mellody Farm TIF District and the Redevelopment Project

The Village created the Mellody Farm TIF District for the purpose of developing a 54-acre parcel of property located at the northeast corner of Milwaukee Avenue and Townline Road in the Village (the "Redevelopment Project Area"). The Village is redeveloping the Redevelopment Project Area in accordance with the eligibility study and report entitled "Village of Vernon Hills TIF Redevelopment Plan Milwaukee Avenue/Townline Road Redevelopment Project Area" (the "Redevelopment Plan") prepared by Kane, McKenna and Associates, Inc. The Board approved the Redevelopment Plan, designated the Redevelopment Project Area as a redevelopment project area under the TIF Act, and adopted tax increment allocation financing for the Redevelopment Project Area pursuant to separate ordinances adopted at the Board's January 10, 2017 meeting, thereby creating the Mellody Farm TIF District for the Redevelopment Project Area. The Village will file the ordinance adopting tax increment allocation financing with the County Clerk in May 2017 and, as such, the base equalized assessed valuation ("EAV") of the Mellody Farm TIF District will be the EAV for the 2016 levy year.

Pursuant to the Redevelopment Plan, the Village entered into a Redevelopment Agreement (the "Redevelopment Agreement") with Mellody Farm LLC (the "Retail Developer") and Mellody Farm Residential Partners LLC (the "Residential Developer" and, together with the Retail Developer, the "Developers") for the purpose of completing redevelopment projects within the Mellody Farm TIF District. The Redevelopment Agreement provides for (i) the Retail Developer to develop a retail center consisting of approximately 275,000 square feet of retail/commercial space, including improvements to the site thereof (consisting of, among other things, internal roadways, sidewalks, sanitary sewer lines, water lines, storm sewer lines, utilities, parking lots and landscaping ("On-Site Improvements")) (the "Retail Project"), and (ii) the Residential Developer to develop approximately 260 executive apartments, including related On-Site Improvements (the "Residential Project" and, together with the Retail Project, the "Redevelopment Project").

The Redevelopment Project commenced construction in April 2017 and is expected to be complete in Fall 2018. As of the date hereof, the Retail Developer has secured lease agreements with Whole Foods, Nordstrom Rack, REI, HomeGoods and Café Zupas for space in the structures comprising the Retail Project. The Village Financed Projects consist of the subset of the Redevelopment Projects that constitute eligible expenditures of TIF moneys pursuant to the TIF Act which will be funded as described below.

Allocation of Costs of the Redevelopment Project

The Redevelopment Project is expected to cost approximately $200 million. Pursuant to the Redevelopment Agreement, the Village is required to pay $20 million (the "Village Funds") to the Retail Developer as part of the development of the Retail Project. Such amounts will be used to reimburse the Retail Developer for the costs of the Village Financed Projects.

The Redevelopment Agreement provides that the Village must pay the Village Funds to the Retail Developer in two parts: the "Initial Funding" and the "Final Funding." The Initial Funding, in the amount of $18 million, is to be made available to the Retail Developer for the reimbursement of TIF Act-eligible expenses upon the satisfaction of several conditions (the "Funding Conditions") set forth in the Redevelopment Agreement. The Funding Conditions consist, in part and in summary form, of the following: (i) the Developers acquiring the property on which the Redevelopment Project is to be constructed (the "Property"); (ii) the Developers each confirming that there have been no recent changes in their financial condition which would adversely impact their ability to acquire the Property or construct the Redevelopment Project; (iii) the Retail Developer presenting the Village with an executed lease of not less than 42,000 square feet with Whole Foods; (iv) the Retail Developer having leased 50% of the leasable space in the Retail Project, including leases with four anchor tenants (as defined in the Redevelopment Agreement); (v) the Retail Developer having provided for payment of certain water and sewer connection fees; (vi) the Illinois Department of Transportation approving an intersection designation study as set forth in the Redevelopment Agreement; (vii) the Retail Developer obtaining necessary permits from the Illinois Environmental Protection Agency; (viii) the Retail Developer entering into at least one contract for On-Site Improvements; (ix) the Residential Developer entering into at least one contract for the construction of the Residential Project; (x) the Retail Developer providing the Village with estimates of the costs of the On-Site Improvements; (xi) the Residential Developer securing certain consents to assignment from its architects, engineers and general contractor regarding default on the Residential Project by the Residential Developer; (xii) the Residential Developer receiving a binding commitment from its lender; (xiii) the Retail Developer providing the Village with a budget for certain off-site improvements and each of the Developers providing the Village an opportunity to review a budget and scope of work document for the Retail Project and the Residential Project, respectively, and (xiv) the Retail Developer executing the Retail Guaranty (as hereinafter defined) and the Residential Developer executing the Residential Guaranty (as hereinafter defined). The Final Funding, in the amount of $2 million, will occur in two equal parts following the completion of the structures required by the Redevelopment Agreement on two separate Retail Outlots (as defined in the Redevelopment Agreement).

The Village expects to pay the Initial Funding with the proceeds of the Bonds and the Final Funding from funds of the Village on hand and lawfully available for such purpose.

Developer Guaranty

The Redevelopment Agreement provides for separate construction guarantees by the Retail Developer (the "Retail Guaranty") and the Residential Developer (the "Residential Guaranty"). The Retail Guaranty provides that, if the Retail Developer fails to satisfy its construction obligations and achieve substantial completion (each as described in the Redevelopment Agreement) by the date that is four years after the date on which the Village makes the Initial Funding (the "Guaranty Date"), Regency Centers, L.P. agrees to pay liquidated damages to the Village in the amount of $25 million, subject to the terms set forth in the Retail Guaranty. The Residential Guaranty provides that, if the Residential Developer fails to satisfy its construction obligation and achieve substantial completion by the Guaranty Date or defaults on its loan, then the guarantors under the Residential Guaranty are required to reimburse such lender for all costs and expenses incurred by the lender for taking possession or control of, and completing, the Residential Project, as required by the Redevelopment Agreement.

Future Intentions of the Village Regarding the Bonds

The Village presently intends to refund the Bonds following the expiration of the Retail Guaranty with the proceeds of tax-exempt bonds. Should the Retail Guaranty become effective pursuant to the Redevelopment Agreement, the Village presently expects that it would use the liquidated damages provided for thereunder to redeem the Bonds.

Availability of the Redevelopment Agreement

Portions of this section are a summary of certain provisions of the Redevelopment Agreement, which is available upon request from the Village.

SOURCES AND USES

Sources of Funds:	
Par Amount of Bonds	$20,190,000.00
Total Sources	$20,190,000.00
Uses of Funds:	
Total Underwriter's Discount (1.000%)	$ 201,900.00
Costs of Issuance	153,000.00
Deposit to Capitalized Interest (CIF) Fund	1,834,504.28
Deposit to Project Construction Fund	18,000,000.00
Rounding Amount	595.72
Total Uses	$20,190,000.00

RISK FACTORS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Final Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.

Risk Related to the Incremental Taxes

As described above, the Village intends to abate the Pledged Taxes and pay debt service on the Bonds from the Incremental Taxes or other lawfully available funds of the Village. The amount of Incremental Taxes received by the Village is contingent on a variety of factors beyond the control of the Village. Any of such factors could result in the Village receiving less Incremental Taxes than anticipated. The Village cannot predict what impact these factors may have on the Incremental Taxes it receives, nor can the Village predict whether laws altering or eliminating the ability of the Village to receive Incremental Taxes or affecting the amount of Incremental Taxes will be enacted in the future. Enactment of any such law may have a material adverse effect on the Incremental Taxes received by the Village. If the Incremental Taxes received by the Village are insufficient to pay debt service on the Bonds and the Village does not extend the Pledged Taxes, the use by the Village of other lawfully available funds to make such debt service payments may adversely affect the amount of revenues on hand to fund the operations of the Village.

Construction Risks

There are potential risks that could affect the completion of the Redevelopment Project and, particularly, the Village Financed Project. While preliminary costs have been projected, not all of the construction contracts have been let. No assurance can be given that the cost of completing the Redevelopment Project will not exceed available funds, though the maximum dollar amount committed by the Village to the Redevelopment Project has been fixed by the Redevelopment Agreement. See "**PLAN OF FINANCE – Developer Guaranty**" herein. Completion of the Redevelopment Project involves many risks common to large construction projects such as shortages or delays in the availability of materials and labor, work stoppages, labor disputes, contractual disputes with contractors or suppliers, weather interferences, construction accidents, delays in obtaining legal approvals, unforeseen engineering, archeological or environmental problems and unanticipated cost increases, any of which could give rise to significant delays or cost overruns. See "**PLAN OF FINANCE - Developer Guaranty**" for information regarding the construction guaranty with the Developers, and the liquidated damages clause in the Redevelopment Agreement that protects the Village in the event the Retail Developer does not substantially complete the Retail Project within four years.

Finances of the State of Illinois

The State of Illinois (the "State") has experienced adverse fiscal conditions resulting in significant shortfalls between the State's general fund revenues and spending demands. In addition, the underfunding of the State's pension systems has contributed to the State's poor financial health. The State has also been operating since July 1, 2015, without a fully enacted budget for the fiscal year ending June 30, 2016 ("Fiscal Year 2016"), and has not enacted a budget for the fiscal year ending June 30, 2017 ("Fiscal Year 2017"). Certain Fiscal Year 2016 appropriations, however, were enacted, including the approval of spending for elementary and secondary education, and other certain Fiscal Year 2016 spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees.

With respect to Fiscal Year 2017 spending for purposes other than education, the General Assembly approved a stopgap six-month budget, which authorized spending through December 31, 2016. Nonetheless, even with this partial-year budget, there continues to be delays in payments of bills and the State's backlog of unpaid bills continues to grow.

The State's general fiscal condition, the underfunding of the State's pension systems and the State's continuing budget impasse have materially adversely affected the State's financial condition and may result in decreased or delayed State appropriations to the Village.

The Village cannot predict the effect the State's ongoing financial problems may have on the Village's future finances.

Local Economy

The financial health of the Village is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the Village.

Impact of Future Pension Costs

As described under "**EMPLOYEE RETIREMENT AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS**" below, the Village participates in a Police Pension Fund (as hereinafter defined) which is a single-employer, defined benefit pension plan providing retirement benefits to the Village's sworn police personnel. As of April 30, 2016, the date of the most recent actuarial valuation for the Police Pension Fund, the Police Pension Fund had a ratio of Fiduciary Net Position (as hereinafter defined) to Total Pension Liability (as hereinafter defined) of 60.44%.

The Pension Code (as hereinafter defined) requires that the unfunded liabilities of the Police Pension Fund be amortized over a closed period such that the ratio of the assets to the liabilities of the Police Pension Fund equals 90% by 2040. As a result, and subject to a variety of factors including, but not limited to, investment returns, future contributions and changes in actuarial assumptions, the amortization of the Police Pension Fund's unfunded liabilities may increase the amount the Village is required pay to the Police Pension Fund in any given year as the Village approaches the statutory funding target in 2040. Such an increase may, in the absence of an increase in revenues by the Village, impact the amount of funds the Village has available to fund its operations in the future.

Loss or Change of Bond Rating

The Bonds have received a credit rating from S&P Global Ratings, New York, New York ("S&P"). The rating can be changed or withdrawn at any time for reasons both under and outside the Village's control. Any change, withdrawal or combination thereof could adversely affect the ability of investors to sell the Bonds or may affect the price at which they can be sold.

Secondary Market for the Bonds

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The Underwriter (as hereinafter defined) is not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Continuing Disclosure

A failure by the Village to comply with the Undertaking for continuing disclosure (see **"CONTINUING DISCLOSURE"** and **"THE UNDERTAKING"** herein) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended, and may adversely affect the transferability and liquidity of the Bonds and their market price.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine the Final Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Future Changes in Laws

Various state and federal laws, regulations and constitutional provisions apply to the Village and to the Bonds. The Village can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Village, or the taxing authority of the Village. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State may affect the overall financial conditions of the Village, the taxable value of property within the Village, and the ability of the Village to levy property taxes or collect revenues for its ongoing operations.

Bankruptcy

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Bonds will be similarly qualified.

THE VILLAGE

General Information

The Village, incorporated in 1958 and encompassing an area of 7.7 square miles, is located in central Lake County (the "County") approximately 35 miles north of downtown Chicago. The Village is contiguous with or within a three mile radius of Libertyville, Mundelein, Buffalo Grove, Indian Creek, Long Grove, Mettawa, Lincolnshire, and Lake Forest. The latter four communities are among the wealthiest in the Chicago metropolitan area in terms of per capita income. According to the 2010 census, the population of the Village is 25,113, qualifying it as a home rule unit under the Illinois Constitution.

The Village is governed by a Village President and a six member Board of Trustees, elected for staggered four year terms. Operations of the Village are the responsibility of the Village Manager, who oversees some 103 full-time employees and 19 part-time employees. The Village has 42 sworn police officers. Each of the Village's (i) police officers and sergeants and (ii) telecommunication personnel are represented by a respective union affiliated with the Fraternal Order of Police, the contracts for which expire in 2019. Other employees are not represented by a bargaining unit.

The Village has experienced ongoing development over the past five years. The recent growth has been in both housing and commercial development. Several major properties are as discussed in the section entitled "**ECONOMIC DEVELOPMENT**." Existing retail activity permits the Village to support its services substantially with sales taxes; no property taxes are currently being levied for the operation of the Village.

The most significant growth in population occurred between 1970 and 1980 when the Village's population, as reported by the Bureau of the Census, increased from 1,056 to 9,827 or 830.5%. The 1990 population of 15,319 rose at a more moderate rate of 55.9% over 1980. A special census in 1994 had the Village's population at 18,032. The 2000 census had the Village's population at 20,120 or 31.3% over 1990 and a special census conducted in 2005 had the Village's population at 24,021. The 2010 census had the Village's population at 25,113, a 24.8% increase over 2000. The Village provides a variety of basic services to its residents while other governments provide other services. Primary services provided by the Village are: police, street maintenance, building inspection and general administrative services. The Village owns and operates a nine-hole golf course. It also owns an 18 hole golf course which was built by and is operated by Par Development for a 25 year period. The lease has some profit sharing and early buyout provisions. The Village provides community events such as concerts and festivals at an Arbortheater owned and operated by the Village. It also owns the Vernon Hills Athletic Complex and operates it in conjunction with the Vernon Hills Park District (the "Park District"). Water and sewer services are provided by the County. The Village receives Lake Michigan water from the Central Lake County Joint Action Water Agency through the County. Refuse collection is handled privately but licensed by the Village. Fire protection services are provided by the Countryside Fire Protection District and Lincolnshire Riverwoods Fire Protection District. The Park District provides recreational facilities and programming in addition to the Village's nine-hole golf course.

Transportation

Village residents have easy access to Interstate 94 (Chicago-Milwaukee Tollway), and accordingly, have access to Chicago's O'Hare Airport, Milwaukee's Mitchell Airport, and downtown Chicago.

Education

The Village is served by School District Numbers 73, 76, 96 and 103 providing elementary education. High School District Numbers 120, 125 and 128 provide secondary education for Village residents. Local schools enroll approximately 19,900 pupils. Local schools employ approximately 2,400. Community College District No. 532 (the College of Lake County), located in Grayslake, with approximate enrollment of approximately 18,000 full and part time students offers two year certificates and degree programs. In addition, higher education facilities are available to Village residents in the many public and private colleges and universities in the Chicago Metropolitan area.

SOCIOECONOMIC INFORMATION

The following statistics pertain to the Village with additional comparisons with the County and the State.

The combination of good transportation, proximity to an affluent and well educated population, along with effective planning, has made the Village one of the more desirable areas for development in the Chicago metropolitan area. The Village is a major employment center, as well as a major center for retail shopping.

The Village has 3.9 million square feet of retail space. The most significant component of that retail space is the Hawthorn Center (the "Mall"), which was completed in 1974 and subsequently expanded. The Center Mall has 1.30 million square feet of leasable retail space and is anchored by Sears, Carson Pirie Scott & Co., J.C. Pennys and Macy's. In 2014 a Dave and Busters, Maggiano's Little Italy and Smashburger opened up in converted space in the Mall. A 65,000 square foot 12 screen, digital state of the art AMC Theatre opened in the Mall in April 2015. The 203,000 square foot Hawthorn Hills Square opened in 1986. Hawthorn Hills Square completed redevelopment efforts in 2010 which brought Dick's Sporting Goods and PetSmart. In 1988, the 29,000 square foot Rivertree Center opened. Rivertree includes Best Buy, Office Depot, and T.J. Maxx. The 297,000 square foot Townline Commons, which was completed in 1990, is anchored by Toys R Us and Walmart and, following a 2017 redevelopment, contains the 28,000 square foot Bob's Furniture. The Marketplace Shopping Center, which opened in 1994 is anchored by an 111,000 square foot Home Depot, and a 198,000 square foot redevelopment completed in 2005 which brought the Village Bed Bath and Beyond, Ashley Furniture, Joanne's Fabrics and DSW (Discount Shoe Warehouse). A 2011 renovation of the Marketplace added the 110,000 square foot Steinhafels Furniture Store. In 2008, the 206,000 square foot Shoppe's at Gregg's Landing opened, bringing the Village Lowe's and Staples. Additionally, in June 2011, a 70,000 square foot Mariano's Fresh Market opened in this shopping center. AAA Car Care Center opened in the Shoppe's at Gregg's Landing in 2014 and work has begun on Menard's. In addition, the Village has other smaller shopping centers including the 70,000 square foot Aspen Point Shopping Center that includes Walgreen's Drug Store, Buffalo Wild Wings and Chili's, and the 99,000 square foot Hawthorn Commons anchored by a 45,000 square foot Hobby Lobby. Freestanding retail includes Super Target (170,000 square feet), Sam's Club (128,000 square feet), Kohl's (87,000 square feet), Sports Authority (45,000 square feet), Babies R Us (37,000 square feet), and Walter E. Smithe Furniture (37,000 square feet).

Prior to 1986, few office buildings were located in the Village, with the exception of Rust-Oleum Corp. international headquarters. In 1986, Van Vlssingen 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 are the 130,000 square foot Richard Wolf Medical Instrument Corporation building, 235,000 square foot Mitsubishi building and the 161,000 square foot Z.F. Industries building. In 2009, a Lifetime Fitness facility opened in Corporate Woods.

In 1988, Prentiss/Copley began development of another office/industrial park, a 600 acre development known as Continental Executive Parke. It includes the 260,000 square foot Cole Parmer building and the 200,000 square foot Baxter Credit Union building. In July of 1997, the mail order, warehouse and corporate facility for CDW opened in Continental Executive Parke. The original facility was 224,000 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 the Village containing over 200,000 square feet. In 2016, a 126,000 square foot online consignment facility for ThredUp opened in Continental Executive Parke, adding over 200 job opportunities to the area.

Adjacent to the Continental Executive Parke is the 70 acre American Hotel Register site. It consists of a 258,000 square foot original American Hotel Register headquarters building, which was followed by a 201,000 square foot American Hotel Register distribution center. The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, PNC Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, MB Financial Bank and the Wintrust Bank and Trust. A second PNC Bank is located in the Village's existing tax increment financing district (the "Existing TIF 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.

According to the 2010 Census, the Village has 9,956 housing units. 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, 2017, 1,949 were constructed or permitted for construction. An additional 128 single family homes have also been granted preliminary approval for construction with anticipated construction in late 2017 and 2018. The development includes an 18-hole golf course built on 320 acres of land donated by developers to the Village. The Village negotiated with Par Development to build and operate the golf course, which is owned by the Village. The course began operation in 1998 and the lease agreement calls for the lease to terminate on December 31, 2024.

ECONOMIC DEVELOPMENT

With 3.9 million square feet of retail space, retail has long been a vital economic component of the Village. The most significant retail space in the Village is the Mall. In order to encourage Westfield to bring Dave and Busters, AMC Theatre and restaurants to the Mall, the Village entered into a ten-year agreement to provide $10 million (discounted at 6%) of sales tax rebates to the Mall. The rebate amounts to all the non-home rule sales tax (the base 1%) generated by the non-anchor stores located in the Mall. The rebate became effective for sales generated after May 31, 2015 based on the completion of the AMC Theatre. The loss of revenue from the rebate is being addressed through the imposition of a quarter percent home rule sales tax that went into effect on January 1, 2015. Besides compensating for the lost revenue from the incentive agreement, the revenues generated by the home rules sales tax may provide funding for capital projects. The AMC Theatre has also increased the Village's tax base for its Amusement Tax (as hereinafter defined).

Many of the Village's other economic incentives are in response to the 2008-2011 economic down turn, which created significant vacancies in many of the Village's retail centers. During 2008 and 2009 important stores in the 203,000 square foot Hawthorn Hills Square, including Linen's & Things and Wick's Furniture, closed. These closings contributed to bringing that shopping center's vacancy rate to 57%. That amounted to 116,000 square feet of vacant space. The loss of Linen's & Things and Wick's threatened the survival of Hawthorn Square. In order to assist Hawthorn Square's developers, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52,000 square foot Dick's Sporting Goods to the Village and to Hawthorn Hills Square. Dick's opened in early September of 2010. The 20 year agreement 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 Kimco (Chase's assignee) reaches $1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years, whichever occurs first. A major Marketplace loss occurred in early 2009 with the closing of the 110,000 square foot Home Expo store. In FY2010-11, Steinhafels, the leading furniture store in Wisconsin, decided to look at the Home Expo site for its first expansion into the Chicago area. In order to encourage a high quality upgrade of the Home Expo site, the Village agreed to a seven year sales tax sharing agreement, where Steinhafels receives 40% of the sales tax generated for the Village in the first four years and then 41% in the last three years, except that if a net present value of $600,000 (discounted at 5%) is reached first, the agreement ends at that time. Steinhafels opened in August of 2011. Townline Commons' Walmart is currently working with Mundelein regarding relocation. At Rivertree Court, during 2010, the Rivertree Movie Theatre closed. The Village provided Inland, the owners of the center, with a sales tax incentive to renovate the theatre and dilapidated parking lot in order to bring a 50,000 square foot Gordman's store to the Village. The incentive agreement provides Inland 75% of sales tax generated for ten years unless the $385,000 net present value (discounted at 5%) target is realized sooner. The store opened in 2011, but has recently announced its plans to close. The Village is in discussions with a potential tenant to fill the vacancy to be left by Gordman's.

In order to assist in bringing a desirable development to a vacant property at the Shoppe's at Gregg's Landing, the Village provided Bradford Development with an incentive to bring Mariano's Fresh Market to the Village. Mariano's is a high end grocery store owned by Roundy's, a Wisconsin based grocery. In order to assist the developer with land costs to enable their bringing Mariano's to the Village offered the developer 37% of the sales tax generated for fifteen years or until $955,000 net present value (discounted at 5%) is realized, whichever occurs first. The 70,000 square foot Mariano's opened in June of 2011, and due to the success of the grocer, the economic incentive agreement limit has already been paid in full. In addition, a 287,000 square foot Menard's is currently under construction and a 5,700 square foot Chase Bank has been approved for construction on the outlot of the Menard's site.

A previous economic incentive agreement with CDW was replaced with a new economic incentive agreement in December of 2014. The agreement is in effect through December of 2029 and provides for the rebating of sales tax. It has a maximum rebate level of 56.3%, which is applicable as long as their Gross Receipts in the Village at least $200,000,000 annually in sales tax from CDW. If sales tax receipts fall between $65,000,000 and $200,000,000, the rebate is 35%. Between $50,000,000 and $65,000,000, the rebate is 20% and below $50,000,000 there is no rebate.

In 2016 the Oaks of Vernon Hills was completed. The project includes 256 luxury apartments, 48 townhouse units, 32 executive style apartments and a club house.

The Existing TIF District is being developed in partnership 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 multiplicity of land owners and because of traffic flow obstacles. Despite set-backs during the 2008-2009 downturn, the Existing TIF District has made substantial progress. For calendar year 2009, the Existing TIF District had a $3,645,858 incremental assessed valuation and a $236,288 tax extension. By 2014 the incremental assessed valuation had increased to $13,414,039 and the extension increased to $1,281,333. In the Opus North development, two 66 unit condominium buildings were approved for this site, of which one has been built with 66 units-all of which either sold or rented. Opus North was also approved for a total of 47 town home units, of which 20 units were originally constructed. In the VHTC part of the 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. A PNC Bank opened in 2011 on the VHTC site. In 2011 and 2012 a 15,000 square foot retail building south of PNC opened. The building includes a Tom and Eddie's Restaurant and a dance studio, a Real Urban BBQ restaurant, a Halstead Deli, a Yogen Fruz and a Beer Market. In 2015, Chitown Development purchased the remaining two parcels on the property and constructed the remaining 27 townhomes and presented the Village with a proposal for a six story apartment building with 80 dwelling units. This building is proposed for the portion of the TIF previously being developed by Opus North.

As described above under "**PLAN OF FINANCE**", the Village is currently undertaking the Redevelopment Project for the purpose of redeveloping the Mellody Farm TIF District.

The Village has four hotels: the 148-unit Amerisuites, the 119-unit Hawthorn Suites, 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.

Employment

Following are lists of large employers located in the Village and in the surrounding area.

Major Village Employers*(1)*

Name	Product/Service	Approximate Employment
Westfield Hawthorn	Regional Shopping Mall	2,500
American Hotel Register Co.	Hotel Hospitality Supply Sales and Distribution	400
Mitsubishi Electric Automation, Inc.	Relays and Industrial Controls Corporate Headquarters	400
CDW Computer Centers, Inc.	Computer Sales Headquarters	350
Mercer Human Resource Consulting	Business Consulting	340
ZF Service North America, LLC	Automotive and Marine Transmissions	325
Cole-Palmer Instrument Co.	Laboratory Instruments Distribution	300
Becton Dickinson	Surgical Instrument Distribution	300
ETA hand2mind	Wholesaler of K-12 Teaching Resources	200
Richard Wolf Medical Instruments Corp.	Medical Instruments and Accessories	200
ThredUp	Online Consignment Facility	200
Rust-Oleum Corp.	Corporate Headquarters and Coatings, Paints and Rust Preventatives	180
Overture Premiums & Promotions, LLC	Promotional Products	150

Note: (1) Source: 2017 Illinois Manufacturers Directory, 2017 Illinois Services Directory and selective telephone survey.

Major Area Employers*(1)*

Location	Name	Product/Service	Approximate Employment
North Chicago	Great Lakes Training Center	Military	11,000(2)
Gurnee	Gurnee Mills	Shopping Center	5,000
Gurnee	Six Flags Great America	Amusement Park	4,550(3)
Multiple	Medline Industries, Inc.	Surgical and Medical Instruments	3,900(4)
North Chicago	AbbVie, Inc.	Pharmaceutical Products Headquarters	3,400
Waukegan	Lake County	Government	3,055(5)
Riverwoods	Discover Financial Services, LLC	Company Headquarters and Financial Services	3,000
Deerfield	Walgreen Co.	Drug Stores Corporate Headquarters	2,500
Multiple	Baxter Healthcare Corp.	Medical and Hospital Equipment	2,450
Libertyville	Advocate Condell Medical Center	Hospital	2,200
Lake Forest	W.W. Grainger Co., Inc.	Industrial Machinery Corporate Headquarters	2,031
Grayslake	College of Lake County	Community College	1,818
Buffalo Grove	Siemens Building Technologies	Building Control Systems Corporate Headquarters	1,800
Barrington	Advocate Good Shepherd Hospital	Hospital Care	1,700
Lake Forest	Northwestern Lake Forest Hospital	Hospital	1,600
Multiple	Cardinal Health	Hospital Supply and Equipment Distribution Corporate Headquarters	1,540(6)
Deerfield	Takeda Pharmaceuticals U.S.A. Inc.	Pharmaceutical Products Headquarters	1,400
Lake Forest	Hospira, Inc.	Medical Infusion Systems	1,350

Notes:
(1) Source: 2017 Illinois Manufacturers Directory, 2017 Illinois Services Directory and a selective telephone survey.
(2) Civilian and military personnel.
(3) Includes 1,900 in Round Lake and 2,650 in Deerfield.
(4) Includes 3,000 in Mundelein and 900 in Waukegan.
(5) The County employs a total of 2,701 full-time and 354 part-time budget positions for a total of 3,055 budgeted positions, of which approximately 2,000 are employed in Waukegan.
(6) Includes 1,200 in McGaw Park and 340 in Waukegan.

The following tables show employment by industry and by occupation for the Village, the County and the State as reported by the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimated values.

Employment By Industry*(1)*

	The Village		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining	10	0.1%	856	0.3%	64,380	1.1%
Construction	321	2.4%	16,494	4.9%	313,232	5.1%
Manufacturing	1,910	14.2%	54,669	16.1%	765,301	12.6%
Wholesale Trade	653	4.9%	14,885	4.4%	184,522	3.0%
Retail Trade	1,738	12.9%	39,821	11.7%	668,523	11.0%
Transportation and Warehousing, and Utilities	509	3.8%	11,921	3.5%	358,122	5.9%
Information	291	2.2%	6,492	1.9%	123,286	2.0%
Finance and Insurance, and Real Estate and Rental and Leasing	1,384	10.3%	26,916	7.9%	446,219	7.3%
Professional, Scientific, and Management, Administrative, and Waste Management Services	2,016	15.0%	46,588	13.7%	695,791	11.4%
Educational Services and Health Care and Social Assistance	2,560	19.1%	65,163	19.2%	1,396,976	23.0%
Arts, Entertainment and Recreation and Accommodation and Food Services	1,206	9.0%	31,016	9.2%	551,219	9.1%
Other Services, Except Public Administration	617	4.6%	14,326	4.2%	288,602	4.7%
Public Administration	220	1.6%	9,812	2.9%	230,053	3.8%
Total	13,435	100.0%	338,959	100.0%	6,086,226	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Employment By Occupation*(1)*

	The Village		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science, and Art	6,905	51.4%	142,158	41.9%	2,241,849	36.8%
Service	1,670	12.4%	51,931	15.3%	1,057,682	17.4%
Sales and Office	3,561	26.5%	86,415	25.5%	1,493,597	24.5%
Natural Resources, Construction, and Maintenance	345	2.6%	20,244	6.0%	444,435	7.3%
Production, Transportation, and Material Moving	954	7.1%	38,211	11.3%	848,663	13.9%
Total	13,435	100.0%	338,959	100.0%	6,086,226	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Unemployment rates for the Village are well below the County and the State levels, as shown below.

Annual Average Unemployment Rates*(1)*

Calendar Year	The Village	The County	The State
2008	6.2%	6.7%	6.5%
2009	9.3%	9.8%	10.1%
2010	10.0%	10.5%	10.3%
2011	7.1%	9.4%	9.7%
2012	6.6%	8.8%	8.9%
2013	6.6%	8.7%	9.2%
2014	5.2%	6.5%	7.1%
2015	3.9%	4.8%	5.9%
2016	4.3%	5.2%	5.9%
2017(2)	4.9%	6.9%	6.5%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of January 2017.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the Village's owner-occupied homes was $318,900. This compares to $245,300 for the County and $173,800 for the State. The following table represents the five year average market value of specified owner-occupied units for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Home Values*(1)*

	The Village		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000	119	1.8%	6,656	3.7%	240,110	7.6%
$50,000 to $99,999	357	5.3%	14,881	8.3%	518,898	16.3%
$100,000 to $149,999	916	13.7%	23,958	13.3%	533,593	16.8%
$150,000 to $199,999	725	10.8%	27,259	15.2%	527,923	16.6%
$200,000 to $299,999	926	13.8%	35,313	19.6%	648,006	20.4%
$300,000 to $499,999	2,326	34.7%	37,866	21.1%	473,931	14.9%
$500,000 to $999,999	1,269	18.9%	27,235	15.1%	188,536	5.9%
$1,000,000 or more	72	1.1%	6,617	3.7%	46,708	1.5%
Total	6,710	100.0%	179,785	100.0%	3,177,705	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Mortgage Status*(1)*

	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage	5,215	77.7%	131,085	72.9%	2,104,166	66.2%
Housing Units Without a Mortgage	1,495	22.3%	48,700	27.1%	1,073,539	33.8%
Total	6,710	100.0%	179,785	100.0%	3,177,705	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Income

Per Capita Personal Income for the Highest Income Counties in the State*(1)*

Rank		2011-2015
1	DuPage County	$39,336
2	**The County**	**39,299**
3	McHenry County	33,735
4	Monroe County	32,889
5	Piatt County	32,724
6	Will County	31,310
7	McLean County	31,305
8	Kane County	31,056
9	Kendall County	31,053
10	Sangamon County	31,024
11	Cook County	31,013

Note: (1) Source: U.S. Bureau of the Census. 2011-2015 American Community 5-Year Estimates.

The following shows the median family income for counties in the Chicago metropolitan area.

Ranking of Median Family Income*(1)*

Ill. County	Family Income	Ill. Rank
DuPage County	$96,751	1
The County	**93,668**	**2**
Kendall County	91,612	3
McHenry County	89,768	4
Will County	87,950	5
Kane County	81,718	8
Cook County	67,324	23

Note: (1) Source: U. S. Bureau of the Census, American Community Survey, 2011-2015 estimates.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median family income of $110,037. This compares to $93,668 for the County and $71,546 for the State. The following table represents the distribution of family incomes for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Family Income*(1)*

	The Village		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Under $10,000	29	0.4%	5,202	2.9%	137,468	4.4%
$10,000 to $14,999	133	2.0%	3,425	1.9%	83,523	2.7%
$15,000 to $24,999	82	1.2%	8,496	4.7%	219,861	7.0%
$25,000 to $34,999	457	6.7%	9,595	5.4%	247,041	7.9%
$35,000 to $49,999	641	9.4%	16,988	9.5%	372,279	11.9%
$50,000 to $74,999	804	11.8%	28,020	15.6%	572,734	18.3%
$75,000 to $99,999	827	12.2%	23,386	13.0%	460,502	14.7%
$100,000 to $149,999	1,443	21.3%	35,259	19.7%	554,220	17.7%
$150,000 to $199,999	1,062	15.6%	20,797	11.6%	234,835	7.5%
$200,000 or more	1,312	19.3%	28,153	15.7%	242,220	7.8%
Total	6,790	100.0%	179,321	100.0%	3,124,683	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median household income of $92,201. This compares to $78,026 for the County and $57,574 for the State. The following table represents the distribution of household incomes for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Household Income*(1)*

	The Village		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Under $10,000	205	2.1%	10,067	4.2%	343,101	7.2%
$10,000 to $14,999	215	2.2%	6,987	2.9%	217,426	4.5%
$15,000 to $24,999	550	5.8%	16,736	6.9%	477,279	10.0%
$25,000 to $34,999	810	8.5%	17,446	7.2%	449,729	9.4%
$35,000 to $49,999	1,018	10.7%	25,939	10.7%	610,069	12.7%
$50,000 to $74,999	1,199	12.5%	39,891	16.5%	851,656	17.8%
$75,000 to $99,999	1,069	11.2%	30,291	12.5%	609,496	12.7%
$100,000 to $149,999	1,879	19.7%	41,436	17.1%	676,505	14.1%
$150,000 to $199,999	1,132	11.8%	23,040	9.5%	272,382	5.7%
$200,000 or more	1,479	15.5%	30,593	12.6%	278,745	5.8%
Total	9,556	100.0%	242,426	100.0%	4,786,388	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Retail Activity

The table below shows sales tax receipts collected by the Village over the past ten years as an indicator of commercial activity.

Retailers' Occupation, Service Occupation and Use Tax*(1)*
(As of March 31, 2007 through 2016)

Year Ending	State Sales Tax Distributions	Annual % Change + (-)
2007	$11,428,759	4.28%(2)
2008	11,646,251	1.90%
2009	11,367,844	(2.39%)
2010	10,272,497	(9.64%)
2011	10,857,198	5.69%
2012	12,304,474	13.33%
2013	12,620,620	2.57%
2014	12,951,209	2.62%
2015	13,826,715	6.76%
2016	14,071,563	1.77%
Growth from 2007 to 2016		23.12%

Notes: (1) Source: State of Illinois, Department of Revenue Based on Standard & Poor's Industrial Code Classification. Excludes Home Rule Sales Tax.
(2) Percentage based on 2006 sales tax of $10,959,796.

Sales Tax Receipts by Kind of Business*(1)*
(Year ended March 31, 2016)

	Amount Returned to the Village(2)	Percent
General Merchandise	$ 2,294,533	16.3%
Food	836,884	5.9%
Drinking and Eating Places	1,038,032	7.4%
Apparel	735,167	5.2%
Furniture, Household & Radio	6,161,707	43.8%
Lumber Building and Hardware	489,172	3.5%
Automotive and Filling Stations	325,039	2.3%
Drugs and other Retail	1,047,992	7.4%
Agriculture and All Others	1,037,895	7.4%
Manufactures	105,142	0.7%
Total	$14,071,563	100.0%
Number of taxpayers (establishments)	627	

Notes: (1) Source: State of Illinois Department of Revenue (the "Department"). Excludes Home Rule Sales Tax.
(2) The amount returned to the Village is equal to 1% of taxable sales made at businesses located within the corporate limits of the Village.

VILLAGE REVENUE SOURCES

The Village funds its governmental operations from a diverse set of revenue sources. The primary source of such revenues for governmental activities are the sales taxes imposed by the State and by the Village. The Village does not presently levy a property tax; however, it retains the authority to levy such a tax at any time. Based on information in the hereinafter defined 2016 Audit, the Village received revenue from governmental activities as follows: (i) 56% from distributions of the sales tax imposed by the State, (ii) 13% from the home rule sales tax imposed by the Village, (iii) 11% from distributions of the income tax imposed by the State, (iv) 10% from other taxes and fees, including the Village's 4% amusement tax (the "Amusement Tax"), (v) 5% from utility taxes imposed by the Village and (vi) 5% from telecommunications taxes imposed by the Village. For a five-year history of these revenues, see "**FINANCIAL INFORMATION—Summary Financial Information - General Fund Statement of Revenues, Expenditures and Changes in Fund Balances**" herein.

The Village has experienced a significant increase in revenues from the Amusement Tax in the last year due, primarily to the opening of AMC Theatres in the Mall. The following table provides a five-year history of the Village's receipts from the Amusement Tax:

Calendar Year	Amusement Tax(1)	Annual % Change
2012	$ 97,620.00	(19.70%)
2013	88,286.22	(9.56%)
2014	89,937.90	1.87%
2015	69,149.41	(23.11%)
2016	284,202.92	311.00%
2017(2)	270,331.00	6.17%

Notes: (1) The Amusement Tax is currently based on two AMC Theaters that are open in the Village. One of the two is the brand new theater within the Mall. The other Theater is a discount rate theater that is located less than 1 mile from the new theater, and the long term forecast on this facility is uncertain.

(2) Current Revenues through February 2017.

DEBT INFORMATION

As a home rule unit of government, the Village is not subject to any limitation on the amount of debt it may issue. After issuance of the Bonds, the Village will have outstanding $41,725,000 principal amount of general obligation debt. The Village does not plan to issue additional debt in calendar year 2017.

General Obligation Bonded Debt*(1)(2)*

(Principal Only)

Calendar Year	Series 2005 (3-30)	Series 2012A (12-30)	Series 2012B (3-30)	Series 2014 (3-30)	Series 2015A (3-30)	Series 2015B (12-30)	The Bonds (3-30)	Total Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2017	$ 0	$ 450,000	$ 0	$ 0	$ 0	$ 440,000	$ 0	$ 890,000	$ 890,000	2.13%
2018	0	600,000	125,000	325,000	130,000	450,000	0	1,630,000	2,520,000	6.04%
2019	355,000	650,000	125,000	325,000	130,000	460,000	0	2,045,000	4,565,000	10.94%
2020	370,000	675,000	130,000	340,000	135,000	470,000	0	2,120,000	6,685,000	16.02%
2021	390,000	725,000	130,000	340,000	140,000	475,000	945,000	3,145,000	9,830,000	23.56%
2022	0	750,000	140,000	345,000	140,000	485,000	965,000	2,825,000	12,655,000	30.33%
2023	0	800,000	145,000	355,000	140,000	455,000	985,000	2,880,000	15,535,000	37.23%
2024	0	900,000	145,000	370,000	150,000	395,000	1,005,000	2,965,000	18,500,000	44.34%
2025	0	1,000,000	150,000	370,000	80,000	520,000	1,035,000	3,155,000	21,655,000	51.90%
2026	0	1,000,000	155,000	380,000	85,000	530,000	1,060,000	3,210,000	24,865,000	59.59%
2027	0	0	0	395,000	85,000	0	1,090,000	1,570,000	26,435,000	63.36%
2028	0	0	0	195,000	90,000	0	1,125,000	1,410,000	27,845,000	66.73%
2029	0	0	0	200,000	90,000	0	1,160,000	1,450,000	29,295,000	70.21%
2030	0	0	0	210,000	95,000	0	1,195,000	1,500,000	30,795,000	73.80%
2031	0	0	0	215,000	95,000	0	1,235,000	1,545,000	32,340,000	77.51%
2032	0	0	0	220,000	100,000	0	1,275,000	1,595,000	33,935,000	81.33%
2033	0	0	0	230,000	105,000	0	1,320,000	1,655,000	35,590,000	85.30%
2034	0	0	0	235,000	105,000	0	1,370,000	1,710,000	37,300,000	89.39%
2035	0	0	0	0	0	0	1,420,000	1,420,000	38,720,000	92.80%
2036	0	0	0	0	0	0	1,475,000	1,475,000	40,195,000	96.33%
2037	0	0	0	0	0	0	1,530,000	1,530,000	41,725,000	100.00%
Total . . .	$1,115,000	$7,550,000	$1,245,000	$5,050,000	$1,895,000	$4,680,000	$20,190,000	$41,725,000		

Notes: (1) Source: the Village.
(2) Mandatory sinking fund redemption amounts are shown for term bonds.

DEBT SUMMARY

General Obligation
Summary Bonded Debt – by Issue*(1)*

Issue	Amount	Expected Source of Debt Service Payments
Series 2005	$ 1,115,000	Sales Taxes and General Fund Revenues
Series 2012A	7,550,000	TIF Revenues
Series 2012B	1,245,000	Sales Taxes and General Fund Revenues
Series 2014	5,050,000	TIF Increment and General Fund Revenues
Series 2015A	1,895,000	General Fund and Dispatch Fund Revenues
Series 2015B	4,680,000	TIF Revenues
The Bonds	20,190,000	TIF Revenues
Total	$41,725,000	

Note: (1) Source: the Village.

Detailed Overlapping Bonded Debt*(1)*
(As of March 1, 2017)

	Outstanding Debt	Applicable to the Village Percent(2)	Applicable to the Village Amount(3)
Schools:			
School District No. 73	$ 31,956,632	67.78%	$21,660,205
School District No. 76	1,627,914	27.41%	446,211
School District No. 96	155,000	2.29%	3,550
School District No. 103	6,270,000	19.11%	1,198,197
High School District No. 120	19,159,016	1.07%	205,001
High School District No. 125	7,225,000	8.83%	637,968
College of Lake County	67,415,000	4.88%	3,289,852
Total Schools			$27,440,984
The County	$188,095,000	4.63%	$ 8,708,799
Lake County Forest Preserve District	270,445,000	4.63%	12,521,604
Countryside Fire Protection District	3,450,000	61.49%	2,121,405
Central Lake County Joint Action Water Agency	6,105,000	15.67%	956,654
Mundelein Park District	370,000	0.001%	4
The Park District	9,749,810	99.97%	9,746,885
Total Others			$34,055,349
Total Overlapping Bonded Debt			$61,496,333

Notes: (1) With respect to the applicable taxing bodies and the percentage of overlapping EAV, the County Clerk's office. Information regarding the outstanding indebtedness of the overlapping taxing bodies is estimated based on publicly available sources.
(2) Based on 2016 EAVs.

Statement of Bonded Indebtedness*(1)*

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Census 29,763)
EAV, 2016	$1,153,910,782	100.00%	33.33%	$ 45,948.74
Estimated Actual Value, 2016	$3,461,732,346	300.00%	100.00%	$137,846.23
Village Direct Bonded Debt(2)	$ 41,725,000	3.62%	1.21%	$ 1,661.49
Less: Self Supporting	(41,725,000)	(3.62%)	(1.21%)	(1,661.49)
Net Direct Bonded Debt(2)	$ 0	0.00%	0.00%	$ 0.00
Overlapping Debt(3)				
Schools	$ 27,440,984	2.38%	0.79%	$ 1,092.70
All Others	34,055,349	2.95%	0.98%	1,356.08
Total Overlapping Bonded Debt	$ 61,496,333	5.33%	1.78%	$ 2,448.78
Total Net Direct & Overlapping Debt	$ 61,496,333	5.33%	1.78%	$ 2,448.78

Notes: (1) Source: the Village.
(2) Includes the Bonds.
(3) As of March 1, 2017.

Default Record

The Village has no record of default and has met its debt repayment obligations promptly.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2016 levy year, the Village's EAV was comprised of 69% residential, 31% commercial, and less than 1% farm, industrial, and railroad property valuation.

Village EAV*(1)*

	Levy Years 2012	2013	2014	2015	2016
Property Class:					
Residential	$ 761,855,463	$ 710,261,831	$ 708,727,188	$ 746,989,830	$ 800,234,815
Farm	56,163	56,052	57,466	58,324	62,900
Commercial	333,879,758	326,597,423	324,566,212	331,136,869	352,783,237
Industrial	561,152	594,926	589,810	597,831	630,956
Railroad	123,380	127,479	149,277	180,024	198,874
Total	$1,096,475,916	$1,037,637,711	$1,034,089,953	$1,078,962,878	$1,153,910,782
Percent Change +(-)	(7.12%)(2)	(5.37%)	(0.34%)	4.34%	6.95%

Notes: (1) Source: The County Clerk.
(2) Percentage based on 2011 EAV of $1,180,539,548.

Representative Tax Rates*(1)*
(Per $100 Equalized Assessed Valuation)

	Levy Years				
	2012	2013	2014	2015	2016
The Village	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
The County	0.6080	0.6630	0.6825	0.6628	0.6320
Lake County Forest Preserve District	0.2120	0.2180	0.2100	0.2079	0.1929
Libertyville Township(2)	0.1220	0.1310	0.1343	0.1309	0.1243
Central Lake County JAWA	0.0520	0.0550	0.0559	0.0541	0.0458
Countryside Fire Prot. Dist.	0.5520	0.5970	0.6129	0.5984	0.5699
Cook Memorial Library Dist.	0.2820	0.3030	0.3122	0.3035	0.2894
The Park District	0.4960	0.4450	0.4550	0.4578	0.4194
School District No. 73	3.6780	3.9970	4.1175	4.0331	3.8708
High School District No. 128	2.5800	2.9190	2.6866	2.7319	2.5318
College of Lake County	0.2720	0.2960	0.3061	0.2994	0.2854
Total(3)	$8.8540	$9.6240	$9.5729	$9.4798	$8.9617

Notes: (1) Source: The County Clerk.
(2) Includes Road and Bridge.
(3) Representative tax rate is for Libertyville Township Tax Code 11-012, which represents 38% of the Village's 2016 EAV.

Principal Village Taxpayers*(1)*

Taxpayer Name	Business/Service	2016 EAV(2)
Westfield Shoppingtown Hawthorne	Shopping Center	$ 24,608,351
Inland Real Estate	Real Property	12,963,435
Museum Gardens II LLC	Real Property	12,227,543
Van Vlissingen & Co.	Real Property	10,967,030
Leahy Vernon Hills Development	Real Property	8,799,688
CDW Computer Centers, Inc.	Computers	7,699,023
PWA Continental Executive Park, LP	Real Property	7,496,933
Hawthorn Hills	Real Property	7,153,086
Dfair Acquisition LLC	Real Property	6,303,236
Walmart Stores	Retail Store	5,384,438
Total		$103,602,763
Ten Largest as a percent of the Village's 2016 EAV ($1,153,910,782)		8.98%

Notes: (1) Source: The County Clerk.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2016 EAV is the most current available.

The Village's Existing TIF District*(1)*

Levy Year	EAV	Tax Extension	Total Collections	Percent Collected
2006	$ 1,261,680	$ 81,050	$ 81,149	100.12%
2007	267,988	17,044	17,053	100.05%
2008	0	0	----------N/A----------	
2009	3,645,858	236,288	232,544	98.42%
2010	10,990,021	772,159	772,159	100.00%
2011	13,916,549	1,047,916	1,047,523	99.96%
2012	15,319,383	1,281,313	1,281,321	100.00%
2013	15,102,962	1,174,991	1,174,515	99.96%
2014	13,414,039	1,221,833	1,221,604	99.98%
2015	13,649,852	1,216,824	1,216,865	100.00%

Note: (1) Source: The Village.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

A separate tax to pay the principal of and interest on the Bonds will be levied on all taxable real property within the Village; however, the Village expects to abate this levy prior to extension by the County Clerk each year. See "**THE BONDS – Security**" herein. The information under this caption describes the current procedures for real property assessments, tax levies and collections in the County. There can be no assurance that the procedures described herein will not change.

Tax Levy and Collection Procedures

Local assessment officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Department assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local assessment officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax.

Exemptions

The Illinois Property Tax Code, as amended (the "Property Tax Code"), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $6,000 for tax year 2012 and thereafter.

The Homestead Improvement Exemption applies to Residential Property that has been improved and to properties that have been rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to $75,000 per year, to the extent the assessed valuation is attributable solely to such improvements or rebuilding.

The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. Beginning with tax year 2013, the maximum exemption is $5,000.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of $55,000. This exemption grants to qualifying senior citizens an exemption equal to the difference between (a) the current EAV of the residence and (b) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year.

Beginning January 1, 2015 purchasers of certain single family homes and residences of one to six units located in certain distressed communities can apply for the Community Stabilization Assessment Freeze Pilot Program. To be eligible the purchaser must meet certain requirements for rehabilitating the property, including expenditures of at least $5 per square foot, adjusted by CPI. Upon meeting the requirements, the assessed value of the improvements is reduced by (a) 90% in the first seven years, (b) 65% in the eighth year and (c) 35% in the ninth year. The program will be phased out by June 30, 2029.

The Natural Disaster Homestead Exemption (the "Natural Disaster Exemption") applies to homestead properties containing a residential structure that has been rebuilt following a natural disaster occurring in taxable year 2012 or any taxable year thereafter. A natural disaster is an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause including but not limited to fire, flood, earthquake, wind, or storm. The Natural Disaster Exemption is equal to the EAV of the residence in the first taxable year for which the taxpayer applies for the exemption minus the base amount. To be eligible for the Natural Disaster Exemption, the residential structure must be rebuilt within two years after the date of the natural disaster, and the square footage of the rebuilt residential structure may not be more than 110% of the square footage of the original residential structure as it existed immediately prior to the natural disaster. The Natural Disaster Exemption remains at a constant amount until the taxable year in which the property is sold or transferred.

Three exemptions are available to veterans of the United States armed forces. The Disabled Veterans' Exemption exempts up to $100,000 of the Assessed Valuation of property owned and used exclusively by veterans, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran's disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs.

The Disabled Veterans' Standard Homestead Exemption provides an annual homestead exemption to veterans with a service-connected disability based on the percentage of such disability. If the veteran has a (a) service-connected disability of 30% or more but less than 50%, the annual exemption is $2,500, (b) service-connected disability of 50% or more but less than 70%, the annual exemption is $5,000, and (c) service-connected disability of 70% or more, the property is exempt from taxation.

The Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, or the year following the assessment year, in which the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a one-time homestead exemption of $5,000.

Finally, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of $2,000 for property that is owned and occupied by certain disabled persons who meet State-mandated guidelines.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law (the "Limitation Law") limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

The Limitation Law does not apply to home rule units, such as the Village, under current law.

Illinois legislators have introduced several proposals to modify the Limitation Law, including freezing property taxes and extending tax caps to all taxing bodies (including home rule units) in the State (the "Property Tax Freeze Proposal"). If the Property Tax Freeze Proposal or similar legislation were to become law, such reform may have a material impact on the finances of the Village and the ability of the Village to issue non-referendum bonds. The Village cannot predict whether, or in what form, any change to the Limitation Law, including the Property Tax Freeze Proposal, may be enacted into law, nor can the Village predict the effect of any such change on the Village's finances. The Village does not currently levy a property tax for operations.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the "Law") limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

The provisions of the Law do not apply to levies made to pay principal of and interest on the Bonds. The Village covenanted in the Bond Ordinance that it will not take any action which would adversely affect the levy, extension, collection and application of the taxes levied by the Village for payment of principal of and interest on the Bonds, except as set forth under **"THE BONDS—Security"** herein. The Village also covenanted that it will comply with all present and future laws concerning the levy, extension and collection of such taxes levied by the Village.

FINANCIAL INFORMATION

Financial Reports

The Village's financial statements are audited annually by certified public accountants. The Village's financial statements for the governmental fund types and agency funds are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. See **APPENDIX A** for more detail.

Investment Policy

The Village is authorized by statutes and Village investment policy to invest in certificates of deposits, U.S. Government securities, repurchase agreements, the State Treasurer's pool and certain insurance company separate accounts. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section are from the audited financial statements of the Village, and the audited financial statements for the fiscal year ended April 30, 2016 (the "2016 Audit") are included as **APPENDIX A** hereto. The 2016 Audit was approved by formal action of the Board. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information or the 2016 Audit; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information or the 2016 Audit in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained herein has not been updated since the date of the 2016 Audit. The inclusion of the Excerpted Financial Information and the 2016 Audit in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2016 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2016 Audit should be directed to the Village.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for the 2016 Audit.

Statement of Net Position
Governmental Activities

	Audited as of April 30				
	2012	2013	2014	2015	2016
ASSETS:					
Cash and Investments	$ 24,393,452	$ 23,774,418	$ 24,886,282	$ 29,262,747	$ 27,769,893
Receivables, Net:					
Taxes	4,699,963	4,331,018	4,535,432	5,662,085	5,149,053
Accounts	339,588	662,802	459,937	308,101	23,251
Accrued Interest	41,062	28,429	26,590	121,434	51,040
Other	0	0	0	0	117,133
Prepaids/Inventory	467,790	409,080	442,500	458,220	387,621
Due from Other Governments	4,026	2,103,277	1,527,881	953,812	841,846
Due from Fiduciary Funds	0	0	0	0	8,493
Internal Balances	278,932	245,115	230,418	230,771	257,065
Total Current Assets	$ 30,224,813	$ 31,554,139	$ 32,109,040	$ 36,997,170	$ 34,605,395
Noncurrent Assets:					
Capital Assets:					
Nondepreciable Capital Assets	$ 4,568,623	$ 4,568,623	$ 4,568,623	$ 5,030,032	$ 4,568,623
Depreciable Capital Assets(Net)	107,444,744	103,948,622	100,398,021	96,913,310	97,744,737
Total Capital Assets	$112,013,367	$108,517,245	$104,966,644	$101,943,342	$102,313,360
Other Assets:					
Net Pension Fund Assets	$ 181,794	$ 183,257	$ 186,555	$ 193,372	$ 0
Total Other Assets	$ 181,794	$ 183,257	$ 186,555	$ 193,372	$ 0
Total Noncurrent Assets	$112,195,161	$108,700,502	$105,153,199	$102,136,714	$102,313,360
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Items-IMRF	$ 0	$ 0	$ 0	$ 0	$ 1,685,717
Pension Items- Police Pension	0	0	0	0	7,282,368
Unamortized Loss on Refunding	0	0	0	0	670,388
Total Deferred Outflows of Resources	$ 0	$ 0	$ 0	$ 0	$ 9,638,473
Total Assets and Deferred Outflows of Resources	$142,419,974	$140,254,641	$137,262,239	$139,133,884	$146,557,228
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 271,121	$ 339,205	$ 398,688	$ 979,829	$ 792,692
Accrued Payroll	206,196	247,764	297,885	330,473	515,205
Accrued Interest Payable	202,949	222,785	213,668	215,429	88,100
Deposits Payable	945,178	887,025	1,042,461	872,938	526,277
Unearned Revenue	0	0	0	0	230,810
Other Payables	1,236,946	1,180,283	1,157,341	1,531,424	3,005,751
Compensated Absences Payable	145,846	298,608	262,511	286,842	0
Current Portion of Long-Term Debt	1,315,000	950,000	735,000	645,000	1,601,267
Total Current Liabilities	$ 4,323,236	$ 4,125,670	$ 4,107,554	$ 4,861,935	$ 6,760,102
Noncurrent Liabilities	$ 24,035,044	$ 23,734,685	$ 21,432,149	$ 23,452,631	$ 54,409,820
Total Liabilities	$ 28,358,280	$ 27,860,355	$ 25,539,703	$ 28,314,566	$ 61,169,922
DEFERRED INFLOWS OF RESOURCES:					
Pension Items-Police Pension	$ 0	$ 0	$ 0	$ 0	$ 99,578
Total Liabilities and Deferred Inflows of Resources	$ 0	$ 0	$ 0	$ 0	$ 61,269,500
NET POSITION:					
Invested in Capital Assets- Net of Related Debt	$ 87,283,367	$ 85,102,245	$ 83,986,644	$ 82,205,307	$ 79,574,960
Restricted - Public Safety	298,874	332,908	364,682	461,250	638,417
Restricted - Metra Parking	112,812	135,241	0	0	81,142
Restricted - Tax Increment District	0	0	179,799	646,402	0
Restricted - Street and Roads	2,153,870	2,058,890	2,187,392	1,860,876	1,270,219
Restricted - Capital	929,547	100,000	100,000	100,000	0
Restricted - Construction	0	0	0	3,323,130	0
Unrestricted	23,283,224	24,665,002	24,904,019	22,222,353	3,722,990
Total Net Position	$114,061,694	$112,394,286	$111,722,536	$110,819,318	$85,287,728

Statement of Activities
Governmental Activities
Net (Expense) Revenue and Charges in Net Assets

	Audited Years Ended April 30				
	2012	2013	2014	2015	2016
PRIMARY GOVERNMENT: (1)					
Governmental Activities:					
General Government	$ (2,282,039)	$ (2,394,138)	$ (2,023,581)	$ (2,779,330)	$ (8,928,417)
Public Safety	(9,247,863)	(9,085,742)	(9,312,169)	(9,914,409)	(10,597,047)
Streets and Roads	(6,057,021)	(6,722,047)	(7,046,320)	(7,575,250)	(8,001,152)
Economic Development	(46,854)	0	(4,463)	0	(1,488)
Culture and Recreation	(35,629)	(45,670)	(51,472)	67,199	(15,686)
Interest on Long-Term Debt	(1,462,816)	(954,884)	(901,283)	(852,718)	(677,677)
Total Governmental Activities	$(19,132,222)	$(19,202,481)	$(19,339,288)	$(21,054,508)	$(28,221,467)
GENERAL REVENUES:					
Taxes:					
Sales Tax	$ 10,334,171	$ 10,547,878	$ 10,773,512	$ 11,426,650	$ 14,006,145
Home Rule Sales Tax	0	0	0	727,413	3,197,930
Utility Tax	1,409,506	1,418,186	1,404,549	1,345,000	1,334,151
State Income Tax	2,127,725	2,376,128	2,398,252	2,530,028	2,676,354
Other Taxes	464,146	486,456	534,105	581,480	871,620
Hotel/Motel Tax	296,728	323,334	351,087	369,509	380,093
911 Surcharge Tax	442,088	343,609	319,399	325,797	309,960
Road and Bridge Tax	208,235	200,903	205,572	201,923	212,406
Telecommunications Tax	1,352,296	1,335,120	1,258,098	1,117,728	1,190,196
Tax Increment Tax	772,159	1,048,583	1,281,321	1,174,513	1,221,604
Interest Income	188,188	98,374	73,881	295,485	115,636
Miscellaneous	68,954	44,992	67,762	55,764	41,088
Total General Revenues	$ 17,664,196	$ 18,223,563	$ 18,667,538	$ 20,151,290	$ 25,557,183
Change in Net Position	$ (1,468,026)	$ (978,918)	$ (671,750)	$ (903,218)	$ (2,664,284)
Net Position, Beginning	115,529,720	113,373,204	112,394,286	111,722,536	87,952,012 (2)
Net Position, Ending	$114,061,694	$112,394,286	$111,722,536	$110,819,318	$ 85,287,728

Notes: (1) Expenses less program revenues, operating grants/contributions and capital grants/contributions.
(2) As restated.

General Fund
Balance Sheet

	Audited as of April 30				
	2012	2013	2014	2015	2016
ASSETS:					
Cash and Investments	$20,371,836	$19,702,270	$20,620,996	$20,870,994	$23,835,711
Receivables, Net:					
Taxes	4,651,209	4,211,290	4,413,038	5,521,834	5,013,294
Accounts	189,542	80,402	95,709	46,796	23,251
Accrued Interest	36,796	26,378	24,539	119,383	48,989
Other	1,286	1,550	149,887	110,387	34,847
Intergovernmental Revenues	4,026	2,103,277	1,527,881	953,812	841,846
Due from Other Funds	1,503,692	1,293,484	236,049	234,052	8,493
Advances to Other Funds	0	0	0	0	257,065
Prepaids	467,790	409,080	429,650	458,220	387,621
Total Assets	$27,226,177	$27,827,731	$27,497,749	$28,315,478	$30,451,117
LIABILITES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 238,040	$ 304,788	$ 319,450	$ 662,989	$ 669,394
Accrued Payroll	206,196	216,889	263,472	289,219	449,245
Deposits Payable	945,178	887,025	1,042,461	872,938	526,277
Due to Other Funds	929,547	100,000	100,000	100,000	0
Other Payables	0	0	0	0	3,005,751
Unearned/Deferred Revenues	1,667,356	1,655,149	1,725,704	2,541,261	230,810
Total Liabilities	$ 3,986,317	$ 3,163,851	$ 3,451,087	$ 4,466,407	$ 4,881,477
FUND BALANCES:					
Nonspendable	$ 467,790	$ 409,080	$ 429,650	$ 458,220	$ 1,484,993
Restricted	411,686	258,942	168,098	94,738	156,265
Committed	106,218	58,561	16,398	14,075	0
Unassigned	22,254,166	23,937,297	23,432,516	23,282,038	23,928,382
Total Fund Balances	$23,239,860	$24,663,880	$24,046,662	$23,849,071	$25,569,640
Total Liabilities and Fund Balances	$27,226,177	$27,827,731	$27,497,749	$28,315,478	$30,451,117

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

	Audited Years Ended April 30					
	2012	2013	2014	2015	2016	
REVENUES:						
Sales Taxes	$10,251,007	$10,503,422	$10,680,015	$10,985,176	$14,006,145	
Utility Taxes	1,409,506	1,418,186	1,404,549	1,345,000	1,334,151	
Telecommunication Tax	1,352,296	1,335,120	1,258,098	1,117,728	1,190,196	
Road and Bridge Tax	208,235	200,903	205,572	201,923	212,406	
Grants/Intergovernmental	116,706	6,121	5,358	28,902	159,254	
State Income Tax	2,127,725	2,376,128	2,398,252	2,530,028	2,676,354	
911 Surcharge	442,088	0	0	0	0	
Home Rule Sales Tax	0	0	0	727,413	3,197,930	
Hotel/Motel Taxes	296,728	323,334	351,087	369,509	380,093	
Other Taxes	464,146	486,456	534,105	581,480	871,620	
Licenses and Permits and Fees	726,317	927,196	1,672,668	1,332,717	978,799	
Charges for Services	1,290,625	1,314,018	1,149,010	1,294,484	1,002,389	
Fines and Forfeitures	275,768	350,405	359,551	370,773	307,387	
Interest	166,028	95,550	63,025	283,420	107,425	
Other Revenue	64,540	44,992	67,762	55,764	41,088	
Total Revenues	$19,191,715	$19,381,831	$20,149,052	$21,224,317	$26,465,237	
EXPENDITURES:						
Current:						
General Government	$ 3,282,636	$ 3,498,692	$ 3,668,619	$ 3,842,991	$ 8,214,056	
Public Safety	9,185,888	7,585,680	7,957,699	8,476,242	8,717,611	
Streets and Roads	3,567,491	3,978,167	4,603,072	4,699,605	4,560,218	
Culture and Recreation	259,249	270,899	277,671	258,590	287,664	
Capital Outlay	178,931	306,867	385,859	630,907	638,597	
Debt Service:						
Principal	1,245,000	1,315,000	2,345,000	1,525,000	385,000	
Interest and Fiscal Charges	376,736	324,005	273,257	166,658	222,374	
Total Expenditures	$18,095,931	$17,279,310	$19,511,177	$19,599,993	$23,025,520	
Excess of Revenues Over (Under) Expenditures	$ 1,095,784	$ 2,102,521	$ 637,875	$ 1,624,324	$ 3,439,717	
Other Financing Sources (Uses):						
Debt Proceeds	1,625,000	0	0	1,115,000	0	
Payment to Escrow Agent	(1,639,645)	0	0	(1,132,163)	0	
Transfers In	0	804,757	0	0	100,000	
Transfers Out	(77,216)	(1,483,258) (1)	(1,255,093) (2)	(1,804,752) (3)	(1,415,383) (4)	
Total from Other Sources	$ (91,861)	$ (678,501)	$(1,255,093)	$(1,821,915)	$(1,315,383)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	$ 1,003,923	$ 1,424,020	$ (617,218)	$ (197,591)	$ 2,124,334	
Beginning Fund Balance	22,235,937	23,239,860	24,663,880	24,046,662	23,445,306 (5)	
Ending Fund Balance	$23,239,860	$24,663,880	$24,046,662	$23,849,071	$25,569,640	

Notes: (1) Includes a $1,378,505 transfer to the Dispatch Center Fund and a $104,753 transfer to the Tax Increment Fund.
(2) Includes a $1,126,961 transfer to the Dispatch Center Fund and a $128,132 transfer to the Tax Increment Fund.
(3) Includes a $1,379,727 transfer to the Dispatch Center Fund, a $117,451 transfer to the Tax Increment Fund and a $307,574 transfer to the Bond Construction Fund.
(4) Includes a $1,293,200 transfer to the Dispatch Center Fund and a $122,183 transfer to the Tax Increment Fund.
(5) As restated.

General Fund
Budget and Interim
(Includes Subfunds)

	Budget Fiscal Year 2017	Preliminary 10 Months Ended 2/28/17	Year End Estimate 6/30/17
REVENUES:			
Sales Tax	$10,683,190	$ 9,201,122	$11,041,344
Home Rule Sales Tax	2,875,000	1,798,030	2,157,636
Electric Utility Tax	1,400,000	1,141,024	1,369,224
Telecommunications Tax	1,068,000	898,970	1,078,764
Amusement Tax	300,000	270,332	324,396
State Income, Use and Replacement Tax	3,156,030	2,418,257	2,901,912
Hotel Motel Tax	398,000	270,331	324,396
Intergovernmental Grants	9,000	4,415	5,304
Licenses, Permits & Fees	688,100	1,095,809	1,095,809
Charges for Service	865,390	901,189	1,081,428
Fines & Forfeitures	307,950	237,409	284,892
Investment Income	319,000	135,922	163,104
Miscellaneous	51,150	373,591	448,308
Total Revenues	$22,120,810	$18,746,401	$22,276,517
EXPENDITURES:			
General Government	$ 4,763,834	$ 3,479,716	$ 4,026,241
Public Safety	9,686,655	9,055,330	9,581,186
Streets and Roads	5,199,171	4,096,973	5,116,364
Culture and Recreation	171,060	144,352	144,352
Capital Outlay	1,534,075	748,860	1,502,011
Debt Service	799,810	799,423	799,423
Total Expenditures	$22,154,605	$18,324,654	$21,169,577
Revenues over (under) Expenditures	$ (33,795)	$ 421,747	$ 1,106,940
OTHER FINANCING SOURCES:			
Transfers Out	$(1,377,350)	$(1,042,790)	$(1,415,350)
Total Expenditures	$(1,377,350)	$(1,042,790)	$(1,415,350)
Revenues over (under) Expenditures	$(1,411,145)	$ (621,043)	$ (308,410)
Beginning Fund Balance	$25,569,640	$25,569,640	$25,569,640
Ending Fund Balance	$24,158,495	$24,948,597	$25,261,230

	Budget Fiscal Year 2018
REVENUES:	
Sales Tax	$10,828,000
Home Rule Sales Tax	2,393,000
Electric Utility Tax	1,400,000
Telecommunications Tax	1,076,910
Amusement Tax	300,000
State Income, Use and Replacement Tax	3,176,270
Hotel Motel Tax	398,000
Intergovernmental Grants	9,000
Licenses, Permits & Fees	1,445,100
Charges for Service	946,070
Fines and Forfeitures	245,000
Investment Income	279,000
Miscellaneous	460,000
Total Revenues	$22,956,350
EXPENDITURES:	$23,239,815
Revenues over (under) Expenditures	$ (283,465)

EMPLOYEE RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS

General

The Village participates in two defined benefit pension plans: (i) the Illinois Municipal Retirement Fund (the "IMRF Plan") and (ii) the Police Pension Plan (the "Police Pension Plan" and, together with the IMRF Plan, the "Pension Plans"). The Pension Plans provide defined benefit pension benefits to the Village's employees, retirees and beneficiaries. The IMRF Plan is an agent multiple-employer public employee retirement system, and the Police Pension Plan is a single-employer pension plans. The Village makes certain contributions to the Pension Plans on behalf of its employees, as further described in this section. The operations of the Pension Plans, including the contributions to be made to the Pension Plans, the benefits provided by the Pension Plans, and the actuarial assumptions and methods employed in generating the liabilities and contributions of the Pension Plans, are governed by the Illinois Pension Code, as amended (the "Pension Code"). This section first describes certain concepts related to pensions generally, then describes the applicable provisions of Pension Plans. These concepts are more completely described in Note 9 to the 2016 Audit, as well as the supplementary schedules thereto, attached hereto as **APPENDIX A**.

The Pension Code allows the State Comptroller to divert State payments intended for the Village to the Police Pension Plan to satisfy contribution shortfalls by the Village pursuant to the Recapture Provisions. If the Village fails to contribute to the Police Pension Plan as required by the Pension Code, the Village will be subject to a reallocation of payments of State funds to the Village if (i) the Village fails to make the required payment for 90 days past the due date, (ii) the subject retirement fund gives notice of the failure to the Village, and (iii) such retirement fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold payments of State funds from the Village in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2017, two-thirds of the total amount of any payments of State funds to the Village and (ii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the amount of any payments of State funds to the Village. Should the Recapture Provision be invoked as a result of the Village's failure to contribute all or a portion of its required contribution, a reduction in payments of State funds may have an adverse impact on the Village's finances.

Background Regarding Pension Plans

The Actuarial Valuation

The disclosures in the Audit related to the Pension Plans are based in part on the actuarial valuations of the Pension Plans. In the actuarial valuations, the actuary for each of the Pension Plans measures the financial position of a Pension Plan, determines the amount to be contributed to a Pension Plan pursuant to statutory requirements, and produces information mandated by the financial reporting standards issued by the Governmental Accounting Standards Board ("GASB"), as described below.

In producing an actuarial valuation, the actuary for a Pension Plan uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) and employs various actuarial methods to generate the information required to be included in such valuation.

GASB Standards

Prior to the fiscal year ended April 30, 2015, the applicable GASB financial reporting standards with respect to the Pension Plans were GASB Statement No. 25 and GASB Statement No. 27 (together, the "Prior GASB Standards"). The Prior GASB Standards required the disclosure of an Annually Required Contribution (which was such pronouncement's method for calculating the annual amounts needed to fully fund a pension plan) and the calculation of pension funding statistics such as the unfunded actuarial accrued liability ("UAAL"), which was the shortfall of the assets held by the pension plan when compared against the liabilities of such pension plan, as actuarially determined (the "Actuarial Accrued Liability"), and the "Funded Ratio," which was the ratio, expressed as a percentage, derived from dividing the assets of the pension plan by the Actuarial Accrued Liability. In addition, the Prior GASB Standards allowed pension plans to prepare financial reports pursuant to various approved actuarial methods and to use an assumed investment rate of return determined by the pension plan for financial reporting purposes.

Beginning with the fiscal year ended April 30, 2015, the applicable GASB financial reporting standards with respect to the Pension Plans became GASB Statement No. 67 and GASB Statement No. 68 (together, the "New GASB Standards"). Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans, and, therefore, do not require computation of the Annually Required Contribution or a similar contribution number. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans.

The New GASB Standards require calculation and disclosure of a "Net Pension Liability" or "Net Pension Asset", which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the "Total Pension Liability") and the fair market value of the pension plan's assets (referred to as the "Fiduciary Net Position"). This concept is similar to the UAAL, which was calculated under the Prior GASB Standards, but most likely will differ from the UAAL on any calculation date because the Fiduciary Net Position is calculated at fair market value and because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards.

Furthermore, the New GASB Standards employ a rate, referred to in such statements as the "Discount Rate," which is used to discount projected benefit payments to their actuarial present values. The Discount Rate is a blended rate comprised of (1) a long-term expected rate of return on a pension plan's investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a pension plan are not expected to be sufficient to pay the projected benefits of such pension plan, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rate of return used in reporting pursuant to the Prior GASB Standards.

Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the employer. In addition, the New GASB Standards require an expense (the "Pension Expense") to be recognized on the income statement of the Village.

Pension Plans Remain Governed by the Pension Code

As described above, each of the Prior GASB Standards and the New GASB Standards establish requirements for financial reporting purposes. However, the Pension Plans are ultimately governed by the provisions of the Pension Code in all respects, including, but not limited to, the amounts to be contributed by the Village to the Pension Plans in each year.

Illinois Municipal Retirement Fund

The Village participates in the IMRF Plan, which is a defined-benefit, agent multiple employer pension plan administered by the Illinois Municipal Retirement Fund (the "IMRF") that acts as a common investment and administrative agent for units of local government and school districts in Illinois. The IMRF Plan is established and administered under statutes adopted by the Illinois General Assembly. The Pension Code sets the benefit provisions of the IMRF Plan, which can only be amended by the Illinois General Assembly.

Each employer participating in the IMRF Plan, including the Village, has an employer reserve account with the IMRF Plan separate and distinct from all other participating employers (the "IMRF Account") along with a unique employer contribution rate determined by the IMRF Board, as described below. The employees of a participating employer receive benefits solely from such employer's IMRF Account. Participating employers are not responsible for funding the deficits of other participating employers.

The IMRF issues a publicly available financial report that includes financial statements and required supplementary information which may be viewed at the IMRF's website.

See Note 9 to the Audit for additional information on the IMRF Plan's actuarial methods and assumptions.

Contributions

Both employers and employees contribute to the IMRF Plan. At present, employees contribute 4.50% of their salary to the IMRF Plan, as established by statute. Employers are required to make all additional contributions necessary to fund the benefits provided by the IMRF Plan to its employees. The annual rate at which an employer must contribute to the IMRF Plan is established by the IMRF Board of Trustees (the "IMRF Board"). The Village's contribution rate for calendar year December 31, 2015 was 11.69% of covered payroll. For the fiscal year ended April 30, 2016, the Village contributed $638,252 to the IMRF Plan.

Measures of Financial Position

The following table presents the measures of the IMRF Account's financial position as of December 31, 2014 and December 31, 2015 which are presented pursuant to the New GASB Standards. Such measures were calculated pursuant to the current Discount Rate of 7.47%.

Fiscal Year Ended December 31	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability
2014	$26,525,957	$23,153,965	$3,371,992	87.3%
2015	28,488,535	22,824,348	5,664,187	80.1%

Source: The 2016 Audit.

See Note 9 to the Audit, and the related required supplementary information disclosures, for a description of the IMRF Plan, the IMRF Account, the Village's funding policy, information on the assumptions and methods used by the Actuary, and the financial reporting information required by the Prior GASB Standards.

Police Pension Plan

The Village provides retirement, death and disability benefits to its sworn police personnel and retirees and their beneficiaries through the Police Pension Plan. The Police Pension Plan is a single-employer defined benefit contribution plan. The benefits provided by the Police Pension Plan and the amount of employer and employee contributions to the Police Pension Plan are governed by the Pension Code and may only be amended by the General Assembly. As of April 30, 2016, the Police Pension Fund had a membership of 66.

Contributions

As stated above, both the Village and its participating employees make contributions to the Police Pension Plan. At present, employees contribute 9.91% of their salary to the Police Pension Plan. The Village is required to make all additional contributions necessary to fund the benefits provided by the Police Pension Plan to its members.

The Pension Code requires that the Village contribute annually the amount necessary to fund the normal cost of the Police Pension Plan for such year plus an amount sufficient to bring the total assets of the Police Pension Plan up to 90% of the total actuarial liabilities of the Police Pension Plan by the end of fiscal year 2040, as determined by an actuary (the *"Funding Requirement"*). However, the Village has adopted a pension funding policy with respect to the Police Pension Plan that requires the Village to contribute the amounts necessary to bring the total assets of the Police Pension Plan up to 100% of the total actuarial accrued liabilities by the end of fiscal year 2040.

As the Funding Requirement represents an amortization of the unfunded portion of the actuarial liabilities of the Police Pension Plan over a closed period of time, the Village's required contributions to the Police Pension Plan are expected to increase, possibly by a significant margin, during the period of fiscal years leading up to 2040.

The Village's contribution rate as of the April 30, 2016 actuarial valuation was 36.36% of covered payroll. For the fiscal year ended April 30, 2016, the Village contributed $1,541,722 to the Police Pension Plan, which compares to a contribution of $1,433,326 for the fiscal year ended April 30, 2015.

Measures of Financial Position

The following table provides statistical information produced pursuant to the New GASB Standards with respect to the Police Pension Plan for each of the last three fiscal years. The Total Pension Liability as of April 30, 2016, was calculated pursuant to the current Discount Rate of 6.00%:

Fiscal Year Ended April 30	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability
2014	$52,015,638	$36,997,524	$15,018,114	71.1%
2015	58,189,441	39,864,963	18,324,478	68.5%
2016	65,569,436	39,628,372	25,941,064	60.4%

Source: The 2016 Audit and the Actual Valuation Report of the Vernon Hills Police Pension Fund, prepared by Timothy W. Sharpe, Actuary, Geneva, Illinois, as of April 30, 2016.

See Note 9 to the Audit, and the related required supplementary information disclosures, for a description of the Police Pension Plan, the Village's funding policy, information on the assumptions and methods used by the actuary for the Police Pension Plan, and the financial reporting information required by the New GASB Standards.

Other Post-Employment Benefits

In addition to providing the pension benefits described above, the Village provides post-employment healthcare benefits ("OPEB") for retired employees through a single-employer defined benefit plan (the "OPEB Plan"). The benefits, benefit levels, employee contributions and employer contributions are governed by the Board and can be amended by the Village through its personnel manual and union contracts. For additional information regarding the OPEB Plan, see Note 10 to the 2016 Audit.

The Village funds the OPEB Plan on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to fund these obligations. Instead, the Village contributes the amount necessary to fund its share of the current year costs of providing such benefits. For the fiscal years ended April 30, 2014, April 30, 2015 and April 30, 2016, the Village contributed $149,016, $104,646 and $159,180, respectively.

For additional information on the Village's post-employment benefits other than pensions, see Note 10 and the required supplementary information to the Audit.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The Village shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds to be kept at the principal corporate trust office of the Bond Registrar in Chicago, Illinois. The Village will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the Village for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the Village shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the Village of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the 15th day of the month in which an interest payment date occurs on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during any period of fifteen days next preceding mailing of a notice of redemption of any Bonds. Interest is payable to the registered owner of record as of the 15th day of the calendar month of such interest payment date.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Village or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

TAX MATTERS

Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal income tax purposes and any collateral tax consequences.

Interest on the Bonds is not exempt from present State income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

The Village will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of the Rule. No person, other than the Village, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under **"THE UNDERTAKING."**

There have been no instances in the previous five years in which the Village failed to comply, in all material respects, with any undertaking previously entered into by it pursuant to the Rule. A failure by the Village to comply with the Undertaking will not constitute a default under the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. The Village must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Village and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the Village.

Annual Financial Information Disclosure

The Village covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. At present, such dissemination is made through the MSRB's Electronic Municipal Market Access system referred to as EMMA ("EMMA"). The Village is required to deliver such information within 210 days after the last day of the Village's fiscal year (currently on April 30), beginning with the fiscal year ending April 30, 2017. If Audited Financial Statements are not available when the Annual Financial Information is filed, the Village will submit audited financial statements to EMMA within 30 days after availability to the Village. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

"Annual Financial Information" means

1. The table under the heading of **Retailers' Occupation, Service Occupation and Use Tax** within this Final Official Statement;
2. All of the tables under the heading **PROPERTY ASSESSMENT AND TAX INFORMATION** within this Final Official Statement;
3. All of the tables under the heading **DEBT INFORMATION** within this Final Official Statement; and
4. All of the tables under the heading **FINANCIAL INFORMATION** (Excluding Budget and Interim Financial Information) within this Final Official Statement.

"Audited Financial Statements" means the Village's annual audited financial statements of the Village prepared in accordance with accounting principles generally accepted in the United States of America.

Reportable Events Disclosure

The Village covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The "Events" are:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material

11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Village*
13. The consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the Village to Provide Information

The Village shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the Village to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Village to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the Village to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Village by ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Village, or type of business conducted; or

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Village (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the Village shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

* *This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Village in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Village, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Village.*

Termination of Undertaking

The Undertaking shall be terminated if the Village shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The Village shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Future Changes to the Rule

Notwithstanding anything in the Undertaking to the contrary, in the event the Commission, the MSRB or other regulatory authority approves or requires changes to the requirements of the Rule, the Village is permitted, but is not be required, to unilaterally modify the covenants in of the Undertaking, without complying with the requirements described in "—Termination of Undertaking" above, in order to comply with, or conform to, such changes. In the event of any such modification of the Undertaking, the Village will file a copy of the Undertaking, as revised, on EMMA in a timely manner.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Village from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the Village chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the Village shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through EMMA for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The Village may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Village taken with respect to the issuance or sale thereof.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois ("Chapman and Cutler"), Bond Counsel, who has been retained by, and acts as, Bond Counsel to the Village. Chapman and Cutler has also been retained by the Village to serve as Disclosure Counsel to the Village with respect to the Bonds. Although as Disclosure Counsel to the Village, Chapman and Cutler has assisted the Village with certain disclosure matters, Chapman and Cutler has not undertaken to independently verify the accuracy, completeness or fairness of any of the statements contained in this Final Official Statement or other offering material related to the Bonds and does not guarantee the accuracy, completeness or fairness of such information. Chapman and Cutler's engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the Village, to assist it in discharging its responsibility with respect to the Final Official Statement, and not for the benefit of any other person (including any person purchasing Bonds from the Underwriter (as hereinafter defined)), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. Further, Chapman and Cutler makes no representation as to the suitability of the Bonds for investment by any investor.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the Village, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

The Bonds have been rated AAA (Stable Outlook) by S&P. The Village has supplied certain information and material concerning the Bonds and the Village to the rating service shown on the cover page, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: S&P Global Ratings Corporation, 55 Water Street, New York, New York 10041, telephone 212-438-2000. The Village will provide appropriate periodic credit information to the rating service to maintain a rating on the Bonds.

UNDERWRITING

The Bonds were offered for sale by the Village at a public, competitive sale on May 16, 2017. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "Underwriter"). The Village awarded the contract for sale of the Bonds to the Underwriter at a price of $19,988,100.00 (reflecting the par amount of $20,190,000, less an Underwriter's discount of $201,900.00). The Underwriter has represented to the Village that the Bonds have been subsequently re-offered to the public initially at the yields set forth on the cover of this Final Official Statement.

MUNICIPAL ADVISOR

The Village has engaged Speer Financial, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance and sale of the Bonds. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Municipal Advisor obligated by the Village's continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated May 16, 2017, for the $20,190,000 Taxable General Obligation Bonds, Series 2017, believe it to be true and correct and the Village will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Final Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ JOHN KALMAR
Village Manager
VILLAGE OF VERNON HILLS
Lake County, Illinois

/s/ NIKKI LARSON
Director of Finance
VILLAGE OF VERNON HILLS
Lake County, Illinois

APPENDIX A

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS

FISCAL YEAR 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Village of Vernon Hills

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
APRIL 30, 2016

VILLAGE OF VERNON HILLS, ILLINOIS

VILLAGE OF VERNON HILLS, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
April 30, 2016

Prepared by Finance Department

Nikki Larson
Finance Director

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VILLAGE OF VERNON HILLS, ILLINOIS

LIST OF PRINCIPAL OFFICIALS

April 30, 2016

ELECTED OFFICIALS

VILLAGE BOARD OF TRUSTEES

Roger Byrne, Village President

Thomas Koch, Village Trustee

Barbara Williams, Village Trustee

Tim Grieb, Village Trustee

Cynthia Hebda, Village Trustee

Michael Marquardt, Village Trustee

James Schultz, Village Trustee

APPOINTED OFFICIALS

John Kalmar, Village Manager/Village Clerk

Joe Carey, Assistant Village Manager/Deputy Village Clerk

David Brown, Director of Public Works/Village Engineer

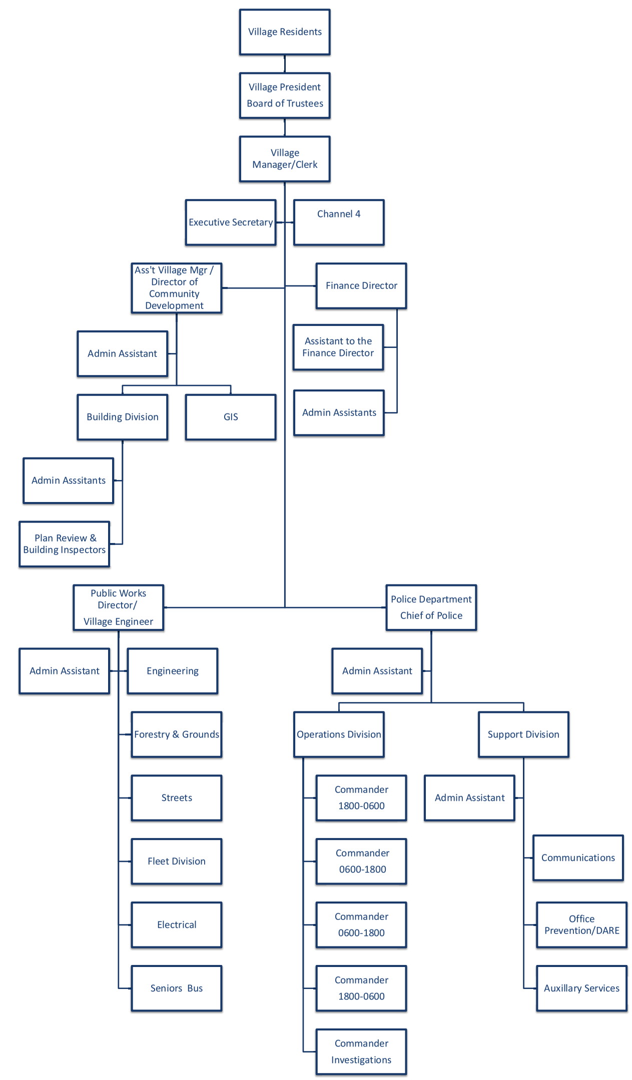
Mark Fleischhauer, Chief of Police

Michael Atkinson, Building Commissioner

Robert Kenny, Village Attorney

Nikki Larson, Finance Director

VILLAGE OF VERNON HILLS ORGANIZATIONAL STRUCTURE



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Illinois

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April 30, 2015

Jeffrey R. Emer

Executive Director/CEO

Village of Vernon Hills **290 Evergreen Drive • Vernon Hills, IL 60061• 847-367-3700**

October 10, 2016

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

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

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

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

Profile of the Government

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

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

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

Dispatch Services and Consolidation

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

Local Economy

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

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

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

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

The Marketplace Shopping Center, which opened in 1994, also includes significant retail space. It is currently anchored by an 111,000 square foot Home Depot, and includes a Bed Bath and Beyond, Ashley Furniture, Joanne's Fabrics and DSW (Designer Shoe Warehouse). Marketplace lost a couple of major outlot tenants early in Calendar Year 2009, which led to several sales tax incentive agreements to assist in recruiting new retailers. One major Marketplace loss in early 2009 was the closing of the 110,000 square feet Home Expo. To assist in replacing this tenant, the Village entered into a seven year sales tax sharing agreement with Steinhafels, a leading furniture store out of Wisconsin. Steinhafels is entitled to 40% of the sales tax generated for the Village in the first four years and then 41% in the last three years, until a net present value of $600,000 (discounted at 5%) is reached. Steinhafels opened in August of 2011.

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

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

The Hawthorn Hills Square, a shopping center with 203,000 square feet of retail space, opened in 1986. During FY 2009, Linen's & Things and Wick's Furniture closed, creating significant vacancies in the center. In order to assist Hawthorn Hills attract new tenants, an economic incentive agreement was offered to Chase Development, which succeeded in bringing a 52,000 square foot Dick's Sporting Goods store to the center. Dick's opened in September of 2010. Subsequently, Kimco purchased the retail center from Chase. The 20-year agreement, beginning in October of 2010, has 70% of the new sales tax rebated to the property owner in the first five years, 60% in the second five-year period, 40% in the third five-year period and 30% in the final five-year period. The agreement ends once Kimco's $1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years. Other smaller retailers that have been added to the center include a Five Below, Ulta Beauty, Petsmart, Chuck E. Cheese's and a Noodles and Company.

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

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

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

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

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

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

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

Corporate Environment

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

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

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

Residential Development

In 1988, the Village annexed the Cuneo Estate, which was a 1,200-acre track of previously undeveloped land. It is zoned to include retail, office park and residential components. The residential and golf course component of this development is called Gregg's Landing. Of the 2,100 homes approved for the development, as of April 30, 2016, 1,948 were constructed or permitted for construction. The development includes an 18-hole golf course built on 320 acres of land donated by developers. The Village negotiated with Par Development to build and operate the golf course. The course began operation in 1998 and the lease agreement calls for the lease to terminate on December 31, 2024. The Village has the right to exercise a buyout option in 2018, and the Golf Course will automatically revert to the Village in 2024. The Village receives a share of gross revenues at an escalating rate of 0.25% from 2012 through 2019, 10% in 2020 and 2021, 15% in 2022 and, finally reaches 20% in 2023 and 2024.

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

Tax Increment Financing District

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

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

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

Debt Service

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

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

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

Economic Outlook

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

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

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

Pensions

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

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

Awards and Acknowledgements

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

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

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

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

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

Sincerely,

John Kalmar
Village Manager

Nikki Larson, CPA, CPFO
Finance Director / Treasurer

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Sikich LLP

Naperville, Illinois
October 10, 2016

VILLAGE OF VERNON HILLS, ILLINOIS

Management's Discussion and Analysis
April 30, 2016

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

FINANCIAL HIGHLIGHTS

- In FY 2015-16 the Village of Vernon Hills' net position declined by 23.06% or $25,621,121 to $85,492,766. This was a drop of $24,648,575 more than FY 2014-15 when net position declined by 972,545 or 0.9%. The major reason for this decline is the implementation of Governmental Accounting Standards Board (GASB) Statement number 68, which requires governmental agencies to report the entire net pension liability in their government-wide financial statements. This change accounted for the majority of the increase in liabilities from $28,331,144 in FY 2014-15 to $61,190,767 in FY 2015-16.

- Revenues increased by $4,675,481, or 18.4% from FY 2014-15 levels, while expenses increased by $6,456,750 or 24.5%.

- A major factor that contributed to growth in revenues included $3,197,930 of revenues generated in FY 2015-16 that resulted from the first full year of a quarter percent Home Rule Sales Tax.

- The expenses for General Government increased by $5,210,161 or 70.0% from FY 2014-15 levels. This is primarily related to the reclassification of an expense that was previously netted against revenue. This change is offset by an increase in revenue as well.

- Public Safety expenses increased by $644,817 or 5.2% from FY 2014-15 levels. The major contributor was Personal Services costs.

- Business-type Activity net position decreased by 30.4% or $89,531 to $205,038 as Golf Course revenues decreased by $8,538 or by 1.9% from FY 2014-15 levels, while expenses increased by $11,757 or by 2.3%.

- Within the General Fund, revenues exceeded expenditures by $3,439,717; however, after $1,315,383 of net transfers out of the fund, and a prior period adjustment, the fund balance increased by $2,124,334. This was an improvement from the FY 2014-15 decline of $197,591 in the General Fund.

- Expenditures in the General Fund were up $3,377,042 or 17.2% from FY 2014-15 levels. The increase in expenditure is primarily related to a reclassification of expense that is offset by an increase in revenues.

FINANCIAL HIGHLIGHTS – Continued

- The General Fund Expenditure Category that experienced the most significant increase was General Government which was up 4,371,065 or 113.7% due to a change in report presentation.

- Within the General Fund, revenues increased by $5,240,917 or 24.7% from the FY 2014-15 level. The first full year of the Village's recently implemented quarter percent Home Rule Sales Tax contributed $3,197,930.

- Within the Tax Increment Fund expenditures and legally mandated transfers related to debt refinancing exceeded revenues by $800,191 or bringing the fund balance to a deficit balance of ($153,789).

- In FY 2014-15, the Village created a Bond Construction Fund to account for the renovation of the Police Station. It was funded by $2,005,000 of proceeds from a General Obligation Bond issued in December, 2015. After $5,315,284 in construction expenditures in FY 2015-16 fund balance decreased to $64,951 as of April 30, 2016.

USING THIS ANNUAL REPORT

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

Government-Wide Financial Statements

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

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

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

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

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

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

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds

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

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

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

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

Proprietary Funds

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

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position (in Millions)

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Changes in Net Position (in Millions)

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities

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

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

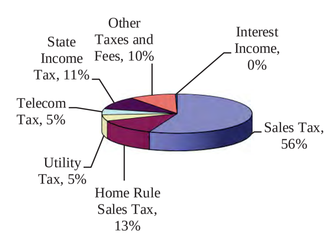
The $2.7 million decline in Governmental Activities net position in FY 2015-16 was a bigger decline than the $0.9 million decline in FY 2014-15 and the $0.7 million decline in FY 2012-13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

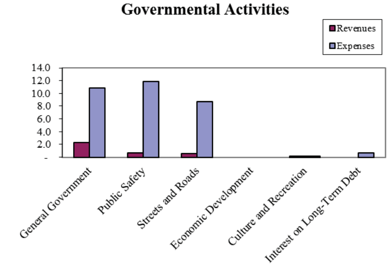
Governmental Activities – Continued

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

Revenues - Governmental Activities



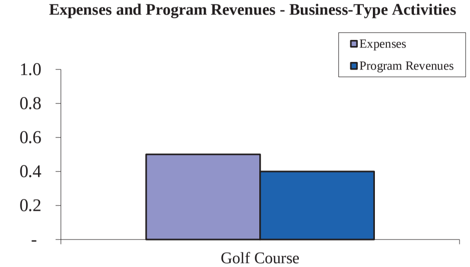
Expenses and Program Revenues - Governmental Activities



Business-Type Activities

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

Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Construction in Progress	$ 0.41
Building and Improvements	3.50
	$ 3.96

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt Administration

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

REQUESTS FOR INFORMATION

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

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
					Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	$ 10,785,366	$ 1,856,949	$ -	$ -	$ (8,928,417)	$ -	$ (8,928,417)
Public safety	11,866,591	1,258,030	189	11,325	(10,597,047)	-	(10,597,047)
Roads and streets	8,673,207	-	672,055	-	(8,001,152)	-	(8,001,152)
Economic development	1,488	-	-	-	(1,488)	-	(1,488)
Culture and recreation	287,664	124,238	-	147,740	(15,686)	-	(15,686)
Interest and fees	677,677	-	-	-	(677,677)	-	(677,677)
Total governmental activities	32,291,993	3,239,217	672,244	159,065	(28,221,467)	-	(28,221,467)
Business-Type Activities							
Golf Course	530,174	440,539	-	-	-	(89,635)	(89,635)
Total business-type activities	530,174	440,539	-	-	-	(89,635)	(89,635)
TOTAL PRIMARY GOVERNMENT	$ 32,822,167	$ 3,679,756	$ 672,244	$ 159,065	(28,221,467)	(89,635)	(28,311,102)

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

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

December 31, 2015

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended April 30, 2016

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

(This statement is continued on the following page.)

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

For the Year Ended April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS

April 30, 2016

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

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS

For the Year Ended April 30, 2016

ADDITIONS	
Contributions	
Employer	$ 1,541,722
Employee	424,846
Total contributions	1,966,568
Investment income	
Net depreciation in fair value of investments	(1,144,763)
Interest	849,425
Total investment income	(295,338)
Less investment expenses	143,805
Net investment income	(439,143)
Total additions	1,527,425
DEDUCTIONS	
Benefits and refunds	1,685,984
Administrative expenses	78,032
Total deductions	1,764,016
NET DECREASE	(236,591)
NET POSITION RESTRICTED FOR PENSIONS	
MAY 1	39,864,963
APRIL 30	$ 39,628,372

See accompanying notes to financial statements.

VILLAGE OF VERNON HILLS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

The Village is a municipal corporation governed by an elected president and six-member board. As required by GAAP, these financial statements present the Village (the primary government). The Police Pension Trust Fund has been included as a fiduciary fund due to the fiduciary responsibility exercised over the Police Pension Fund.

b. Fund Accounting

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

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

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

c. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

The Tax Increment Fund is used to account for the financing of improvements in the Village's Tax Increment Financing Redevelopment Project Area. Financing is being provided by incremental revenues from real property taxes.

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

The Village reports the following major proprietary fund:

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

Additionally, the Village reports the following internal service fund:

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

The Village reports the following fiduciary fund:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents on the statement of net position are considered to be cash on hand, demand deposits, or cash with fiscal agent. For the purpose of the proprietary funds statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

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

Investments

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

f. Property Taxes

Property taxes attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically. The Village has not levied a property tax for the current fiscal year, except for property taxes received through tax increment financing.

g. Capital Assets

Capital assets purchased or acquired with an original cost of $25,000 to $50,000 or more, depending on asset type, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets (Continued)

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

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

h. Compensated Absences

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

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

i. Prepaids/Inventories

Prepaids/inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids/inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

j. Short-Term Interfund Receivables/Payables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balances/Net Position

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

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

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

l. Deferred Outflows/Inflows of Resources

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

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

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

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's investment policy states that collateralization will be required for all deposits, with the collateralization level at 102% of the market value of principal and accrued interest. Collateral will be limited to direct obligations of the United States of America, agencies of the United States of America and Collateral Mortgage Obligations derived solely from those agencies, and obligations of any governmental agency within the United States of America with a Moody's rating of Aa or better or a Standard and Poor's rating of AA or better. Collateral will always be held by an independent third party with whom the Village has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Village and retained. At April 30, 2016, the entire amount of the bank balance of deposits was covered by collateral, federal depository, or equivalent insurance.

b. Investments

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

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

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village's investment policy states that the Village's investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements that might be reasonably anticipated. To the extent possible, the Village will attempt to match its investments with an anticipated cash flow. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three years from the date of purchase. In no case can commercial paper be purchased with a maturity date of more than 125 days from purchase and in no case can certificates of deposit be purchased with a maturity date of more than 370 days from the date of purchase. The Village may invest up to 50% of its budgeted capital reserve in U.S. Treasury securities or U.S. agency securities maturing no later than 7 years after the date of purchase; provided that no more than 20% of the Village's portfolio in U.S. agency securities maturing more than 3 years from the date of purchase. However, the Village may allocate 20% of the 50% of the budgeted capital reserve to purchase a GNMA with a maturity date of up to 15 ¼ years from its date of purchase. All other U.S. Treasuries and U.S. agencies purchased must mature within 37 months of the date of purchase.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. At April 30, 2016, the Village did not have greater than 5% of its overall portfolio invested in any one investment. This is in accordance with the Village's investment policy, which limits investments as follows: There is no limit as to the amount of the Village's portfolio that can be invested in U.S. Treasuries. No more than 60% of the Village's portfolio may be invested in U.S. Government Agencies, and no more than 20% of the Village's portfolio may be invested in the obligations of a single government agency. No more than 10% of the Village's portfolio may be invested in GNMAs. No more than 30% of the Village's portfolio may be invested in certificates of deposit; and no more than 8% of the Village's portfolio may be invested in the certificate of deposit in a single issuer. No more than 10% of the Village's portfolio may be invested in commercial paper; and no more than 3% of the Village's portfolio may be invested in the commercial paper of a single issuer. No more than 20% of the Village's portfolio may be invested in the Illinois Public Treasurer's Investment pool. No more than 10% of the Village's portfolio may be invested in a money market mutual fund registered under the Investment Company Act of 1940.

3. CAPITAL ASSETS

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

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

3. CAPITAL ASSETS (Continued)

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

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

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

4. LONG-TERM DEBT

a. General Obligation Bonds

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

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

4. LONG-TERM DEBT (Continued)

b. Alternate Revenue Bonds

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

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

c. TIF Revenue Bonds/Notes

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

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

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4. LONG-TERM DEBT (Continued)

d. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

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

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

4. LONG-TERM DEBT (Continued)

e. Changes in Long-Term Liabilities

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

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

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

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

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

f. Pledged Revenues

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

4. LONG-TERM DEBT (Continued)

g. Refunding

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

5. RISK MANAGEMENT

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

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

6. CONTINGENT LIABILITIES

a. Litigation

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

6. CONTINGENT LIABILITIES (Continued)

b. Grants

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

c. Economic Incentive

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

7. LOAN RECEIVABLE

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

7. LOAN RECEIVABLE (Continued)

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

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

8. INDIVIDUAL FUND DISCLOSURES

a. Interfund Receivables/Payables

Individual fund interfund receivables/payables are as follows:

Receivable Fund	Payable Fund	Amount
General	Fiduciary	$ 8,493
Internal Service	Tax Increment	670,000
TOTAL		$ 678,493

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

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

b. Long-Term Advances

Individual fund long-term advances are as follows:

Receivable Fund	Payable Fund	Amount
General	Golf Course	$ 257,065
TOTAL		$ 257,065

8. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Long-Term Advances (Continued)

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

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

c. Transfers In/Out

Individual fund transfers are as follows:

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

The purposes of the significant transfers are as follows:

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

d. Deficit Fund Balances

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

Fund	Deficit Fund Balance
Tax Increment Fund	$ 153,789

9. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Membership

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

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

Benefits Provided

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

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

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

Contributions

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

Actuarial Assumptions

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Change in the Net Pension Liability

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

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

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

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

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

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

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

Police Pension Plan

Plan Administration

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

Plan Membership

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired as a police officer prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at $106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding calendar year.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. The Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the Village has adopted a pension funding policy that funds 100% of the past service cost on a closed basis by the year 2040. For the year ended April 30, 2016, the Village's contribution was 36.36% of covered payroll.

Investment Policy

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

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Plan Administration (Continued)

Police Pension Plan (Continued)

Investment Policy (Continued)

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

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

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

Investment Valuations

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Concentrations

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

Investment Rate of Return

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

Deposits with Financial Institutions

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

Interest Rate Risk

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

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Credit Risk

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

Custodial Credit Risk

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

Actuarial Assumptions

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

Discount Rate

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

Discount Rate Sensitivity

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Changes in the Net Pension Liability

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and any employer contributions are governed by ILCS and by the Village. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Village's General Fund and governmental activities.

b. Benefits Provided

The Village provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Village's retirement plans or meet COBRA requirements.

All health care benefits are provided through the Village's third party indemnity health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Eligibility in village sponsored health care plans may be continued at a separate premium upon eligibility for federally sponsored health care benefits.

c. Membership

At April 30, 2016, membership consisted of:

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

11. CHANGE IN ACCOUNTING PRINCIPLE

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

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

12. PRIOR PERIOD ADJUSTMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

April 30, 2016

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

N/A - information not available

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

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

Notes to Required Supplementary Information

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

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

Last Seven Fiscal Years

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

Notes to Required Supplementary Information

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

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN

April 30, 2016

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND

April 30, 2016

	2016	**2015**
Annual money-weighted rate of return, net of investment expense	(1.07%)	6.90%

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2016

1. BUDGETARY INFORMATION

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

All departments of the Village submit requests for budgets to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function, department and object, and includes information on the past two years, current year estimates, and requested budgets for the next fiscal year. The proposed budget is presented to the Board of Trustees for review. The Board of Trustees holds public hearings and may add to, subtract form, or change budgeted amounts. The Board of Trustees then adopts a management budget for budgetary control purposes. The Manager is authorized to transfer budgeted amounts between objects or departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

2. INDIVIDUAL FUND DISCLOSURES

The following funds had expenditures in excess of budget:

Fund	Final Budget	Actual
General	$ 22,413,196	$ 22,977,035

COMBINING AND INDIVIDUAL FINANCIAL FUND STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

TAX INCREMENT FUND

The Tax Increment Fund is used to account for the financing of improvements in the Village's Tax Increment Financing Redevelopment Project Area. Financing is being provided by incremental revenues from real property taxes.

BOND CONSTRUCTION FUND

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

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING BALANCE SHEET - BY SUBFUND
GENERAL FUND

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(This schedule is continued on the following page.)

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

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2016

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

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2016

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

(This schedule is continued on the following pages.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(This schedule is continued on the following page.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Motor Fuel Tax Fund

The Motor Fuel Tax Fund is used to account for the maintenance and construction of streets and roads as approved by the Department of Transportation. Financing is provided by the Village's share of State motor fuel tax funds.

Dispatch Center Fund

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

CAPITAL PROJECTS FUNDS

VHAC Site Development Fund

The VHAC Site Development Fund is used to account for the costs to improve a VHAC site located in the center of the Village. This site will be used for a multitude of athletic and recreational purposes.

VILLAGE OF VERNON HILLS, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2016

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

(See independent auditor's report.)

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

Golf Course Fund

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

NONMAJOR PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

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

Equipment Replacement Fund

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

FIDUCIARY FUNDS

AGENCY FUND

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

VILLAGE OF VERNON HILLS, ILLINOIS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEVELOPMENT - AGENCY FUND

For the Year Ended April 30, 2016

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

(See independent auditor's report.)

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

VILLAGE OF VERNON HILLS, ILLINOIS

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

April 30, 2016

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

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

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

STATISTICAL SECTION

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

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

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

Data Source

Audited Financial Statements

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

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

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

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

Data Source

Audited Financial Statements

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

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VILLAGE OF VERNON HILLS, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

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

Data Source

Audited Financial Statements

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

VILLAGE OF VERNON HILLS, ILLINOIS

GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years

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

Data Source

Audited Financial Statements

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

VILLAGE OF VERNON HILLS, ILLINOIS

GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

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

Data Source

Audited Financial Statements

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

VILLAGE OF VERNON HILLS, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

Data Source

Audited Financial Statements

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

VILLAGE OF VERNON HILLS, ILLINOIS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

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

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

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

Data Sources

Illinois Department of Revenue
Village records

VILLAGE OF VERNON HILLS, ILLINOIS

DIRECT AND OVERLAPPING SALES TAX RATES

Last Ten Fiscal Years

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

N/A - Information not available

* Rate changed during FY2008 from the rate that existed in FY2007 on April 1, 2008.
** Home Rule Sales Tax was implemented on January 1, 2015.

Data Source

Village and County Records

VILLAGE OF VERNON HILLS, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

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

Data Source

Lake County Clerk's and Treasurer's Office

VILLAGE OF VERNON HILLS, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING

Last Ten Levy Years

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

N/A - Information not available

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

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

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

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

TAX INCREMENT FINANCING DISTRICT TAX EXTENSIONS AND COLLECTIONS

Last Ten Levy Years

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

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

Data Source

Village and Lake County Records

VILLAGE OF VERNON HILLS, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

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

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

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

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

April 30, 2016

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

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

Data Source

Office of the County Clerk

VILLAGE OF VERNON HILLS, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

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

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

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

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

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2016

The Village is a home rule municipality.

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

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

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

N/A - Not Available

Population Data Sources:
2006 through 2009 data and 2013 data was obtained by a census estimate.
2010 data is the reuse of the 2009 data, 2011 and 2012 data was obtained by the 2010 census.
2013, 2014, and 2015 data was from census estimate.

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

Median Age Data:
2009 Census estimate and 2010 census result.

School Enrollment Data:
Unavailable

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

VILLAGE OF VERNON HILLS, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

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

N/A - Not available

Data Source

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

VILLAGE OF VERNON HILLS, ILLINOIS

FULL-TIME EQUIVALENT VILLAGE GOVERNMENTAL EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

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

Data Source

Village Records

VILLAGE OF VERNON HILLS, ILLINOIS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

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

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

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

Data Source

Village records

VILLAGE OF VERNON HILLS, ILLINOIS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

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

Data Source

Village records

APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the President and Board of Trustees of the Village of Vernon Hills, Lake County, Illinois (the *"Village"*), passed preliminary to the issue by the Village of its fully registered Taxable General Obligation Bonds, Series 2017 (the *"Bonds"*), to the amount of $20,190,000, dated the date hereof, due serially on March 30 of the years and in the amounts and bearing interest as follows:

2021	$ 945,000	2.00%
2022	965,000	2.15%
2023	985,000	2.35%
2024	1,005,000	2.55%
2025	1,035,000	2.70%
2026	1,060,000	2.85%
2027	1,090,000	3.00%
2028	1,125,000	3.10%
2029	1,160,000	3.20%
2030	1,195,000	3.30%
2031	1,235,000	3.40%
2032	1,275,000	3.50%
2033	1,320,000	3.60%
2034	1,370,000	3.70%
2037	4,425,000	3.90%

the Bonds due on March 30, 2037, being subject to mandatory redemption, in integral multiples of $5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date, on March 30 of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2035	$1,420,000
2036	1,475,000
2037	1,530,000 (stated maturity)

the Bonds due on or after March 30, 2023, being subject to redemption prior to maturity at the option of the Village as a whole or in part in any order of their maturity as determined by the Village (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on March 30, 2022, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in the Proceedings, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the Village and is payable from any funds of the Village legally available for such purpose, and all taxable property in the Village is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that under present law, interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Village with respect to certain material facts within the Village's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Attachment J

VILLAGE OF VERNON HILLS
TIF REDEVELOPMENT PLAN
MILWAUKEE AVENUE/TOWNLINE ROAD REDEVELOPMENT PROJECT AREA

Prepared by the Village of Vernon Hills, Illinois

in conjunction with

Kane, McKenna and Associates, Inc.

November, 2016

TABLE OF CONTENTS

I. INTRODUCTION

The Village of Vernon Hills (the "Village") is a suburban municipality located approximately 35 miles north of downtown Chicago with a population of 25,113 citizens (according to the 2010 U.S. Census). The Village has experienced significant growth in population between 1970 and 1980 and has experienced continued growth since such period although at a lower growth rate. In this Plan, the Village proposes a Tax Increment Financing Redevelopment Plan (the "Plan" or "Redevelopment Plan") to enable an area within the Village to overcome a number of redevelopment barriers.

Kane, McKenna and Associates, Inc. (KMA) has been retained by the Village to conduct an analysis of the potential qualification and designation of the area as a "redevelopment project area" pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et. seq., as amended (the "Act" or "TIF Act"), and to assist the Village in drafting this Redevelopment Plan.

TIF Plan Requirements. The Act enables Illinois municipalities to establish redevelopment project areas, either to eliminate the presence of blight or to prevent its onset. The Act finds that municipal TIF authority serves a public interest in order to: "promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken; that to remove and alleviate adverse conditions it is necessary to encourage private investment and restore and enhance the tax base of the taxing districts in such areas by the development or redevelopment of project areas" (65 ILCS 5/11-74.4-2(b)).

The Village is preparing this Plan as required by the Act. Pursuant to the Act, a "redevelopment plan" means the comprehensive program of the municipality for development or redevelopment intended by the payment of redevelopment project costs to reduce or eliminate those conditions the existence of which qualified the redevelopment project area as a "blighted area" or "conservation area" or combination thereof or "industrial park conservation area," and thereby to enhance the tax bases of the taxing districts which extend into the redevelopment project area.

To establish a redevelopment project area, Illinois municipalities must adopt several documents, including a redevelopment plan and eligibility report.

Community Background. The Village was incorporated in 1958 and has developed from a rural community that included numerous country estates to a suburban residential community with significant retail development commencing in the 1970's. The most significant growth in population occurred between 1970 and 1980 when the population increased from 1,056 to 9,827 (830.5%) with an additional population increases to 15,319 by 1990 (55.9% since 1980), 20,120 by 2000 (31.3% since 1990) and 25,113 by 2010 (24.8% since 2000) as reported by the Bureau of the Census. The development of the Village was spurred by the construction of the Hawthorn Mall Shopping Center in 1973 which was followed by the development of residential housing, significant additional retail uses and various other office and industrial parks.

The Village is bordered by the municipalities of Libertyville to the north, Mundelein, Indian Creek and Long Grove to the west, Buffalo Grove to the south and Mettawa and Lincolnshire to the east.

The Village has a number of important assets that create an economically competitive environment for businesses and attracts residents to the community. The Village is well served by a grid of arterial roads and state highways, including Routes 21, 45, 60 and 83, and the nearby Tri-State Tollway (Interstate 94) with entrance ramps on both Routes 22 and 60. Additionally, the Chicago – O'Hare International Airport is located approximately 25 miles south of the Village and the General Mitchell International Airport is located approximately 60 miles north of the Village both located near the Tri-State Tollway. Also, METRA provides commuter rail service to a station located within the Village.

The RPA (as such term is hereinafter defined) has a number of important assets including the following:

1) Both Route 21 and Route 60 are major arterial roads and provide the traffic counts necessary to support commercial and retail uses;
2) The RPA is situated near many other retailers that would complement any new uses within the proposed redevelopment project area; and
3) The RPA is a gateway to the Village and as such presents a major opportunity for helping visitors to form a positive first impression and strengthen the view of the Village.

Despite the RPA strengths, the RPA is currently underutilized. The RPA as a whole suffers from a variety of economic development impediments as identified in the Act, such as chronic flooding and use of the site as a disposal site. The TIF Qualification Report (as such term is hereinafter defined) identifies other impediments to redevelopment.

The RPA has the potential for redevelopment of certain underutilized properties. Such redevelopment would build upon locational advantages and establish commercial uses. As such, the Village has identified a number of objectives for redevelopment, with tax increment financing acting as a tool to achieve them. Please refer to Section III of this Plan for additional information about goals, objectives and activities to support redevelopment.

The Proposed TIF District. The proposed redevelopment project area is located in the Village and consists of 2 tax parcels, consisting of approximately 50 acres located adjacent to Route 21 and Route 60 in the Village, and the adjacent right of ways (the "RPA" or "TIF District"). The proposed RPA is generally located north of Townline Road (Route 60), south of Ring Drive as extended (which is also part of the northern border of the Village), east of Milwaukee Avenue (Route 21) and west of the Des Plaines River and the Lake County Forest Preserve properties.

The RPA suffers from a variety of economic development impediments as defined in the TIF Act. Section V of the *TIF Qualification Report* (see Appendix 5) identifies the impediments to redevelopment:

On balance, the combination of these factors limits the opportunities for private reinvestment within and around the RPA. Such factors potentially suppress the value of future development and weaken the potential for business growth thereby limiting employment and contributing to the lack of sustained investment in the area.

The RPA would be suitable for new development if the Village is able to coordinate uses and redevelopment activity by the Village. Under this TIF Redevelopment Plan and as part of its comprehensive economic development planning, the Village intends to attract and encourage residential, recreational, commercial and retail/mixed uses to locate, upgrade, expand and/or modernize their facilities. Through the establishment of the RPA, the Village would implement a program to redevelop key areas within the RPA through the provision of public improvements and coordination of redevelopment activities. In so doing, the Village would stabilize the area, extend benefits to the community, and assist affected taxing districts over the long run.

Rationale for Redevelopment Plan. The Village recognizes the need for a strategy to revitalize properties and promote development within the boundaries of the RPA. The needed private investment would only be possible if a TIF District is adopted pursuant to the terms of the Act. Incremental property tax revenue generated by the development will play a decisive role in encouraging private development. Site conditions that have discouraged intensive private investment in the past will be eliminated. Ultimately, the implementation of the Plan will benefit both the Village and surrounding taxing districts, by virtue of the expected expansion of the tax base.

The Village has determined that the area as a whole would not be developed in a coordinated manner without the adoption of this Plan. The Village, with the assistance of KMA, has therefore commissioned this Plan to use tax increment financing in order to address local needs and to meet redevelopment goals and objectives.

The adoption of this Plan makes possible the implementation of a comprehensive program for the economic redevelopment of the area. By means of public investment and land assembly, the RPA will become a more viable area that will attract private investment. The public investment and land assembly will lay the foundation for the redevelopment of the area with private capital. This in turn will set the stage for future residential, recreational, commercial and retail/mixed use opportunities surrounding the area.

The designation of the area as an RPA will allow the Village to pursue the following beneficial strategies:

- Attraction of new businesses to the Village;

- Providing infrastructure that supports subsequent redevelopment plans for the RPA;

- Assembling land in order to provide sites for redevelopment;

- Entering into redevelopment agreements in order to redevelop property and/or to induce new development to locate within the RPA;

- Establishing a pattern of land-use activities that will increase efficiency and economic inter-relationships, especially as such uses complement adjacent current and/or future commercial opportunities and Village redevelopment projects within the RPA and/or surrounding area; and

- Enhancing area appearance through improvements to landscape, streetscape and signage.

Through this Plan, the Village will direct the coordination and assembly of the assets and investments of the private sector and establish a unified, cooperative public-private redevelopment effort. Several benefits are expected to accrue to the area: entry of new businesses; new employment opportunities; and physical and aesthetic improvements. Ultimately, the implementation of the Plan will benefit (a) the Village, (b) the taxing districts serving the RPA, and (c) existing and new businesses.

Village Findings. The Village, through legislative actions as required by the Act, finds:

- That the RPA as a whole has not been subject to growth and development through investment by private enterprise;

- That in order to promote and protect the health, safety, and welfare of the public, certain conditions that have adversely affected redevelopment within the RPA need to be addressed, and that redevelopment of such areas must be undertaken;

- To alleviate the adverse conditions, it is necessary to encourage private investment and enhance the tax base of the taxing districts in such areas by the development or redevelopment of certain areas;

- That public/private partnerships are determined to be necessary in order to achieve development goals;

- That without the development focus and resources provided for under the Act and as set forth in this Plan, growth and redevelopment would not reasonably be expected to be achieved;

- That the use of incremental tax revenues derived from the tax rates of various taxing districts in the RPA for the payment of redevelopment project costs is of benefit to the taxing districts, because the taxing districts would not derive the benefits of an increased assessment base without addressing the coordination of redevelopment; and

- That the Redevelopment Plan conforms to the Village of Vernon Hills Comprehensive Land Use Plan 2012 (the "Comprehensive Plan"), as detailed in Section III of this Plan.

It is further found, and certified by the Village, in connection to the process required for the adoption of this Plan pursuant to the Act, that the projected redevelopment of the RPA would not result in the displacement of ten (10) inhabited residential units or more. Therefore, *this Plan does not include a Housing Impact Study*.

The redevelopment activities that will take place within the RPA will produce benefits that are reasonably distributed throughout the RPA. Redevelopment of the RPA area is tenable only if a portion of the improvements and other costs are funded by TIF.

Pursuant to the Act, the RPA includes only those contiguous parcels of real property and improvements thereon substantially benefited by the redevelopment project. Also pursuant to the Act, the area in the aggregate is more than 1½ acres. A boundary map of the RPA is included in Appendix 2 of this Plan.

II. RPA LEGAL DESCRIPTION

The Redevelopment Project Area legal description is attached in Appendix 1.

III. RPA GOALS AND OBJECTIVES

The Village has established a number of economic development goals, objectives, and strategies which would determine the kinds of activities to be undertaken within the proposed TIF District. These efforts would conform to and promote the achievement of land use objectives in the comprehensive planning process (generally reflected in the Comprehensive Plan).

Exhibit 1
Relationship of Land Use and Economic Development Plans

As indicated in the Exhibit 1 above, an important underlying planning document is the Comprehensive Plan which, as an element of the comprehensive planning process, describes the overall vision for the Village and is the foundation for Village initiatives such as the RPA. This overarching planning document influences all other Village planning processes such as the TIF planning process.

General Economic Development Goals of the Village. Establishment of the RPA supports the following Village-wide objectives stated in the Comprehensive Plan that would directly determine future economic development activities and influence the parameters of future redevelopment projects.

Exhibit 2

Comprehensive Plan Community Goals and Objectives Applicable to the RPA

Goal	Objective
LAND USE – Achieve the most effective, desirable and lasting relationship between people and land based on the development of areas in accordance with sound use objectives that will function more efficiently, permit a higher degree of both public and private benefits and maintain more lasting values.	▪ Arrange the development of land uses to produce an efficient, convenient and harmonious pattern without undue mixtures of incompatible uses. ▪ Locate and maintain development in accordance with the usability and adaptability of land to further the goals of the Village. ▪ Recognize the need for concentration of facilities and activities in strategic locations with access to open space, appropriate infrastructure and other such conditions ▪ Assure to the greatest extent possible that all future development of redevelopment enhances the quality of living within the community. ▪ Encourage the most intensive development at the Milwaukee Avenue/Route 60 intersection, which may include some residential uses when part of an overall mixed use development ▪ Encourage high quality retail commercial development surrounding the Milwaukee Avenue/Route 60 intersection which may include some mixed use development at the northeast corner of this intersection.
HOUSING – Creation and maintenance of a superior residential environment which reflects the total needs of residents related to location, type and price of housing.	▪ A balance distribution of housing types throughout the community, approximating 50% single family and 50% two family and multiple family, insuring a variety of housing types and price ranges are available in the community as a whole ▪ Provide for multiple family developments only in areas, which are located in higher intensity of use areas ▪ Encourage the development of residential amenities, including parks, access to public services, open space and shopping/entertainment with non-motorized transportation linkages to help lessen traffic flow problems or conflicts.

Source: Village of Vernon Hills Comprehensive Plan 2012 adopted May 15, 2012.

Specific Objectives and Strategies for the RPA. The general goals for economic development cited above would be supported by specific objectives, strategies and performance measures that would guide the redevelopment activities undertaken within the RPA. The Comprehensive Plan reflects the intensification of commercial development near the intersections of Milwaukee Avenue and Route 60 and the impact the interchange at the Tri-State Tollway has had on the choice of land uses at the intersection. The focal point of the development at the intersection has been the construction of the Hawthorn Shopping Mall at the northwest corner together with additional development at two of the other corners with further development having occurred further along both Route 60 and Milwaukee Avenue. The Comprehensive Plan further identifies the potential for mixed use development as the Village considers the location of the RPA as the "crown jewel" of the community.

TIF designation would allow the Village to pursue the following objectives within the RPA:

- Potential recruitment of new business establishments;
- Reduce or eliminate blight or other negative factors present within the area;
- Coordinate redevelopment activities within the RPA in order to provide a positive marketplace signal to private investors;
- Accomplish redevelopment over a reasonable time period;
- Create an attractive overall appearance for the area; and
- Further the goals and objectives of the Comprehensive Plan.

Ultimately, the implementation of the Redevelopment Project would contribute to the economic development of the area and provide new employment opportunities for Village residents.

The RPA-specific objectives would be fulfilled by the execution of certain strategies, including but not limited to the following:

- Facilitating the preparation of improved and vacant sites, by assisting private developers to assemble suitable sites for modern development needs;
- Coordinating site preparation to provide additional land for new development, as appropriate;
- Fostering the construction, replacement, repair, and/or improvement of infrastructure, including (as needed) sidewalks, streets, curbs, gutters and underground water and sanitary systems to facilitate the construction of new development within the RPA;
- Facilitating the provision of adequate on- and off-street parking within the RPA;
- Coordinating development in tandem with any transportation system upgrades to make the area more accessible; and/or
- Supporting streetscape improvements.

To track success in meeting RPA-specific objectives and strategies, the Village may wish to consider establishing certain performance measures that would help the Village monitor the projects to be undertaken within the proposed RPA. The Government Finance Officers Association recommends that municipalities adopting TIF districts evaluate actual against projected performance (e.g., using metrics such as job creation or tax revenue generation).

Exhibit 3 below identifies the types of performance measures the Village may consider to track the performance of projects within the RPA. (Section VI of this Plan discusses the types of projects that the Village may pursue within the RPA, with the caveat that specific projects at this point are only conceptual in nature.)

Exhibit 3
Examples of TIF Performance Measures

Measure	Examples
Input	Public investment ($) Private investment ($) Acres of land assembled for TIF Bond proceeds
Output/Workload	Jobs created or retained Number of streetscaping fixtures installed Commercial space created (square feet)
Efficiency	Leverage ratio (private investment / public investment) Cost per square foot of commercial space Public subsidies per job created/retained
Effectiveness	% change in assessed value (AV) in TIF versus AV in rest of Village % change in AV within TIF before and after TIF creation Municipal sales taxes before and after TIF creation
Risk	Debt coverage ratio Credit ratings of anchor tenants Tenant diversification (e.g., percent of total TIF EAV attributable to top 10 tenants in commercial development)

Source: *An Elected Official's Guide to Tax Increment Financing*,
Government Finance Officers Association, 2005.

IV. EVIDENCE OF THE LACK OF DEVELOPMENT AND GROWTH; FISCAL IMPACT ON TAXING DISTRICTS

Evidence of the Lack of Development and Growth within the RPA. As documented in Appendix 5 of this Plan, the RPA has suffered from the lack of development and would qualify as a blighted-vacant area. In recent years, the area has not benefited from sustained private investment and/or development, instead suffering economic decline. Absent intervention by the Village, properties within the RPA would not be likely to gain in value.

The proposed RPA exhibits various conditions which, if not addressed by the Village, would continue to remain blighted. Those conditions include lack of public improvements, lagging EAV and chronic flooding. These various conditions discourage private sector investment in business enterprises.

Assessment of Fiscal Impact on Affected Taxing Districts. It is not anticipated that the implementation of this Plan will have a negative financial impact on the affected taxing districts. Instead, action taken by the Village to stabilize and cause growth of its tax base through the implementation of this Plan will have a *positive impact* on the affected taxing districts by arresting the potential decline or lag in property values, as measured by assessed valuations ("AV"). In short, the establishment of a TIF district would protect other taxing districts from the potential downside risk of falling AV.

Should the Village achieve success in attracting private investment which results in the need for documented increased services from any taxing districts, the Village will consider the declaration of "surplus funds," as defined under the Act. Such funds which are neither expended nor obligated for TIF-related purposes can be used to assist affected taxing districts in paying the costs for increased services.

Any surplus Special Tax Allocation Funds (to the extent any surplus exists) will be shared in proportion to the various tax rates imposed by the taxing districts, including the Village. Any such sharing would be undertaken after all TIF-eligible costs – either expended or incurred as an obligation by the Village – have been duly accounted for through administration of the Special Tax Allocation Fund to be established by the Village as provided by the Act.

An exception to the tax-sharing provision relates to the Village's utilization of TIF funding to mitigate the impact of residential redevelopment upon school and library districts. In such cases, the Village will provide funds to offset the costs incurred by the eligible school and the library districts in the manner prescribed by 65 ILCS Section 5/11-74.4.3(q)(7.5) of the Act. (Refer to Section VI of this Plan, which describes allowable TIF project costs.)

V. TIF QUALIFICATION FACTORS PRESENT IN THE RPA

Findings. The RPA was studied to determine its qualifications under the Tax Increment Allocation Redevelopment Act. It was determined that the area as a whole qualifies as a TIF district under the Act. Refer to the *TIF Qualification Report*, attached as Appendix 5 in this Plan.

Eligibility Survey. Representatives of KMA and Village staff evaluated the RPA from November, 2015 to the date of this Plan's issuance. Analysis was aided by certain reports obtained from the Village, on-site due diligence, and other sources. In KMA's evaluation, information was recorded which would help assess the eligibility of the proposed area as a TIF District.

VI. REDEVELOPMENT PROJECT

Redevelopment Plan and Project Objectives. As indicated in Section III of this Plan, the Village has established a planning process which guides economic development and land use activities throughout the Village. Consistent with the established planning process, the Village proposes to achieve economic development goals and objectives through the redevelopment of the RPA, pursuit of projects within the RPA, and the promotion of private investment via public financing techniques (including but not limited to tax increment financing).

The project-specific objectives envisioned for the RPA are as follows:

1) Implementing a plan that provides for the attraction of users to redevelop underutilized land and buildings that are available within the RPA.

2) Constructing public improvements which may include (if necessary):

   - Street and sidewalk improvements (including new street construction and widening of current streets; any street widening would conform with Village standards);
   - Utility improvements (including, but not limited to, water, stormwater management, and sanitary sewer projects consisting of construction and rehabilitation);
   - Signalization, traffic control and lighting;
   - Off-street parking and public parking facilities; and
   - Landscaping, streetscaping, and beautification.

3) Entering into redevelopment agreements with developers for qualified redevelopment projects, including (but not limited to) the provision of an interest rate subsidy as allowed under the Act.

4) Providing for site preparation, clearance, environmental remediation, grading and excavation as provided for under the Act.

5) Exploration and review of job training programs in coordination with any Village, federal, state, and county programs.

6) Entering into agreements with other public bodies for the development and/or construction of public facilities and infrastructure.

Redevelopment Activities. Pursuant to the project objectives cited above, the Village will implement a coordinated program of actions. These include, but are not limited to, land acquisition, land disposition, site preparation, clearance, demolition, provision of public infrastructure and related public improvements, and rehabilitation of structures, if necessary. Such activities conform to the provision of the TIF Act that define the scope of permissible redevelopment activities.

Site Preparation, Clearance, Relocation and Demolition

Property within the RPA may be improved through the use of site clearance, excavation, environmental remediation or demolition prior to redevelopment. The land may also be graded and cleared prior to redevelopment.

Land Assembly and Disposition

Certain properties or interests in properties in the RPA (or the entire RPA) may be acquired, assembled and reconfigured into appropriate development sites including by purchase or the exercise of eminent domain. It is expected that the Village would facilitate private acquisition through reimbursement of acquisition and related costs as well as through the write-down of its acquisition costs. Such land may be held or disposed of by the Village on terms appropriate for public or private development, including the acquisition of land needed for construction of public improvements.

Public Improvements

The Village may, but is not required to, provide public improvements in the RPA to enhance the immediate area and support the Plan. Appropriate public improvements may include, but are not limited to:

- Improvements and/or construction of public utilities including extension of water mains as well as sanitary and storm sewer systems, detention facilities, roadways, and traffic-related improvements;
- Parking facilities (on grade and parking structures); and
- Beautification, identification markers, landscaping, lighting, and signage of public right-of-ways.

Rehabilitation

The Village may provide for the rehabilitation of certain structures within the RPA in order to provide for the redevelopment of the area and conform to Village code provisions. Improvements may include exterior and facade-related work as well as interior-related work.

The Village may construct or provide for the construction and reimbursement for new structures to be owned or used by units of local government.

Interest Rate Write-Down

The Village may enter into agreements with for-profit or non-profit owners/developers whereby a portion of the interest cost for construction, renovation or rehabilitation projects are paid for out of the Special Tax Allocation fund of the RPA, in accordance with the Act.

Job Training

The Village may assist facilities and enterprises located within the RPA in obtaining job training assistance. Job training and retraining programs currently available from or through other governments include, but are not limited to:

- Federal programs;
- State of Illinois programs;
- Applicable local vocational educational programs, including community college sponsored programs; and
- Other federal, state, county or non-profit programs that are currently available or will be developed and initiated over time.

School and Library District Costs

The Village may provide for payment of school district and library district costs, as required under the Act for residential components (if any) assisted through TIF District funding.

General Land Use Plan. As noted in Section I of this Plan, the RPA is currently vacant. Existing land uses are shown in Appendix 3 attached hereto and made a part of this Plan. Appendix 4 designates future land uses in the RPA. Future land uses will conform to the Zoning Ordinance and the Comprehensive Plan as either may be amended from time to time.

Additional Design and Control Standards. The appropriate design standards (including any Planned Unit Developments) as set forth in the Village's Zoning Ordinance and/or Comprehensive Plan shall apply to the RPA.

Eligible Redevelopment Project Costs. Under the TIF statute, redevelopment project costs mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred as well as any such costs incidental to the Plan. (Private investments, which supplement "Redevelopment Project Costs," are expected to substantially exceed such redevelopment project costs.) Eligible costs permitted by the Act and pertaining to this Plan include:

(1) *Professional Service Costs* – Costs of studies, surveys, development of plans, and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, financial, planning or other services, provided however that no charges for professional services may be based on a percentage of the tax increment collected; except that on and after November 1, 1999 (the effective date of Public Act 91-478), no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of 3 years. After consultation with the municipality, each tax increment consultant or advisor to a municipality that plans to designate or has designated a redevelopment project area shall inform the municipality in writing of any contracts that the consultant or advisor has entered into with entities or individuals that have received, or are receiving, payments financed by tax increment revenues produced by the redevelopment project area with respect to which the consultant or advisor has performed, or will be performing, service for the municipality. This requirement shall be satisfied by the consultant or advisor before the commencement of services for the municipality and thereafter whenever any other contracts with those individuals or entities are executed by the consultant or advisor;

- The cost of marketing sites within the redevelopment project area to prospective businesses, developers, and investors;
- Annual administrative costs shall *not* include general overhead or administrative costs of the municipality that would still have been incurred by the municipality if the municipality had not designated a redevelopment project area or approved a redevelopment plan;
- In addition, redevelopment project costs shall *not* include lobbying expenses;

(2) *Property Assembly Costs* – Costs including but not limited to acquisition of land and other property (real or personal) or rights or interests therein, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to parking lots and other concrete or asphalt barriers, and the clearing and grading of land;

(3) *Improvements to Public or Private Buildings* – Costs of rehabilitation, reconstruction, repair, or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the cost of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment including direct or indirect costs relating to Green Globes or LEED – certified construction elements or construction elements with an equivalent certification per the Act;

(4) *Public Works* – Costs of the construction of public works or improvements including direct or indirect costs relating to Green Globes or LEED –certified construction elements or construction elements with an equivalent certification, except that on and after November 1, 1999, redevelopment project costs shall not include the cost of constructing a new municipal public building principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building as provided under paragraph (3) of subsection (q) of Section 11-74.4-3 unless either (i) the construction of the new municipal building implements a redevelopment project that was included in a redevelopment plan that was adopted by the municipality prior to November 1, 1999 or (ii) the municipality makes a reasonable determination in the redevelopment plan, supported by information that provides the basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the redevelopment plan;

(5) *Job Training* – Costs of job training and retraining projects, including the cost of "welfare to work" programs implemented by businesses located within the redevelopment project area;

(6) *Financing Costs* – Costs including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder including (a) interest accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for a period not exceeding 36 months thereafter and (b) reasonable reserves related thereto;

(7) *Capital Costs* – To the extent the municipality by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the redevelopment plan and project;

(8) *School and Library Related Costs* – For redevelopment project areas designated (or redevelopment project areas amended to add or increase the number of tax-increment-financing assisted housing units) on or after November 1, 1999, an elementary, secondary, or unit school district's increased costs attributable to assisted housing units located within the redevelopment project area for which the developer or redeveloper receives financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by the Act, and which costs shall be paid by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units and shall be calculated annually. Certain library district costs may also be paid as provided for in the Act.

(9) *Relocation Costs* – To the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or State law or in order to satisfy subparagraph (7) of subsection (n) of the Act;

(10) *Payment in lieu of taxes*;

(11) *Other Job Training* – Costs of job training, retraining, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in a redevelopment project area; and (ii) when incurred by a taxing district or taxing districts other than the municipality, are set forth in a written agreement by or among the municipality and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of The School Code;

(12) *Developer Interest Cost* – Interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:

(A) such costs are to be paid directly from the special tax allocation fund established pursuant to the Act;

(B) such payments in any one year may not exceed 30% of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year;

(C) if there are not sufficient funds available in the special tax allocation fund to make the payment then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;

(D) the total of such interest payments paid pursuant to the Act may not exceed 30% of the total (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act;

(E) the cost limits set forth in subparagraphs (B) and (D) of paragraph shall be modified for the financing of rehabilitated or new housing units for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act. The percentage of 75% shall be substituted for 30% in subparagraphs (B) and (D).

(F) Instead of the eligible costs provided by subparagraphs (B) and (D), as modified by this subparagraph, and notwithstanding any other provisions of the Act to the contrary, the municipality may pay from tax increment revenues up to 50% of the cost of construction of new housing units to be occupied by low-income households and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act. The cost of construction of those units may be derived from the proceeds of bonds issued by the municipality under the Act or other constitutional or statutory authority or from other sources of municipal revenue that may be reimbursed from tax increment revenues or the proceeds of bonds issued to finance the construction of that housing. The eligible costs provided under this subparagraph (F) shall be an eligible cost for the construction, renovation, and rehabilitation of all low and very low-income housing units, as defined in Section 3 of the Illinois Affordable Housing Act, within the redevelopment project area. If the low and very low-income units are part of a residential redevelopment project that includes units not affordable to low and very low-income households, only the low and very low-income units shall be eligible for benefits under subparagraph (F).[1]

[1] The standards for maintaining the occupancy by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, of those units constructed with eligible costs made available under the provisions of this subparagraph (F) of paragraph (11) shall be established by guidelines adopted by the municipality. The responsibility for annually documenting the initial occupancy of the units by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, shall be that of the then current owner of the property. For ownership units, the guidelines will provide, at a minimum, for a reasonable recapture of funds, or other appropriate methods designed to preserve the original affordability of the ownership units. For rental units, the guidelines will provide, at a minimum, for the affordability of rent to low and very low-income households. As units become available, they shall be rented to income-eligible tenants. The municipality may modify these guidelines from time to time; the guidelines, however, shall be in effect for as long as tax increment revenue is being used to pay for costs associated with the units or for the retirement of bonds issued to finance the units or for the life of the redevelopment project area, whichever is later.

The TIF Act prohibits certain costs. Unless explicitly stated herein the cost of construction of new privately-owned buildings shall not be an eligible redevelopment project cost. In addition, the statute prohibits costs related to retail development that results in the closing of nearby facilities of the same retailers. Specifically, none of the redevelopment project costs enumerated in the Act shall be eligible redevelopment project costs if those costs would provide direct financial support to a retail entity initiating operations in the redevelopment project area while terminating operations at another Illinois location within 10 miles of the redevelopment project area but outside the boundaries of the redevelopment project area municipality.[2]

Additionally, the TIF Act prohibits cost reimbursement for the demolition, removal, or substantially modification of a historic resource, unless no prudent and feasible alternative exists. "Historic resource" means (i) a place or structure that is included or eligible for inclusion on the National Register of Historic Places or (ii) a contributing structure in a district on the National Register of Historic Places. This paragraph does not apply to a place or structure for which demolition, removal, or modification is subject to review by the preservation agency of a Certified Local Government as designated by the National Park Service of the U.S. Department of the Interior.

[2] Termination means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a redevelopment project area, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality that the current location contained inadequate space, had become economically obsolete, or was no longer a viable location for the retailer or serviceman.

Projected Redevelopment Project Costs. Estimated project costs are shown in Exhibit 4 below.

Exhibit 4
RPA Project Cost Estimates

Program Actions/Improvements	**Estimated Costs[1]**
Land Acquisition and Relocation	$ 3,300,000
Site Preparation	2,600,000
Utility Improvements (Including Water, Storm, Sanitary Sewer, Service of Public Facilities, and Road Improvements)	15,200,000
Rehabilitation of Existing Structures	500,000
Interest Costs Pursuant to the Act	1,700,000
Professional Service Costs (Including Planning, Legal, Engineering, Administrative, Annual Reporting, and Marketing)	2,100,000
School Tuition and Library Costs as provided by the Act	10,000,000
Job Training	100,000
TOTAL ESTIMATED TIF BUDGET[2][3]	**$35,500,000**

Notes:
(1) All project cost estimates are in 2016 dollars. Costs may be adjusted for inflation per the Act.
(2) In addition to the costs identified in the exhibit above, any bonds issued to finance a phase of the Project may include an amount sufficient to pay (a) customary and reasonable charges associated with the issuance of such obligations, (b) interest on such bonds, and (c) capitalized interest and reasonably required reserves.
(3) Adjustments to the estimated line-item costs above are expected. Adjustments may be made in line-items within the total, either increasing or decreasing line-items costs for redevelopment. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act. The totals of the line-items set forth above are not intended to place a total limit on the described expenditures, as the specific items listed above are not intended to preclude payment of other eligible redevelopment project costs in connection the redevelopment of the RPA – provided the total amount of payment for eligible redevelopment project costs shall not exceed the overall budget amount outlined above and all as provided for in the Act.

Adjustments to estimated line-item costs in Exhibit 4 are expected and may be made without amendment to this Plan. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act.

Further, the projected cost of an individual line-item as set forth in Exhibit 4 is not intended to place a limit on the described line-item expenditure. Adjustments may be made in line-items, either increasing or decreasing line-item costs for redevelopment. The specific items listed in Exhibit 4 are not intended to preclude payment of other eligible redevelopment project costs in connection with the redevelopment of the RPA, provided the total amount of payment for eligible redevelopment project costs (the "Total Estimated TIF Budget" in Exhibit 4) shall not exceed the amount set forth in Exhibit 4, as adjusted pursuant to the Act.

As explained in the following sub-section, incremental property tax revenues from any contiguous RPA may be used to pay eligible costs for the RPA.

Sources of Funds to Pay Redevelopment Project Costs. Funds necessary to pay for public improvements and other project costs eligible under the Act are to be derived principally from incremental property tax revenues, funds provided by the Village pursuant to 65 ILCS 5/11-74.4-8(b), as amended (the “Village Contribution”), proceeds from municipal obligations to be retired primarily with such revenues, and interest earned on resources available but not immediately needed for the Plan. In addition, pursuant to the Act and this Plan, the Village may utilize net incremental property tax revenues received from other contiguous RPAs to pay eligible redevelopment project costs or obligations issued to pay such costs in contiguous project areas. This would include contiguous redevelopment project areas that the Village may establish in the future. (Conversely, incremental revenues from the RPA may be allocated to any contiguous redevelopment project area.)

Redevelopment project costs as identified in Exhibit 4 specifically authorize those eligible costs set forth in the Act and do not address the preponderance of the costs to redevelop the area. The majority of development costs will be privately financed. TIF or other public sources are to be used, subject to approval by the Village, only to leverage and commit private redevelopment activity.

The incremental tax revenues which will be used to pay debt service on the municipal obligations (if any) and to directly pay redevelopment project costs shall be the incremental increase in property taxes. The property tax increment would be attributable to the increase in the equalized assessed value of each taxable lot, block, tract or parcel of real property in the RPA – over and above the initial equalized assessed value of each such lot, block, tract or parcel in the RPA in the 2014 tax year for the RPA.

Among the other sources of funds which may be used to pay for redevelopment project costs and debt service on municipal obligations issued to finance project costs are the following: certain local sales or utility taxes, special service area taxes, the proceeds of property sales, certain land lease payments, certain Motor Fuel Tax revenues, certain state and federal grants or loans, certain investment income, and such other sources of funds and revenues as the Village may from time to time deem appropriate.

Nature and Term of Obligations to Be Issued. The Village may issue obligations secured by the Special Tax Allocation Fund established for the RPA pursuant to the Act or such other funds as are available to the Village by virtue of its power pursuant to the Illinois State Constitution.

Any and all obligations issued by the Village pursuant to this Plan and the Act shall be retired not more than twenty-three (23) years from the date of adoption of the ordinance approving the RPA, or as such a later time permitted pursuant to the Act and to the extent such obligations are reliant upon the collection of incremental property tax revenues from the completion of the twenty-third year of the TIF, with taxes collected in the twenty-fourth year. However, the final maturity date of any obligations issued pursuant to the Act may not be later than twenty (20) years from their respective date of issuance.

One or more series of obligations may be issued from time to time in order to implement this Plan. The total principal and interest payable in any year on all obligations shall not exceed the amount available in that year or projected to be available in that year. The total principal and interest may be payable from tax increment revenues and from bond sinking funds, capitalized interest, debt service reserve funds, and all other sources of funds as may be provided by ordinance.

Certain revenues may be declared as surplus funds if not required for: principal and interest payments, required reserves, bond sinking funds, redevelopment project costs, early retirement of outstanding securities, or facilitating the economical issuance of additional bonds necessary to accomplish the Redevelopment Plan. Such surplus funds shall then become available for distribution annually to taxing districts overlapping the RPA in the manner provided by the Act.

Securities may be issued on either a taxable or tax-exempt basis, as general obligation or revenue bonds. Further, the securities may be offered on such terms as the Village may determine, with or without the following features: capitalized interest; deferred principal retirement; interest rate limits (except as limited by law); credit enhancement; and redemption provisions. Additionally, such securities may be issued with either fixed rate or floating interest rates.

Most Recent Equalized Assessed Valuation for the RPA. The most recent equalized assessed valuation for the RPA is based on the 2014 EAV, and is estimated to be approximately $263,115. It is anticipated the estimated base EAV for establishment of the RPA will be the 2014 EAV.

Anticipated Equalized Assessed Valuation for the RPA. Upon completion of the anticipated private development of the RPA over a twenty-three (23) year period, it is estimated that the EAV of the property within the RPA would increase to approximately $30,000,000 to $32,000,000, depending upon market conditions and the scope of the redevelopment projects.

VII. DESCRIPTION AND SCHEDULING OF REDEVELOPMENT PROJECT

Redevelopment Project. The Village will implement a strategy with full consideration given to the availability of both public and private funding. It is anticipated that a phased redevelopment will be undertaken.

The Redevelopment Project will begin as soon as the private entities have obtained financing approvals for appropriate projects and such uses conform to Village zoning and planning requirements, or if the Village undertakes redevelopment activities pursuant to this Plan. Depending upon the scope of the development as well as the actual uses, the following activities may be undertaken by the Village:

- Land Assembly and Relocation: Certain properties in the RPA may be acquired and assembled into an appropriate redevelopment site, with relocation costs undertaken as provided by the Act. The Village would be expected to facilitate private acquisition through reimbursement or write-down of related costs, including without limitation the acquisition of land needed for construction of public improvements.

- Demolition and Site Preparation: The existing improvements located within the RPA may have to be reconfigured or prepared to accommodate new uses or expansion plans. Demolition of certain parcels may be necessary for future projects. Additionally, the redevelopment plan contemplates site preparation, or other requirements including environmental remediation necessary to prepare the site for desired redevelopment projects.

- Rehabilitation: The Village may assist in the rehabilitation of buildings, if any, or site improvements located within the RPA.

- Landscaping/Buffering/Streetscaping: The Village may fund certain landscaping projects, which serve to beautify public properties or rights-of-way and provide buffering between land uses.

- Water, Sanitary Sewer, Storm Sewer and Other Utility Improvements: Certain utilities may be extended or re-routed to serve or accommodate the new development. Upgrading of existing utilities may be undertaken. The Village may also undertake the provision of necessary detention or retention ponds.

- Roadway/Street/Parking Improvements: The Village may widen and/or vacate existing roads. Certain secondary streets/roads may be extended or constructed. Related curb, gutter, and paving improvements could also be constructed as needed. Parking facilities may be constructed that would be available to the public. Utility services may also be provided or relocated in order to accommodate redevelopment activities.

- Traffic Control/Signalization: Traffic control or signalization improvements that improve access to the RPA and enhance its redevelopment may be constructed.

- Public Safety-Related Infrastructure: Certain public safety improvements including, but not limited to, public signage, public facilities, and streetlights may be constructed or implemented.

- School District and Library District Costs: The payment of such costs, if any, may be provided pursuant to the requirements of the Act.

- Interest Costs Coverage: The Village may fund certain interest costs incurred by a developer for construction, renovation or rehabilitation of a redevelopment project. Such funding would be paid for out of annual tax increment revenue generated from the RPA as allowed under the Act.

- Professional Services: The Village may fund necessary planning, legal, engineering, administrative and financing costs during project implementation. The Village may reimburse itself from annual tax increment revenue and Village Contribution, if available.

Commitment to Fair Employment Practices and Affirmative Action. As part of any redevelopment agreement entered into by the Village and any private developers, both parties will agree to establish and implement an honorable, progressive, and goal-oriented affirmative action program that serves appropriate sectors of the Village. The program will conform to the most recent Village policies and plans.

With respect to the public/private development's internal operations, both entities will pursue employment practices which provide equal opportunity to all people regardless of sex, color, race, creed, or sexual orientation. Neither party will discriminate against any employee or applicant because of sex, marital status, national origin, age, sexual orientation, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including: hiring, upgrading and promotions, terminations, compensation, benefit programs, and education opportunities.

All those involved with employment activities will be responsible for conformance to this policy and compliance with applicable state and federal regulations.

The Village and private developers will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level. Additionally, any public/private entities will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which all employees are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals.

Finally, the entities will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner. Underlying this policy is the recognition by the entities that successful affirmative action programs are important to the continued growth and vitality of the community.

Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment Costs. This Redevelopment Project and retirement of all obligations to finance redevelopment costs will be completed within twenty-three (23) years after the adoption of an ordinance designating the Redevelopment Project Area. The actual date for such completion and retirement of obligations shall not be later than December 31 of the year in which the payment to the municipal treasurer pursuant to the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year after the ordinance approving the RPA is adopted.

VIII. PROVISIONS FOR AMENDING THE TIF PLAN AND PROJECT

This Plan may be amended pursuant to the provisions of the Act.

APPENDIX 1

Legal Description of Project Area

LEGAL DESCRIPTION

THAT PART OF THE SOUTHEAST QUARTER OF SECTION 33 AND THE SOUTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 44 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN AND THAT PART OF THE NORTHWEST QUARTER OF SECTION 3 AND NORTHEAST QUARTER OF SECTION 4 IN TOWNSHIP 43 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN LAKE COUNTY, ILLINOIS AS DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF LOT 5 IN HAWTHORN HILLS FASHION SQUARE RECORDED AUGUST 1, 1986 AS DOCUMENT NUMBER 2467230; THENCE NORTHERLY, ALONG THE WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 (ALSO KNOWN AS MILWAUKEE AVENUE) AS SHOWN ON SAID HAWTHORN HILLS FASHION SQUARE, A DISTANCE OF 200.00 FEET TO THE POINT OF BEGINNING;

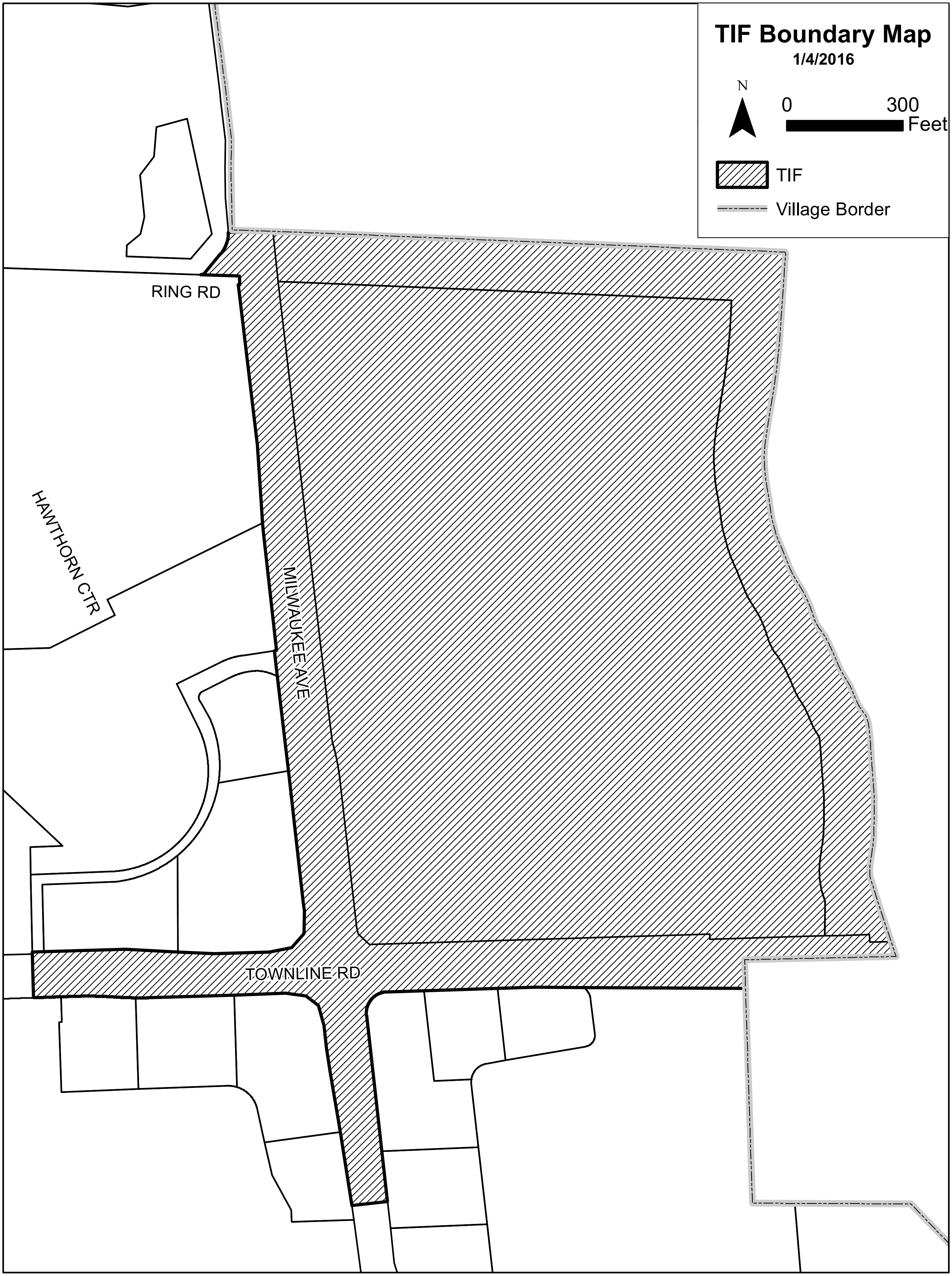
THENCE NORTHERLY, CONTINUING ALONG SAID WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21, TO THE SOUTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60 (ALSO KNOWN AS TOWNLINE ROAD) AS SHOWN ON SAID HAWTHORN HILLS FASHION SQUARE; THENCE WESTERLY, ALONG SOUTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60 AS SHOWN ON SAID HAWTHORN HILLS FASHION SQUARE AND CONTINENTAL EXECUTIVE PARK RESUBDIVISION NUMBER 5 RECORDED AUGUST 16, 1989 AS DOCUMENT NUMBER 2821072, TO THE MOST NORTHERLY NORTHWEST CORNER OF LOT 1 IN SAID CONTINENTAL EXECUTIVE PARK RESUBDIVISION NUMBER 5; THENCE NORTHERLY, PERPENDICULAR TO THE LAST DESCRIBED LINE, TO THE NORTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60 AS SHOWN ON HAWTHORN CENTER SUBDIVISION PLAT RECORDED SEPTEMBER 19, 1977 AS DOCUMENT NUMBER 1866654; THENCE EASTERLY, ALONG SAID NORTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60, TO THE WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 AS SHOWN ON SAID HAWTHORN CENTER SUBDIVISION PLAT; THENCE NORTHERLY, ALONG SAID WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 TO THE NORTHEAST CORNER OF

LEGAL DESCRIPTION

LOT 1 IN SAID HAWTHORN CENTER SUBDIVISION PLAT; THENCE WESTERLY, ALONG THE NORTH LINE OF SAID LOT 1, TO THE WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 AS SHOWN ON PLAT OF HIGHWAY AND CONVEYED BY WARRANTY DEED RECORDED AS DOCUMENT NUMBER 4543137; THENCE NORTHERLY, ALONG THE WEST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 AS SHOWN ON PLAT OF HIGHWAY AND CONVEYED BY WARRANTY DEED RECORDED AS DOCUMENT NUMBER 4543137 AND 4543140, TO THE NORTH LINE OF SAID SOUTHEAST QUARTER OF SECTION 33; THENCE EASTERLY, ALONG SAID NORTH LINE, TO THE EAST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 AS DESCRIBED IN DEED RECORDED AS DOCUMENT NUMBER 2215105; THENCE SOUTHERLY, ALONG SAID EAST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21, TO A LINE WHICH RUNS FROM A POINT 11.85 CHAINS SOUTH OF THE CENTER POST OF SAID SECTION 34 TO A POINT 9.09 CHAINS SOUTH OF THE CENTER OF POST OF SAID SECTION 33; THENCE EASTERLY, ALONG SAID LINE, TO THE CENTER LINE OF DES PLAINS RIVER; THENCE SOUTHERLY, ALONG THE CENTER LINE OF DES PLAINS RIVER, TO THE SOUTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60 AS SHOWN PLAT OF HIGHWAYS RECORDED AS DOCUMENT NUMBER 2412463; THENCE WESTERLY, ALONG SAID SOUTH RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 60, TO THE EAST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21 AS SHOWN ON AMENDED AND RESTATED HAWTHORN II – RETAIL CENTER RECORDED AS DOCUMENT NUMBER 2641246; THENCE SOUTHERLY, ALONG SAID EAST RIGHT-OF-WAY LINE OF ILLINOIS ROUTE 21, TO A POINT 110.00 FEET SOUTH OF THE MOST WESTERLY SOUTHWEST CORNER OF LOT 1 IN SAID AMENDED AND RESTATED HAWTHORN II – RETAIL CENTER; THENCE WESTERLY TO THE POINT OF BEGINNING.

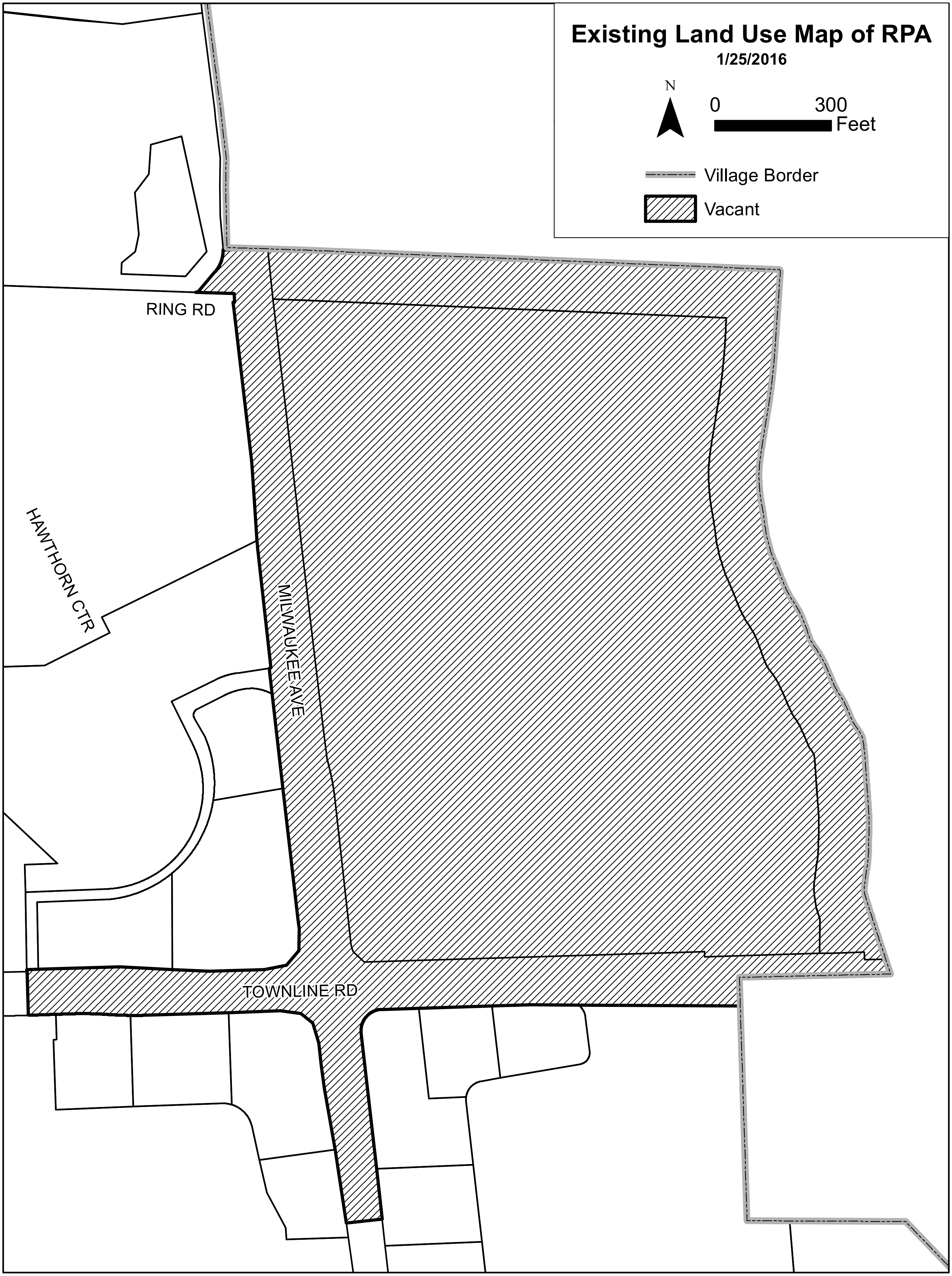
APPENDIX 2

Boundary Map of RPA


TIF Boundary Map
1/4/2016
N
0
300
Feet
TIF
Village Border
RING RD
HAWTHORN CTR
MILWAUKEE AVE
TOWNLINE RD

APPENDIX 3

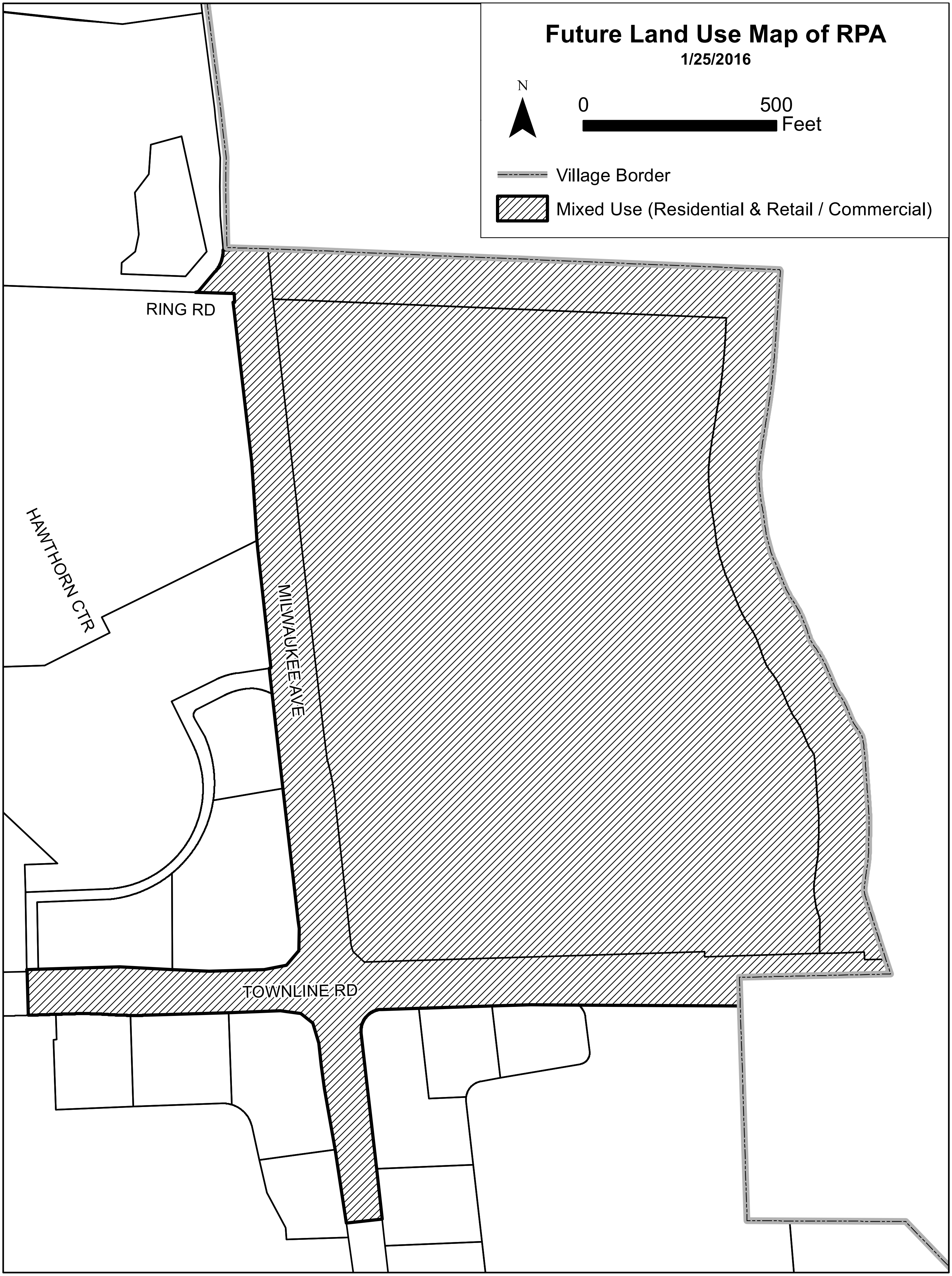
Existing Land Use Map of RPA



Existing Land Use Map of RPA
1/25/2016
N
0
300
Feet
Village Border
Vacant
RING RD
HAWTHORN CTR
MILWAUKEE AVE
TOWNLINE RD

APPENDIX 4

Future Land Use Map of RPA



Future Land Use Map of RPA
1/25/2016
N
0
500
Feet
Village Border
Mixed Use (Residential & Retail / Commercial)
RING RD
HAWTHORN CTR
MILWAUKEE AVE
TOWNLINE RD

APPENDIX 5

TIF Qualification Report

VILLAGE OF VERNON HILLS, ILLINOIS

TIF QUALIFICATION REPORT

MILWAUKEE AVENUE/TOWNLINE ROAD
REDEVELOPMENT PROJECT AREA

A study to determine whether certain properties within the Village of Vernon Hills qualify as a blighted-vacant area as defined in the Tax Increment Allocation Redevelopment Act, 65 ILCS, 5/11-74.4-1, et. seq., as amended of the Illinois Compiled Statutes.

Prepared for: Village of Vernon Hills, Illinois

Prepared by: Kane, McKenna and Associates, Inc.

November, 2016

VILLAGE OF VERNON HILLS
MILWAUKEE AVENUE/TOWNLINE ROAD
TIF QUALIFICATION REPORT

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Kane, McKenna and Associates, Inc. ("KMA") has been retained by the Village of Vernon Hills, Illinois (the "Village") to conduct an analysis of the potential qualification and designation of certain property located in the Village and within the boundaries reflected in the map attached hereto as Appendix I as a "redevelopment project area" (the "RPA or "TIF District") pursuant to 65 ILCS 5/11-74.4-1 et.seq. (the "TIF Act").

The Village is pursuing the RPA designation as part of its strategy to promote the revitalization of the property and thereby assist the Village in achieving its policy goal of promoting economic redevelopment. By undertaking the designation, the Village will help strengthen the RPA as a significant contributor to the Village's overall economic base.

> 1) *Vacant land within the proposed TIF District qualifies as a "blighted-vacant area" pursuant to the TIF Act.* Currently, the vacant land lacks economic viability for development due to certain adverse conditions identified in Section IV of this report. As a result, it prevents or threatens to prevent the beneficial economic and physical developments of properties the community deems essential to its overall economic health. In the opinion of KMA, the subject vacant land meets the requirements for designation as a blighted-vacant area under the TIF Act.
>
> 2) *Current conditions impede redevelopment.* The conditions found within the proposed TIF District present a barrier to the area's successful redevelopment. Without the use of Village planning and economic development resources to mitigate such conditions, potential redevelopment activities are not likely to be economically feasible.
>
> 3) *Viable redevelopment sites could produce incremental revenue.* Within the proposed TIF District, there are parcels which potentially could be redeveloped and thereby produce incremental property tax revenue. Such revenue, used in combination with other Village resources for redevelopment incentives or public improvements, would likely stimulate private investment and reinvestment in these sites and ultimately throughout the TIF District.
>
> 4) *Pursuit of TIF designation is recommended.* To mitigate the existing conditions (thereby promoting the improved physical condition of the proposed RPA) and to leverage the Village's investment and redevelopment efforts, KMA recommends that the Village pursue the formal TIF designation process for the RPA.

The Village will not consider the redevelopment of residential parcels that would dislocate 10 or more residential units within the proposed TIF District and therefore, the Village will not conduct a housing impact study pursuant to the TIF Act.

I. BACKGROUND

In the context of planning for the proposed redevelopment project area located within the boundaries reflected in the map provided in Appendix I hereto pursuant to the TIF Act, the Village has initiated a study of the area to determine whether it would potentially qualify as a TIF District. Kane, McKenna and Associates, Inc. agreed to undertake the study of the proposed RPA or TIF District on the Village's behalf.

The Village is an established community located in Lake County, bounded on the north by the Village of Libertyville, on the west by the Villages of Mundelein and Indian Creek, on the east by the Village of Mettawa and Lake County Forest Preserve property, and on the south by the Villages of Lincolnshire and Buffalo Grove. Due to the Village's location and past development patterns, the amount of land available for new redevelopment is limited. The proposed RPA, consisting of approximately 50 acres and located adjacent to Route 21 and Route 60, offers an opportunity to improve the tax base, to provide new services and retail opportunities, and to provide jobs to area residents.

Current Land Use

The proposed RPA is located in the Village and generally located north of Townline Road (Route 60), south of Ring Drive as extended (which is also part of the northern border of the Village), east of Milwaukee Avenue (Route 21) and west of the Des Plaines River and the Lake County Forest Preserve properties.

The proposed RPA is currently vacant and is located east of the Hawthorne Shopping Mall. The RPA consists currently of agricultural land with (i) retail shopping centers/strip malls located to the south and west of the RPA; (ii) Lake County Forest Preserve properties located to the east; and (iii) the Village boundary located to the north. Approximately two thirds of the site is used as agricultural land and the balance consists of wetlands and conservation easements/wooded areas.

Overall, the area faces a number of redevelopment impediments as described in Section IV of this report. Lagging EAV, the need for environmental remediation, and chronic flooding are some of the principal impediments that currently limit the competitiveness of the area.

General Redevelopment Objectives

The redevelopment of the proposed RPA would further the Village's overarching land use objectives, which are contained in its *Comprehensive Plan*, zoning ordinance, and other land use planning elements.

Given the gap between the Village's goals for the community and the area versus the conditions described in this report, the Village has determined that the redevelopment of the proposed RPA would be highly beneficial to the community. With a redevelopment strategy in place, the economic base associated with the RPA would be stabilized and increased – thereby benefiting the community as a whole. Without such a redevelopment strategy, the adverse conditions identified in this report would likely worsen. The following Table 1 is a summary of the community goals and objectives relating to the redevelopment of the property within the RPA.

Table 1

Comprehensive Plan Community Goals and Objectives Applicable to the RPA

Goal	Objective
LAND USE – Achieve the most effective, desirable and lasting relationship between people and land based on the development of areas in accordance with sound use objectives that will function more efficiently, permit a higher degree of both public and private benefits and maintain more lasting values.	▪ Arrange the development of land uses to produce an efficient, convenient and harmonious pattern without undue mixtures of incompatible uses. ▪ Locate and maintain development in accordance with the usability and adaptability of land to further the goals of the Village. ▪ Recognize the need for concentration of facilities and activities in strategic locations with access to open space, appropriate infrastructure and other such conditions ▪ Assure to the greatest extent possible that all future development of redevelopment enhances the quality of living within the community. ▪ Encourage the most intensive development at the Milwaukee Avenue/Route 60 intersection, which may include some residential uses when part of an overall mixed use development ▪ Encourage high quality retail commercial development surrounding the Milwaukee Avenue/Route 60 intersection which may include some mixed use development at the northeast corner of this intersection.
HOUSING – Creation and maintenance of a superior residential environment which reflects the total needs of residents related to location, type and price of housing.	▪ A balance distribution of housing types throughout the community, approximating 50% single family and 50% two family and multiple family, insuring a variety of housing types and price ranges are available in the community as a whole ▪ Provide for multiple family developments only in areas, which are located in higher intensity of use areas ▪ Encourage the development of residential amenities, including parks, access to public services, open space and shopping/entertainment with non-motorized transportation linkages to help lessen traffic flow problems or conflicts.

Source: Village of Vernon Hills Comprehensive Plan 2012 adopted May 15, 2012.

General Scope and Methodology

KMA performed its analysis by conducting a series of meetings and discussions with Village staff, starting in November, 2015 and continuing periodically up to the date of this report. The objective of the meetings was to gather data related to the qualification criteria for properties included in the study area. These meetings were complemented by a series of field surveys for the entire area to evaluate the condition of the proposed RPA, reviewing individual parcels as the RPA as a whole. The surveys and data collected have been utilized to test the likelihood that the proposed RPA would qualify for TIF designation.

The qualification factors discussed in this report qualify the RPA as a "blighted-vacant" area as such term defined pursuant to the TIF Act.

For additional information about KMA's data collection and evaluation methods, refer to Section III of this report.

II. QUALIFICATION CRITERIA

With the assistance of Village staff, Kane, McKenna and Associates, Inc. assessed the proposed RPA to determine the likelihood that qualifying factors listed in the TIF Act would be present. The relevant provisions of the TIF Act are cited below.

The TIF Act sets out specific procedures which must be adhered to in designating a redevelopment project area. By definition, a "redevelopment project area" is:

> "An area designated by the municipality, which is not less in the aggregate than 1½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted areas and conservation areas."

Under the TIF Act, a "blighted area" or "conservation area" means any improved or vacant area within the boundaries of a development project area located within the territorial limits of the municipality where certain conditions are met. Attached hereto as Appendix II is a description of the qualification factors required to designate a redevelopment project area as a "blighted area" or "conservation area" pursuant to the TIF Act.

III. EVALUATION METHODOLOGY

In evaluating the proposed RPA's potential qualification as a TIF District, the following methodology was utilized:

1) Site surveys of the RPA were undertaken by representatives from KMA, supplemented with photographic analysis of the sites. Site surveys were completed for each parcel of land within the proposed RPA.

2) KMA conducted evaluations of the sites in conjunction with data provided by other professionals including a Phase 1 Environmental Site Assessment dated August 28, 2015 prepared by the Apex Companies, LLC and a report dated January 18, 2016 of Manhard Consulting, Ltd. (the "Engineer") related to the chronic flooding that adversely impacts the property in the RPA as attached hereto as Appendix III. Additionally, KMA reviewed the following data: 2009-2014 tax information from Lake County, tax parcel maps, aerial photos, site data, local history (including discussions with Village staff), and an evaluation of area-wide factors that have affected the area's development.

3) Existing site conditions were initially surveyed only in the context of checking, to the best and most reasonable extent available, TIF Act factors applicable to specific structures and site conditions of the parcels.

4) The proposed RPA was examined to assess the applicability of the different factors required for qualification as a redevelopment project area pursuant to the TIF Act. Examination was made by reviewing the information and determining how each measured when evaluated against the relevant factors. The proposed RPA was evaluated to determine the applicability of the various factors, which would qualify the area as blighted-vacant area pursuant to the TIF Act.

IV. QUALIFICATION FINDINGS FOR PROPOSED RPA

Based upon KMA's evaluation of parcels in the proposed RPA and analysis of each of the eligibility factors summarized in Section II and Appendix II, KMA has determined that of the six (6) factors that allow an area to be designated as "blighted vacant" pursuant to the TIF Act, the following two (2) were present.

1) Declining or Lagging EAV. The area's EAV has grown at a rate slower than the Consumer Price Index for five (5) of the last five (5) years (refer to Table 2 below).

Table 2
EAV Trends for Sub-Area 1

	2014	2013	2012	2011	2010	2009
Total EAV for Area	$263,115	$264,747	$262,322	$259,807	$257,735	$254,385
Annual Change	0.62%	0.92%	0.97%	0.80%	1.32%	--
CPI	1.60%	1.50%	2.10%	3.20%	1.60%	-0.4%

2) Environmental Remediation

The area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

A Phase 1 Environmental Site Assessment dated August 28, 2015 prepared by the Apex Companies, LLC ("Apex") identified several Recognized Environmental Conditions (REC) associated with certain portions of the RPA. The north central portion of the RPA was identified as a former dump site, where an above ground storage tank (AST), partially buried 55 gallon drums, a water heater tank, crushed drums, and other debris were reported present. A former household waste landfill was also identified on the property with possible chemical storage as well (associated with prior agricultural uses). The southeast portion of the RPA includes fill piles associated with the contribution of Route 22 fill (non-native and mixed concrete and asphalt fragments). In the opinion of Apex, former landfill uses and dumping found in the RPA pose RECs to the property. It is likely that any proposed redevelopment will need to address such RECs.

Furthermore, KMA has determined that of the six (6) "stand alone" factors that allow an area to be designated as "blighted vacant" pursuant to the TIF Act, the following two (2) were present.

1) ***Chronic Flooding*.** The area qualifies under the TIF Act using a single stand-alone factor in the TIF Act. The TIF Act provides that if an area, prior to its designation, is subject to "chronic flooding that adversely impacts on real property in the area as certified by a registered professional engineer or appropriate regulatory agency" and "the redevelopment project provides for facilities or improvements to contribute to the alleviation of all or part of the flooding," then a finding of chronic flooding can be made.

   According to the Engineer, the site often becomes inundated with standing water during rain events caused by various factors including large amounts of offsite flow from sewers draining onto and through the RPA, the slope of the property and soil conditions which combined with the presence of wetlands, renders certain parts of the site unsuitable for development. The Engineer concludes that the RPA experiences chronic flooding due the combination of flat to mild slopes throughout the majority of the RPA, poor to moderately drained soils and existence of a large amount of offsite flow which drains across the center of the RPA.

2) ***Unused Disposal Site***. The area consists of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition, excavation, or dredge sites.

The presence of fill materials located at the southwest part of the RPA from the Route 22 construction serve to qualify this portion of the RPA.

The above described factors necessary to designate the RPA as a "blighted vacant" area under the TIF Act are summarized in the table below.

Table 3
Qualification Findings –Study Area

Maximum Possible Factors per Statute	Minimum Factors Needed to Qualify per Statute	Qualifying Factors Present in Proposed Study Area
6	2	2 (from 6 possible factors) • Environmental Remediation • Lag in EAV Growth
	1 ("Stand Alone")	• Chronic flooding
	1 ("Stand Alone")	• Unused Disposal Site

V. SUMMARY OF FINDINGS; GENERAL ASSESSMENT OF QUALIFICATION

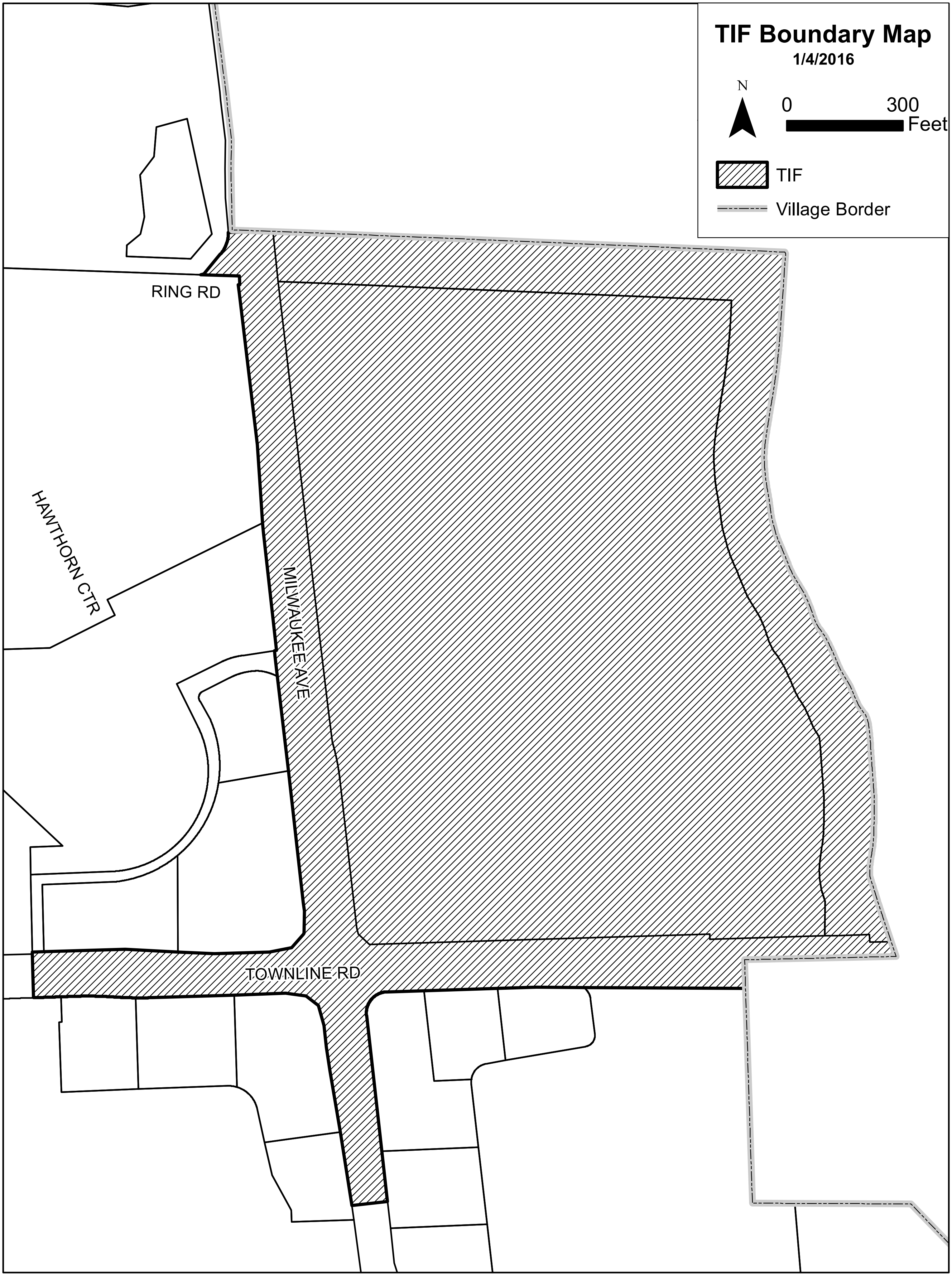
The following is a summary of relevant qualification findings as it relates to the Village potentially designating the study area as a TIF District.

- The area is contiguous and is greater than 1½ acres in size;
- The proposed RPA will qualify as a "blighted-vacant" area. Further, the factors as documented herein are present to a meaningful extent and are distributed throughout the proposed RPA. (A more detailed analysis of the qualification findings is outlined in Section IV of this report.)
- All property in the area would substantially benefit by the proposed redevelopment project improvements;
- The sound growth of taxing districts applicable to the area, including the Village, has been impaired by the factors found present in the area; and
- The area would not be subject to redevelopment without the investment of public funds, including property tax increment.

In the judgment of KMA, these preliminary findings support the case for the Village to initiate a formal process to consider the proposed RPA as a TIF District.

Appendix I

TIF Boundary Map


TIF Boundary Map
1/4/2016
N
0
300
Feet
TIF
Village Border
RING RD
HAWTHORN CTR
MILWAUKEE AVE
TOWNLINE RD

Appendix II

Qualification Factors

<u>TIF Qualification Factors for a Blighted Improved Area or a Conservation Area</u>

A redevelopment project area is designated as a "*conservation area*" pursuant to the TIF Act if industrial, commercial and residential buildings or improvements are detrimental to the public safety, health or welfare because of a combination of three (3) or more of the following factors, each of which is (i) present, with that presence documented to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the TIF Act and (ii) reasonably distributed throughout the improved part of the redevelopment project area:

(A) <u>Dilapidation</u>. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of building or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

(B) <u>Obsolescence</u>. The condition or process of falling into disuse. Structures become ill-suited for the original use.

(C) <u>Deterioration</u>. With respect to buildings, defects include but are not limited to, major defects in the secondary building components such as doors, windows, porches, gutters, downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.

(D) <u>Presence of Structures Below Minimum Code Standards.</u> All structures that do not meet the standards of zoning, subdivision, building, fire and other governmental codes applicable to property, but not including housing and property maintenance codes.

(E) <u>Illegal Use of Individual Structures.</u> The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

(F) <u>Excessive Vacancies.</u> The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.

(G) Lack of Ventilation, Light, or Sanitary Facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

(H) Inadequate Utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, and obsolete or in disrepair; or (iii) lacking within the redevelopment project area.

(I) Excessive Land Coverage and Overcrowding of Structures and Community Facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking or inadequate provision for loading service.

(J) Deleterious Land-Use or Layout. The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive or unsuitable for the surrounding area.

(K) Environmental Clean-Up. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for (or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for) the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law. Any such remediation costs would constitute a material impediment to the development or redevelopment of the redevelopment project area.

(L) Lack of Community Planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

(M) "Stagnant" EAV. The total equalized assessed value (EAV) of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years , or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years. The finding is based on the last 5 years for which information is available.

TIF Qualification Factors for a Vacant Area

The following are the factors to determine qualification of a redevelopment project area to be characterized as "blighted-vacant." Pursuant to the TIF Act, such an area meets state standards provided that:

> If vacant, the sound growth of the redevelopment project area is impaired by two or more of the following factors that (i) is present, with that presence documented, to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the TIF Act and (ii) is reasonably distributed throughout the vacant part of the redevelopment project area:

(A) Obsolete platting of vacant land that results in parcels of limited or narrow size or configurations of parcels of irregular size or shape that would be difficult to develop on a planned basis and in a manner compatible with contemporary standards and requirements, or platting that failed to create rights-of-ways for streets or alleys or that created inadequate right-of-way widths for streets, alleys, or other public rights-of-way or that omitted easements for public utilities.

(B) Diversity of ownership of parcels of vacant land sufficient in number to retard or impede the ability to assemble the land for development.

(C) Tax and special assessment delinquencies exist or the property has been the subject of tax sales under the Property Tax Code within the last five (5) years.

(D) Deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.

(E) The area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

(F) The total equalized assessed value of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years prior to the year in which the redevelopment project area is designated or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last (5) calendar years prior to the year in which the redevelopment project area is designated.

Additionally, one (1) or more of the following factors ("stand alone" factors) must be present in the area under study:

(A) The redevelopment project area consists of one or more unused quarries, mines, or strip mine ponds.

(B) The redevelopment project area consists of unused rail yards, rail tracks, or railroad rights of way.

(C) The redevelopment project area, prior to its designation, is subject to (i) chronic flooding that adversely impacts on real property in the area as certified by a registered professional engineer or appropriate regulatory agency or (ii) surface water that discharges from all or a part of the area and contributes to flooding within the same watershed, but only if the redevelopment project provides for facilities or improvements to contribute to the alleviation of all or part of the flooding.

(D) The redevelopment project area consists of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition, excavation, or dredge sites.

(E) Prior to November 1, 1999, the redevelopment project area is not less than 50 nor more than 100 acres and 75% of which is vacant (notwithstanding that the area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area), and the redevelopment project redevelopment project area meets at least one of the factors itemized in paragraph (1) of this subsection, the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

(F) The redevelopment project area qualified as a "blighted area" immediately prior to becoming vacant, unless there has been substantial private investment in the immediately surrounding area.

Appendix III

Engineer Report Re: Chronic Flooding

Manhard CONSULTING

Civil Engineering
Surveying
Water Resources Management
Water & Wastewater Engineering
Construction Management
Environmental Sciences
Landscape Architecture
Land Planning

January 18, 2016

Mayor Roger Byrne
Village of Vernon Hills
290 Evergreen Drive
Vernon Hills, Illinois 60061

RE: MELLODY FARM SHOPS & RESTAURANTS
NEC ROUTE 21 AND ROUTE 60
VILLAGE OF VERNON HILLS, ILLINOIS

Dear Mayor Byrne:

On behalf of our client, Regency Centers, we are providing this document and the enclosed information to support designation of a tax increment financing ("TIF") district for the proposed Mellody Farm development parcel (the "Property"), located at the northeast corner of the intersection of Rt. 21/Milwaukee Avenue and Route 60/Townline Road in Vernon Hills, Illinois.

In our professional opinion, chronic flooding which is reasonably distributed throughout the vacant portion of the Property impairs the sound growth of the development project. The Property is adversely impacted by chronic flooding from the Des Plaines River and runoff tributary to the property which drains overland through the subject parcel, as evidenced by the available information that is detailed within this report. These areas are prone to chronic flooding based upon evidence procured from various engineering studies, aerial topographic mapping, FEMA flood maps and jurisdictional wetland delineations of the site.

The following report presents the results from an investigation into the reasons behind chronic flooding issues within the 53.4 acre Mellody Farm Development. This investigation was performed at the request of the Village. Enclosed within are the following documents:

1. Exhibit 1A-C: Aerial Maps
2. Exhibit 2: Location Map
3. *Exhibit 3:* USGS Topographic/Hydrologic Map
4. *Exhibit 4:* FEMA Firm Panel 17097C0252K
5. *Exhibit 5:* NRCS Soil Map
6. *Exhibit 6:* National Wetland Inventory Map
7. *Exhibit 7:* Existing Topography
8. *Document 1:* Preliminary Jurisdictional Determination

Property Description
The proposed development is a ±53 acre tract of land bound by Illinois Route 21 to the West, Illinois Route 60 to the South, a private property owned by Hollister Incorporated to the North, and the Des Plaines River to the East. The site is in Section 34, Township 44, Range 11E. The proposed site will include a mix of commercial and high density residential. Currently the site is idle farmland, open space, and woodlands. The site often becomes inundated with standing water during rain events, which combined with the presence of wetlands, renders certain parts of the site unsuitable for development. Further details about the existing conditions can be found below.

Background Information
An evaluation of the site characteristics was performed using available online resources. Those results are the following:

- An aerial photograph from Google Earth dated 2015 was reviewed and shows locations of farmland and woodland throughout the site. This aerial is labeled *Exhibit 1*.

- A location map showing the geospatial location of the site relative to surrounding roads and landmarks. This map is labeled *Exhibit 2*.

- A USGS hydrologic/topographic map was analyzed and shows general drainage patterns as well as the location of the northeast wetland, the southeast detention basin, and the Des Plaines River. This map is labeled *Exhibit 3*.

- FEMA Floodplain Map, Panel 17097C0252K effective September 18, 2013, shows approximately 14 acres of the project site located within Zone AE 100-year floodplain/floodway and approximately an additional 10.7 acres located within 500-year floodplain. Zone AE indicates that a base flood elevation has been determined for this area. The FEMA Firm is included as *Exhibit 4*. These areas on the site comprise approximately 24.7 acres, or 46% of the vacant Property.

- NRCS Web Soil Survey shows the following soil types on site. An exhibit, labeled Exhibit 5, has been included with this report which shows the locations of the soils. A more specific geotechnical investigation and report was completed by ECS Midwest, LLC. and can be provided upon request.

<u>Pella Silty Clay Loam (153A)</u> – This soil is classified as having a shallow slope (0-2%) and poor drainage. These soils are slow to drain after a rain event and have a high frequency of ponding but no frequency of flooding. The hydrologic soil group of this soil is Group D (undrained).

<u>Mundelein Silt Loam (442A)</u> – This soil is classified as having a shallow slope (0-2%) and somewhat poor drainage. These soils are slower to drain after a rain event but do not have a tendency to pond or flood. The hydrologic soil group of this soil is Group D (undrained).

<u>Barrington Silt Loam (443A)</u> – This soil is classified as having mild slope (2-4%) and being moderately well drained. These soils drain well after a rain event and do not have a tendency to pond or flood. The hydrologic soil group of this soil is Group C.

<u>Markham Silt Loam (531B)</u> – This soil is classified as having mild slope (2-4%) and being moderately well drained. These soils drain well after a rain event and do not have a tendency to pond or flood. The hydrologic soil group of this soil is Group C.

<u>Zurich Silt Loam (696B)</u> – This soil is classified as having shallow to moderate slopes (1-6%) and being moderately well drained. These soils drain well after a rain event and do not have a tendency to pond or flood. The hydrologic soil group of this soil is Group C.

<u>Orthents, Clayey, Undulating (805B)</u> – This soil is classified as having shallow slopes (0-2%) and being moderately well drained. These soils drain moderately well after a rain event and do not have a high frequency to pond or flood. The hydrologic soil group of this soil is Group D.

<u>Sawmill Silt Clay Loam (1107A)</u> – This soil is classified as having shallow slopes (0-2%) and being poorly drained. These soils drain poorly after a rain event and have a high frequency to pond and flood. The hydrologic soil group of this soil is Group D (undrained).

- U.S. Fish and Wildlife Service National Wetlands Inventory (NWI) shows a "Freshwater

Emergent Wetland" (labeled PEMC) located in the northeast corner of the site. In addition, a small portion of "Freshwater Forested/Shrub Wetland" is located in the southeast corner. This map is labeled *Exhibit 6*. Note that while this map does show some onsite wetlands, the preliminary jurisdictional determination done by Lake County SMC (see below) contains the field verified wetland locations and sizes.

- A preliminary jurisdictional determination (PJD) was submitted and completed by Lake County SMC (LCSMC) in December of 2015. That determination found there to be one 0.07 acre Waters of the United States (WOUS) wetland along the eastern edge of the property with direct connection to the Des Plaines River. There also exists two Isolated Waters of Lake County (IWLC) wetlands onsite, a 0.86 acres wetland in the middle of the site and also the existing detention basin. A copy of that LCSMC PJD letter has been included with this submittal and is labeled *Document 1*.

Site Investigation

As previously mentioned, the existing site is mainly farmland with low to mild slopes. In general, site runoff drains towards the middle of the site and east directly into the Des Plaines River. The southwest corner has the highest slopes onsite, which are generally between 3-5%. The north and northwestern portion of the site have slightly milder slopes around 1-2%. The flattest portion of the site is the middle, which experiences the highest degree of flooding, and has slopes mostly around and below 1%.

The primary cause of ponding and flooding onsite, other than shallow slopes towards the middle of the site, is the existence of three I.D.O.T. sewers which outlet along the western edge of the property. While exact incoming drainage areas and discharges are unknown, it is believed that portions of Milwaukee Avenue and the neighboring Hawthorne Mall discharge at this point. Currently those three incoming pipes outlet and are partially picked up by a drain tile which connects directly to the Des Plaines River. Excess runoff flows overland along the natural drainage course of the site. A copy of the existing topography has been included with this submittal and is labeled *Exhibit 7*.

Due to a combination of the aforementioned items, the site experiences chronic flooding throughout the property and becomes inaccessible. The flat slopes of the site do not properly convey the stormwater runoff that is tributary to the site through the multiple storm sewers that discharge at the property line. This in combination with the poor draining soils found on the property creates the chronic flooding issue on the subject property.

Conclusion

The proposed development on the Mellody Farm property of Vernon Hills is a 53.4 acres development of currently idle farmland. Initial investigations show that there is approximately 2 acres of wetland (including the existing detention basin) and 14 acres of 100-year floodplain located on the property. The site currently experiences chronic flooding which is caused by a combination of flat to mild slopes throughout the majority of the site, poor-to-moderately drained soils and the existence of a large amount of offsite flow which drains across the center of the subject property.

Yours truly,
MANHARD CONSULTING, LTD.

Jesse Conrad

Jesse G. Conrad, P.E.
Project Manager

Enclosure

Cc:

Matt Hendy, Regency Centers
Alisa Madigan, Regency Centers
Nick Wibbenmeyer, Regency Centers
Joe Carey, Village of Vernon Hills

Attachment K

VILLAGE OF VERNON HILLS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2018

	General	Tax Increment	Milwaukee Avenue/ Townline Road Tax Increment	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 26,147,195	$ 942,355	$ 10,120,170	$ 2,344,544	$ 39,554,264
Receivables					
Taxes	4,940,963	-	-	240,322	5,181,285
Accounts	25,345	-	-	500	25,845
Accrued interest	38,333	2,051	-	-	40,384
Other	53,078	-	-	-	53,078
Prepaid items	194,876	-	-	-	194,876
Due from other governments	840,306	-	-	-	840,306
Due from other funds	293,160	-	-	-	293,160
Advances to other funds	253,900	-	-	-	253,900
TOTAL ASSETS	$ 32,787,156	$ 944,406	$ 10,120,170	$ 2,585,366	$ 46,437,098
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 417,495	$ -	$ 4,054,398	$ 24,118	$ 4,496,011
Accrued payroll	476,512	-	-	85,617	562,129
Deposits payable	523,746	-	100,000	-	623,746
Due to other funds	-	-	-	-	-
Unearned revenue	234,811	-	-	-	234,811
Other payables	3,355,504	-	-	-	3,355,504
Advances from other funds	-	670,000	160,818	-	830,818
TOTAL LIABILITIES	5,008,068	670,000	4,315,216	109,735	10,103,019
FUND BALANCES					
Nonspendable					
Advances	253,900	-	-	-	253,900
Prepaid items	194,876	-	-	-	194,876
Long-term receivable	840,306	-	-	-	840,306
Restricted					
Metra parking	150,817	-	-	-	150,817
Streets and roads	-	-	-	1,136,849	1,136,849
Economic development	-	274,406	5,804,954	-	6,079,360
Public safety	135,019	-	-	1,338,782	1,473,801
Unassigned	26,204,170	-	-	-	26,204,170
Total fund balances	27,779,088	274,406	5,804,954	2,475,631	36,334,079
TOTAL LIABILITIES AND FUND BALANCES	$ 32,787,156	$ 944,406	$ 10,120,170	$ 2,585,366	$ 46,437,098

See accompanying notes to financial statements.

Attachment K

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2018

	General	Tax Increment	Milwaukee Avenue/ Townline Road Tax Increment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 9,363,740	$ 1,301,846	$ -	$ 398,726	$ 11,064,312
Intergovernmental	14,936,530	-	-	670,447	15,606,977
Licenses permits, and fees	2,106,354	-	-	-	2,106,354
Charges for services	1,313,101	-	-	1,160,316	2,473,417
Fines and forfeitures	299,051	-	-	-	299,051
Investment income	254,212	11,188	60,401	18,203	344,004
Miscellaneous	217,230	-	-	-	217,230
Total revenues	28,490,218	1,313,034	60,401	2,247,692	32,111,345
EXPENDITURES					
Current					
General government	8,912,428	-	160,818	-	9,073,246
Public safety	9,775,909	-	-	2,375,029	12,150,938
Streets and roads	4,742,348	-	-	108	4,742,456
Economic development	-	60	14,389,747	-	14,389,807
Culture and recreation	261,213	-	-	-	261,213
Capital outlay	1,145,405	-	1,929	797,585	1,944,919
Debt service					
Principal retirement	580,000	890,000	-	-	1,470,000
Interest and fiscal charges	230,438	279,248	892,953	-	1,402,639
Total expenditures	25,647,741	1,169,308	15,445,447	3,172,722	45,435,218
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,842,477	143,726	(15,385,046)	(925,030)	(13,323,873)
OTHER FINANCING SOURCES (USES)					
Bonds issued, at par	-	-	20,190,000	-	20,190,000
Transfers in	-	130,185	1,000,000	1,129,465	2,259,650
Transfers (out)	(2,259,650)	-	-	-	(2,259,650)
Total other financing sources (uses)	(2,259,650)	130,185	21,190,000	1,129,465	20,190,000
NET CHANGE IN FUND BALANCES	582,827	273,911	5,804,954	204,435	6,866,127
FUND BALANCES, MAY 1	27,196,261	495	-	2,271,196	29,467,952
FUND BALANCES, APRIL 30	$ 27,779,088	$ 274,406	$ 5,804,954	$ 2,475,631	$ 36,334,079

See accompanying notes to financial statements.

Attachment K