New Issue

Investment Rating:
Standard & Poor's ... AAA

Final Official Statement Dated December 2, 2014

*Subject to compliance by the Village with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "**TAX EXEMPTION**" herein for a more complete discussion. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "**QUALIFIED TAX-EXEMPT OBLIGATIONS**" herein.*

$5,630,000
VILLAGE OF VERNON HILLS
Lake County, Illinois
General Obligation Bonds, Series 2014

Dated Date of Delivery **Book-Entry Bank Qualified** **Due March 30 As Detailed Herein**

The $5,630,000 General Obligation Bonds, Series 2014 (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 September 30, 2015. 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. The Bonds will mature on March 30 in the following years and amounts.

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount	Due March 30	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due March 30	Interest Rate	Yield	CUSIP(1) Number
$270,000	2016	2.000%	0.540%	924488 HF9	$355,000	2023	2.150%	2.150%	924488 HN2
310,000	2017	2.000%	0.740%	924488 HG7	370,000	2024	2.300%	2.300%	924488 HP7
325,000	2018	2.000%	1.050%	924488 HH5	370,000	2025	2.450%	2.450%	924488 HQ5
325,000	2019	2.000%	1.350%	924488 HJ1	380,000	2026	2.600%	2.600%	924488 HR3
340,000	2020	2.000%	1.600%	924488 HK8	395,000	2027*	2.750%	2.700%	924488 HS1
340,000	2021	2.000%	1.800%	924488 HL6					
345,000	2022	2.000%	2.000%	924488 HM4	210,000	2030	3.000%	3.000%	924488 HV4

Amount	Rate	Term Bond	Yield	CUSIP(1) Number
$395,000	3.000%	Term Bond due March 30, 2029;*	2.900%	924488 HU6
$435,000	3.000%	Term Bond due March 30, 2032;	3.100%	924488 HX0
$465,000	3.500%	Term Bond due March 30, 2034;*	3.200%	924488 HZ5

For further details see **"MANDATORY REDEMPTION"** herein.

***These maturities have been priced to call.**

OPTIONAL REDEMPTION

Bonds due March 30, 2016-2023, inclusive, are not subject to optional redemption. Bonds due March 30, 2024-2034, inclusive, are subject to redemption at the option of the Village in whole or in part on any date on or after March 30, 2023, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See **"OPTIONAL REDEMPTION"** herein.

PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used to finance capital improvements in the Village, to currently refund a portion of the Village's General Obligation Bonds (Alternate Revenue Source), Series 2007, and to pay the cost of issuance on the Bonds. See **"PLAN OF FINANCING"** herein.

In the opinion of Chapman and Cutler LLP, 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 of 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.

This Final Official Statement is dated December 2, 2014, 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/Competitive Final Official Statement Sales Calendar". Additional copies may be obtained from Mr. Larry Nakrin, Village Treasurer, 290 Evergreen Drive, Vernon Hills, Illinois 60061, or from the Independent Public Finance Consultants to the Village:

Established 1954

Speer Financial, Inc.

INDEPENDENT PUBLIC FINANCE CONSULTANTS

ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602

Telephone: (312) 346-3700; Facsimile: (312) 346-8833

www.speerfinancial.com

(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 Standard & Poor's, a division of the McGraw-Hill Companies, 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 with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. Certain information contained in the Official Statement and the Final 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 THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE RESPECTIVE DATES THEREOF.

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 Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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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 its entirety by potential investors.

Issuer:	Village of Vernon Hills, Lake County, Illinois.
Issue:	$5,630,000 General Obligation Bonds, Series 2014.
Dated Date:	Date of delivery, expected to be on or about December 30, 2014.
Interest Due:	Each March 30 and September 30, commencing September 30, 2015.
Principal Due:	Each March 30, commencing March 30, 2016 through March 30, 2027, 2029, 2030, 2032 and 2034 as detailed on the front page of this Final Official Statement.
Optional Redemption:	Bonds maturing on or after March 30, 2024, are callable at the option of the Village on any date on or after March 30, 2023, at a price of par plus accrued interest. See **"OPTIONAL REDEMPTION"** herein.
Mandatory Redemption	The Bonds are subject to mandatory redemption. See **"MANDATORY REDEMPTION"** herein.
Authorization:	The Village is a home rule unit under the 1970 Illinois Constitution, has no debt limitation, and is not required to seek referendum approval to issue the Bonds.
Security:	The Bonds are valid and legally binding general obligations of the Village payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount.
Credit Rating:	The Bonds have been rated "AAA/(Stable)" from Standard & Poor's, a Division of the McGraw-Hill Companies.
Purpose:	Bond proceeds will be used to finance capital improvements in the Village, to currently refund a portion of the Village's outstanding General Obligation Bonds (Alternate Revenue Source), Series 2007, and to pay the cost of issuance on the Bonds. See **"PLAN OF FINANCING"** herein.
Tax Exemption:	Chapman and Cutler LLP, will provide an opinion as to the federal tax exemption of the interest on the Bonds as discussed under **"TAX EXEMPTION"** in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bank Qualification:	The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See **"QUALIFIED TAX-EXEMPT OBLIGATIONS"** herein.
Bond Registrar/Paying Agent/ Escrow Agent:	The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois.
Delivery:	The Bonds are expected to be delivered on or about December 30, 2014.
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.
Financial Advisor:	Speer Financial, Inc., Chicago, Illinois.

AUTHORIZATION, PURPOSE AND SECURITY

The General Obligation Bonds, Series 2014 (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 issuable pursuant to a bond ordinance adopted by the President and Board of Trustees of the Village on 2nd day of December, 2014 (the "Bond Ordinance"). 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, unlimited as to rate or amount, upon all taxable property in 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, and will serve as authorization to said County Clerk to extend and collect the property taxes as set forth in the Bond Ordinance.

THE VILLAGE

General Information

The Village, incorporated in 1958 and encompassing an area of 7.7 square miles, is located in central Lake 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 special 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 9 part-time employees. The Village has 43 sworn police officers. Police officers, sergeants, and telecommunication personnel are represented by unions. 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 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 2.48% 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. Water and sewer services are provided by Lake 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 Vernon Hills 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 Lake County and the State of Illinois (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 3.66 million square feet of retail space. The most significant component of that retail space is the Westfield Hawthorn Center, which was completed in 1974 and subsequently expanded. The Center has 1.30 million square feet of leasable retail space and is anchored by Sears, Carson Pirie Scott & Co., J.C. Pennys and Macy's. In 2014 a Dave and Busters, a Maggiano's Little Italy and a Smashburger opened up in converted space in the Mall. Currently under construction in the Mall is a 65,000 square foot 12 screen, digital state of the art AMC Theatre, which is scheduled to open May 1, 2015. The 203 thousand square foot Hawthorn Hills Square opened in 1986. Hawthorn Hills Square has recently completed redevelopment efforts which brought Dick's Sporting Goods and PetsMart to their center. In 1988, the 299 thousand square foot Rivertree Center opened. Rivertree includes Best Buy, Office Depot, and T.J. Maxx and has recently added Gordmans where Rivertree Theatre used to be. The 297 thousand square foot Townline Commons, which was completed in 1990, is anchored by Toys R Us and Walmart Recently added to Townline Commons through a renovation was the 28 thousand square foot HH Gregg, electronics store which replaced a vacant Plunketts Furniture. The Marketplace Shopping Center, which opened in 1994 is anchored by an 111 thousand square foot Home Depot, and a 198 thousand square foot redevelopment completed in 2005 which brought the Village Bed Bath and Beyond, Ashley Furniture, Joanne's Fabrics and DSW (Discount Shoe Warehouse). Additionally, a renovation of a free-standing 33 thousand square-foot vacant former Circuit City brought a Comp/USA Tiger Direct to Marketplace. Also recently added to Marketplace through a renovation was the free-standing 110 thousand square foot Steinhafels Furniture Store which replaced the vacant Home Expo. In 2008, the 206 thousand square foot Shoppe's at Gregg's Landing opened, bringing the Village a Lowe's and a Staples. Additionally, in June of 2011, a 70 thousand square foot Mariano's Fresh Market opened in this shopping center. An AAA Car Care Center opened in the Shoppe's at Gregg's Landing in 2014. In the third quarter of 2015, a Menard's is expected to be complete. The Village has other smaller shopping centers including the 70 thousand square foot Aspen Point Shopping Center that includes a Walgreen's Drug Store, a Buffalo Wild Wings and a Chili's and the 99 thousand square foot Hawthorn Commons anchored by a 45 thousand square foot Hobby Lobby. Freestanding retail includes a 170 thousand square foot Super Target, a 128 thousand square foot Sam's Club, an 87 thousand square foot Kohl's, a 45 thousand square foot Sports Authority, a 37 thousand square foot Babies R US and a 37 thousand square foot Walter E. Smithe Furniture.

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 thousand square foot Richard Wolf Medical Instrument Corporation building, 235 thousand square foot Mitsubishi building and the 161 thousand square foot Z.F. Industries building. 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 thousand square foot Cole Parmer building and the 200 thousand 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 thousand square feet and cost $10.6 million. CDW has subsequently become a Fortune 1000 Company. It continued its expansion with a $5 million new facility including a child care facility and an employee fitness center. In calendar year 2000, CDW opened a new facility in the Village containing over 200 thousand square feet. Additionally, CDW is currently leasing a 140 thousand square foot building owned by Pac Trust that was formerly occupied by Allstate. Adjacent to the Continental Executive Parke is the 70 acre American Hotel Register site. It consists of a 258 thousand square foot original American Hotel Register headquarters building, which was followed by a 201 thousand square foot American Hotel Register distribution center. The Village has other office building development outside of the large office parks, including office building and small parks built by Hamilton Partners and Trammel Crow. The Village has branches of US Bank, PNC Bank, Bank of America, First American Bank, Fifth Third Bank, American Charter Bank, JPMorgan Chase Bank, Citibank, MB Financial Bank and the Wintrust Bank and Trust. A second PNC Bank was recently completed in the Village's Tax Increment District. The Village has four hotels: the 148 unit Hotel Indigo, the 119 unit Holiday Inn Express, the 124-unit Homestead Village and the 128-unit Extended Stay America.

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, 2014, 1,934 were constructed or permitted for construction. 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 3.66 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 1.3 million square foot Westfield Hawthorn 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 Westfield. 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 rebates will begin with the completion of the AMC Theatre in the second quarter of 2015. The loss of revenue from the rebate is being addressed through the imposition of a quarter percent home rule sales tax that goes 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 and some utility tax reductions.

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 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 to116 thousand 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 thousand square foot Dick's Sporting Goods to the Village and to Hawthorn Hills Square. Dick's opened in early September of 2010. The 20 year agreement has 70% of the new sales tax rebated to the property owner in the first five year period, 60% in the second five year period, 40% in the third five year period and 30% in the final five year period. The agreement ends once Chase's $1.17 million net present value (discounted at 6%) target is met, or at the end of twenty years, whichever occurs first. A major vacancy among the free standing stores in the Marketplace Shopping Center occurred with the closing of the 33 thousand square foot Circuit City. An economic incentive agreement was worked out with the owners of the former Circuit City Building to bring a CompUSA/Tiger Direct to the Village. The sharing arrangement allows the developer to keep everything above the first $100,000 of sales tax generated for the Village each year for nine years or until the developer's net present value goal of $518 thousand (discounted at 5%) is reached, whichever occurs first. Comp USA/Tiger Direct opened in February of 2011. Another major Marketplace loss in early 2009 was the closing of the 110 thousand square foot Home Expo. In FY2010-11, Steinhafels, the leading furniture store in Wisconsin, decided to look at the Home Expo site for its first expansion into the Chicago area. In order to encourage a high quality upgrade of the Home Expo site, the Village agreed to a seven year sales tax sharing agreement, where Steinhafels 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. The Townline Commons lost Plunketts Furniture in early 2009. The Plunketts vacancy was filled by a 28 thousand square foot HH Gregg, electronics store. In order to make the modifications to the old Plunketts building affordable for HH Gregg, the Village agreed to share 50% of all sales tax revenues generated by the project for ten years or sooner if a $603,000 net present value (discounted at 5%) figure is reached. HH Gregg opened in 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 thousand square foot Gordmans 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. As of April, 2014, the Village retail vacancy rate excluding Westfield was 5%.

The Village also has vacant property zoned for retail. 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. Currently approved for construction is a 287 thousand square foot Menard's. A group of local residents has filed a complaint with the 19th Circuit Court of Lake County asking the Court for a declaratory judgment seeking an injunction and other relief to prevent the construction of Menards due to a perceived opinion that Menards violates certain covenants on the property. The Village does not expect the suit to succeed. It is anticipated that the store will be open in the third quarter of 2015.

The Village also has an economic incentive agreement with CDW in effect through July 31, 2019 involving the rebating of sales tax. It has a maximum rebate level of 50%, which is applicable as long as the Village collects at least $2 million annually in sales tax from CDW. If sales tax receipts fall between $650,000 and $2 million, the rebate is 35%. Between $500,000 and $650,000, the rebate is 20% and below $500,000 there is no rebate.

In 2012 the Victory Centre of Vernon Hills opened. The complex consists of a five story affordable senior apartment complex with 114 units, a five story supportive living facility with 120 units and a 163 space parking deck/lot. During 2014, the construction of the Oaks of Vernon Hills began. The project includes 256 luxury apartments, 48 townhouse units and a club house. Construction is projected to be completed by the end of 2015. An additional 32 units are also anticipated to be built at this location by the same developer.

The Village has a Tax Increment Financing District which is being done 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 Tax Increment District has made substantial progress. For Calendar year 2009, the TIF District had a $3,645,858 incremental assessed valuation and a $236,288 tax extension. By 2012 the incremental assessed valuation had increased to $15,319,383 and the extension increased to $1,281,313. For 2013 the increment fell to $13,237,847 and the extension fell to $1,174,991. This fall was partly due to the results of an assessment appeal decision was partially reversed during the 2013 assessment process; although another appeal on this property has been filed. In the Opus North development, two 66 unit condo buildings were approved for this site, of which one has been built with 66 units-all of which either sold or rented. Opus North was also approved for a total of 47 town home units, of which only 20 have been built and occupied. In the VHTC 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.

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.

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
Zebra Technologies Corp.	Bar Code Label Printers Company Headquarters	900
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
Cole-Palmer Instrument Co.	Laboratory Instruments Distribution	300
ZF Service North America, LLC	Automotive and Marine Transmissions	240
ETA/Cuisenaire	Wholesaler of K-12 Teaching Resources	200
Richard Wolf Medical Instruments Corp.	Medical Instruments and Accessories	200
Rust-Oleum Corp.	Corporate Headquarters and Coatings, Paints and Rust Preventatives	180
Experient, Inc.	Corporate Travel Agency	160

Note: (1) Source: 2014 Illinois Manufacturers Directory, 2014 Illinois Services Directory and a selective telephone survey.

Major Area Employers*(1)*

Location	Name	Product/Service	Approximate Employment
North Chicago	Great Lakes Training Center	Military	11,000(2)
North Chicago	Abbott Laboratories	Pharmaceutical Products Headquarters	5,200
Lincolnshire	Aon Hewitt, LLC	Employee Benefits and Compensation Consultants	5,000
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)
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(6)
Libertyville	Advocate Condell Medical Center	Hospital	2,200
Lake Forest	W.W. Grainger Co., Inc.	Industrial Machinery Corporate Headquarters	2,091
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
Mettawa	HSBC Finance Corp.	Corporate Headquarters and Consumer Financial Services	1,600
Lake Forest	Northwestern Lake Forest Hospital	Hospital	1,600
Multiple	Cardinal Health	Hospital Supply and Equipment Distribution Corporate Headquarters	1,540(7)
Lake Forest	Hospira, Inc.	Medical Infusion Systems	1,350
Waukegan	Vista Health	Acute Care Hospital and Specialized Health Care Facility	1,200(8)
Highland Park	Highland Park Hospital	Hospital	1,200
Buffalo Grove	I.S.I.	Management Consulting Services	1,200
Buffalo Grove	Rexam Mold Manufacturing	Plastic Products	1,200

Notes: (1) Source: 2014 Illinois Manufacturers Directory, 2014 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) Employment is seasonal.
(7) Includes 1,200 in McGaw Park and 340 in Waukegan.
(8) Combined Vista Medical Center East and Vista Medical Center West.

The following tables show employment by industry and by occupation for the Village, Lake County (the "County") and the State of Illinois (the "State") as reported by the U.S. Census Bureau 2008-2012 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	34	0.3%	1,164	0.3%	63,512	1.1%
Construction	379	2.8%	17,255	5.2%	324,722	5.4%
Manufacturing	1,909	14.3%	55,087	16.5%	767,822	12.7%
Wholesale Trade	778	5.8%	14,676	4.4%	189,003	3.1%
Retail Trade	1,903	14.2%	39,545	11.8%	658,236	10.9%
Transportation and Warehousing, and Utilities	535	4.0%	12,226	3.7%	352,325	5.8%
Information	340	2.5%	6,564	2.0%	130,769	2.2%
Finance and Insurance, and Real Estate and Rental and Leasing	1,288	9.6%	26,737	8.0%	457,654	7.6%
Professional, Scientific, and Management, and Administrative and Waste Management Services	1,835	13.7%	44,053	13.2%	668,506	11.1%
Educational Services and Health Care and Social Assistance	2,603	19.5%	63,321	18.9%	1,362,901	22.6%
Arts, Entertainment and Recreation and Accommodation and Food Services	923	6.9%	28,957	8.7%	532,147	8.8%
Other Services, Except Public Administration	622	4.7%	14,795	4.4%	292,913	4.9%
Public Administration	218	1.6%	10,261	3.1%	234,916	3.9%
Total	13,367	100.0%	334,641	100.0%	6,035,426	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

Employment By Occupation*(1)*

	The Village		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science and Arts	6,955	52.0%	139,652	41.7%	2,181,574	36.1%
Service	1,298	9.7%	48,774	14.6%	1,028,655	17.0%
Sales and Office	3,643	27.3%	86,184	25.8%	1,526,612	25.3%
Natural Resources, Construction, and Maintenance	386	2.9%	21,919	6.6%	462,090	7.7%
Production, Transportation, and Material Moving	1,085	8.1%	38,112	11.4%	836,495	13.9%
Total	13,367	100.0%	334,641	100.0%	6,035,426	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

Annual Average Unemployment Rates*(1)*

Calendar Year	The Village	The County	State of Illinois
2005	4.4%	4.7%	5.7%
2006	4.1%	4.2%	4.5%
2007	4.7%	5.0%	5.0%
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(2)	5.6%	6.9%	6.7%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of August 2014.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the Village's owner-occupied homes was $325,100. This compares to $267,700 for the County and $190,800 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 2008-2012 American Community Survey.

Specified Owner-Occupied Units*(1)*

	The Village		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000	88	1.2%	5,112	2.8%	224,361	6.9%
$50,000 to $99,999	154	2.2%	7,801	4.2%	468,659	14.4%
$100,000 to $149,999	889	12.5%	20,002	10.8%	482,500	14.9%
$150,000 to $199,999	942	13.2%	29,993	16.2%	531,538	16.4%
$200,000 to $299,999	1,102	15.5%	41,355	22.4%	712,975	21.9%
$300,000 to $499,999	2,335	32.8%	43,510	23.5%	563,122	17.3%
$500,000 to $999,999	1,487	20.9%	29,481	15.9%	214,681	6.6%
$1,000,000 or more	130	1.8%	7,745	4.2%	50,685	1.6%
Total	7,127	100.0%	184,999	100.0%	3,248,521	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

Mortgage Status*(1)*

	The Village		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage	6,036	84.7%	142,467	77.0%	2,238,082	68.9%
Housing Units without a Mortgage	1,091	15.3%	42,532	23.0%	1,010,439	31.1%
Total	7,127	100.0%	184,999	100.0%	3,248,521	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

Income

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

Rank		2008-2012
1	DuPage County	$38,398
2	**Lake County**	**38,248**
6	McHenry County	32,408
4	Monroe County	32,334
5	Kendall County	31,856
6	Will County	30,407
7	Woodford County	30,401
8	Cook County	30,048
9	McLean County	29,960
10	Kane County	29,730

Note: (1) Source: U.S. Bureau of the Census. 2008-2012 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2008-2012 American Community Survey.

Ranking of Median Family Income*(1)*

County	Family Income	Rank
DuPage County	$95,204	1
Kendall County	93,153	2
Lake County	**92,952**	**3**
McHenry County	88,370	4
Will County	86,953	5
Kane County	78,892	9
Cook County	66,124	22

Note: (1) Source: U.S. Bureau of the Census 2008-2012 American Community Survey 5-Year Estimates.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median family income of $107,103. This compares to $92,952 for the County and $70,144 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 2008-2012 American Community Survey.

Family Income*(1)*

	The Village		The County		The State	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	38	0.6%	4,419	2.5%	133,818	4.3%
$10,000 to $14,999	44	0.7%	2,879	1.6%	86,974	2.8%
$15,000 to $24,999	129	2.0%	8,404	4.7%	223,395	7.1%
$25,000 to $34,999	312	4.7%	10,137	5.7%	257,777	8.2%
$35,000 to $49,999	829	12.5%	16,981	9.5%	382,988	12.2%
$50,000 to $74,999	674	10.2%	28,164	15.7%	593,133	18.9%
$75,000 to $99,999	1,049	15.9%	25,374	14.2%	477,963	15.2%
$100,000 to $149,999	1,393	21.1%	37,500	20.9%	553,559	17.6%
$150,000 to $199,999	985	14.9%	20,067	11.2%	218,124	6.9%
$200,000 or more	1,161	17.6%	25,283	14.1%	214,616	6.8%
Total	6,614	100.0%	179,208	100.0%	3,142,347	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median household income of $90,161. This compares to $90,161 for the County and $56,853 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 2008-2012 American Community Survey.

Household Income*(1)*

	The Village		The County		The State	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	150	1.6%	9,551	4.0%	329,319	6.9%
$10,000 to $14,999	174	1.9%	6,556	2.7%	223,692	4.7%
$15,000 to $24,999	496	5.3%	16,378	6.8%	481,833	10.1%
$25,000 to $34,999	648	6.9%	16,941	7.0%	460,909	9.7%
$35,000 to $49,999	1,121	11.9%	25,792	10.7%	622,840	13.0%
$50,000 to $74,999	1,301	13.9%	39,601	16.4%	870,399	18.2%
$75,000 to $99,999	1,404	15.0%	32,569	13.5%	622,617	13.0%
$100,000 to $149,999	1,651	17.6%	43,445	18.0%	665,711	13.9%
$150,000 to $199,999	1,081	11.5%	21,961	9.1%	250,681	5.3%
$200,000 or more	1,356	14.5%	27,950	11.6%	246,274	5.2%
Total	9,382	100.0%	240,744	100.0%	4,774,275	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

Retail Activity

Following is a summary of the Village's sales tax receipts as collected and disbursed by the State of Illinois.

Retailers' Occupation, Service Occupation and Use Tax*(1)*

State Fiscal Year Ending June 30	State Sales Tax Distributions(2)	Annual Percent Change + (-)
2005	$10,985,364	(2.26%)(2)
2006	10,959,796	(0.23%)
2007	11,428,759	4.28%
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%
Growth from 2005 to 2014		17.90%

Notes: (1) Source: State of Illinois, Department of Revenue Based on Standard Industrial Code Classification. As of March 31 of each of the years 2005 through 2014.
(2) Percentage based on 2004 sales tax of $11,239,122.

Sales Tax Receipts by Kind of Business*(1)*
(Year ended March 31, 2014)

	Amount Returned to the Village(2)	Percent
General Merchandise	$ 2,540,659	19.6%
Food	930,322	7.2%
Drinking and Eating Places	887,746	6.9%
Apparel	745,333	5.8%
Furniture, Household and Radio	4,960,342	38.3%
Lumber, Building and Hardware	456,558	3.5%
Automotive and Filling Stations	318,485	2.5%
Drugs and Other Retail	1,178,533	9.1%
Agriculture and All Others	826,111	6.4%
Manufactures	107,119	0.8%
Total	$12,951,209	100.0%
Number of taxpayers (establishments)	568(3)	

Notes: (1) Source: State of Illinois, Department of Revenue.
(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.
(3) Number of Taxpayers as of March 31, 2014.

PLAN OF FINANCING

Bond proceeds will be used to finance the renovation of the Village's Police Station and the Communications/Training Center, to currently refund a portion of the Village's outstanding General Obligation Bonds (Alternate Revenue Source), Series 2007, as listed below (the "Refunded Bonds"), and to pay the cost of issuance on the Bonds:

General Obligation Bonds (Alternate Revenue Source), Series 2007

Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
03/30/2015	$ 130,000	$ 0	N/A	N/A
03/30/2016	135,000	135,000	100.00%	03/30/2015
03/30/2017	140,000	140,000	100.00%	03/30/2015
03/30/2018	150,000	150,000	100.00%	03/30/2015
03/30/2019	155,000	155,000	100.00%	03/30/2015
03/30/2020	165,000	165,000	100.00%	03/30/2015
03/30/2021	170,000(1)	170,000	100.00%	03/30/2015
03/30/2022	175,000	175,000	100.00%	03/30/2015
03/30/2023	185,000	185,000	100.00%	03/30/2015
03/30/2024	195,000(1)	195,000	100.00%	03/30/2015
03/30/2025	200,000	200,000	100.00%	03/30/2015
03/30/2026	210,000	210,000	100.00%	03/30/2015
03/30/2027	220,000(1)	220,000	100.00%	03/30/2015
Total	$2,230,000	$2,100,000		

Note: (1) Term Bonds.

A portion of the Bond proceeds will be used to purchase direct full faith and credit obligations of the United States of America (the "Government Securities"), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Refunded Bonds as stated above, and (ii) to pay principal of the Refunded Bonds on the redemption date.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the "Escrow Agreement") dated as of December 30, 2014, between the Village and The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois, as Escrow Agent (the "Escrow Agent").

DEBT INFORMATION

After issuance of the Bonds, the Village will have outstanding $17,600,000 principal amount of general obligation debt. The Village also has outstanding $6,910,000 of TIF revenue bonds.

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

Calendar Year	Series 2005	Series 2007	Series 2012A	Series 2012B	The Bonds	Less: The Refunded Bonds	Total Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2015	$ 295,000	$ 130,000	$ 0	$ 115,000	$ 0	$ 0	$ 540,000	$ 540,000	3.07%
2016	315,000	135,000	300,000	115,000	270,000	(135,000)	1,000,000	1,540,000	8.75%
2017	325,000	140,000	450,000	120,000	310,000	(140,000)	1,205,000	2,745,000	15.60%
2018	345,000	150,000	600,000	125,000	325,000	(150,000)	1,395,000	4,140,000	23.52%
2019	355,000	155,000	650,000	125,000	325,000	(155,000)	1,455,000	5,595,000	31.79%
2020	370,000	165,000	675,000	130,000	340,000	(165,000)	1,515,000	7,110,000	40.40%
2021	390,000	170,000	725,000	130,000	340,000	(170,000)	1,585,000	8,695,000	49.40%
2022	0	175,000	750,000	140,000	345,000	(175,000)	1,235,000	9,930,000	56.42%
2023	0	185,000	800,000	145,000	355,000	(185,000)	1,300,000	11,230,000	63.81%
2024	0	195,000	900,000	145,000	370,000	(195,000)	1,415,000	12,645,000	71.85%
2025	0	200,000	1,000,000	150,000	370,000	(200,000)	1,520,000	14,165,000	80.48%
2026	0	210,000	1,000,000	155,000	380,000	(210,000)	1,535,000	15,700,000	89.20%
2027	0	220,000	0	0	395,000	(220,000)	395,000	16,095,000	91.45%
2028	0	0	0	0	195,000	0	195,000	16,290,000	92.56%
2029	0	0	0	0	200,000	0	200,000	16,490,000	93.69%
2030	0	0	0	0	210,000	0	210,000	16,700,000	94.89%
2031	0	0	0	0	215,000	0	215,000	16,915,000	96.11%
2032	0	0	0	0	220,000	0	220,000	17,135,000	97.36%
2033	0	0	0	0	230,000	0	230,000	17,365,000	98.66%
2034	0	0	0	0	235,000	0	235,000	17,600,000	100.00%
Total	$2,395,000	$2,230,000	$7,850,000	$1,595,000	$5,630,000	$(2,100,000)	$17,600,000		

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

Detailed Overlapping Bonded Debt*(1)*
(As of July 16, 2014)

	Total Debt	Applicable to Village Percent(2)	Applicable to Village Amount
Schools:			
School District No. 73	$ 37,728,655	67.13%	$ 25,327,246
School District No. 76	2,481,509	26.75%	663,804
School District No. 96	1,015,000	2.35%	23,853
School District No. 103	2,715,000	18.81%	510,692
High School District No. 120	11,460,547	1.03%	118,044
High School District No. 125	17,735,000	8.88%	1,574,868
High School District No. 128	17,270,000	28.15%	4,861,505
Community College No.532	77,990,000	4.76%	3,712,324
Total Schools			$36,792,334
Lake County	$110,575,000	4.52%	$ 4,997,990
Lake County Forest Preserve District	288,495,000	4.52%	13,039,974
Countryside Fire Protection District	4,025,000	61.23%	2,464,508
Central Lake County Joint Action Water Agency	14,005,000	16.99%	2,379,450
Mundelein Park District	1,710,000	0.001%	17
Vernon Hills Park District	4,000,000	99.98%	3,999,200
Total Others			$26,881,138
Total Overlapping Bonded Debt			$63,673,472

Notes: (1) Source: Lake County Clerk.
(2) Based on 2013 Equalized Assessed Valuations, the most recent available.

Statement of Bonded Indebtedness*(1)*

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Census 25,113)
Assessed Valuation of Taxable Property, 2013	$1,037,637,711	100.00%	33.33%	$ 41,318.75
Estimated Actual Value, 2013	$3,112,913,133	300.00%	100.00%	$123,956.24
Village Direct Bonded Debt(2)	$ 17,600,000	1.70%	0.57%	$ 700.83
Less: Self Supporting	(17,600,000)	(1.70%)	(0.57%)	(700.83)
Net Direct Bonded Debt	$ 0	0.00%	0.00%	$ 0.00
Overlapping Debt(3):				
Schools	$ 36,792,334	3.55%	1.18%	$ 1,465.07
All Others	26,881,138	2.59%	0.86%	1,070.41
Total Overlapping Bonded Debt	$ 63,673,472	6.14%	2.05%	$ 2,535.48
Total Net Direct & Overlapping Debt(2)	$ 63,673,472	6.14%	2.05%	$ 2,535.48

Notes: (1) Source: the Village.
(2) Includes the Bonds.
(3) As of July 16, 2014.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2013 levy year, the Village's EAV was comprised of 68.45% residential, 0.06% industrial, 31.48% commercial, and less than 0.01% farm and railroad property valuations.

Village Equalized Assessed Valuation*(1)*

Property Class	Levy Years 2009	2010	2011	2012	2013
Residential	$ 928,731,639	$ 889,805,423	$ 832,609,239	$ 761,855,463	$ 710,261,831
Farm	60,953	54,888	55,976	56,163	56,052
Commercial	360,691,287	355,135,429	347,129,444	333,879,758	326,597,423
Industrial	544,172	551,337	555,771	561,152	594,926
Railroad	171,251	204,020	189,118	123,380	127,479
Total	$1,290,199,302	$1,245,751,097	$1,180,539,548	$1,096,475,916	$1,037,637,711
Percent Change +(-)	0.59%(2)	(3.45%)	(5.23%)	(7.12%)	(5.37%)

Notes: (1) Source: Lake County.
(2) Percentage change based on 2008 EAV of $1,282,678,086.

Representative Tax Rates*(1)*
(Per $100 EAV)

	Levy Years				
	2009	2010	2011	2012	2013
Village of Vernon Hills	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
Lake County	0.4640	0.5050	0.5540	0.6080	0.6630
Lake County Forest Preserve District	0.2000	0.1980	0.2010	0.2120	0.2180
Libertyville Township(3)	0.1040	0.1060	0.1110	0.1220	0.1310
Central Lake County JAWA	0.0420	0.0450	0.0470	0.0520	0.0550
Countryside Fire Prot. Dist.	0.4210	0.4530	0.4950	0.5520	0.5970
Cook Memorial Library Dist.	0.2230	0.2380	0.2540	0.2820	0.3030
Vernon Hills Park District	0.3170	0.4270	0.4500	0.4960	0.4450
School District No. 73	2.8990	3.0810	3.3060	3.6780	3.9970
High School District No. 128	2.1790	2.3240	2.3990	2.5800	2.9190
Community College District No. 532	0.2000	0.2180	0.2400	0.2720	0.2960
Total(4)	$7.0490	$7.5950	$8.0570	$8.8540	$9.6240

Notes: (1) Source: Lake County Clerk.
(2) Includes Road and Bridge and Gravel.
(3) Includes Road and Bridge.
(4) Representative tax rate is for Libertyville Township Tax Code 11-012, which represents 38% of the Village's 2013 Equalized Assessed Valuation.

Principal Taxpayers*(1)*

Taxpayer Name	Business/Service	2013 EAV*(2)*
Westfield Shoppingtown Hawthorn	Shopping Center	$ 20,250,467
Van Vlissingen & Co.	Real Property	14,694,838
Inland Real Estate	Real Property	12,198,780
Museum Gardens II LLC	Real Property	11,968,661
Leahy Vernon Hills Development	Real Property	8,929,422
CDW Computer Centers, Inc.	Computers	7,892,107
PWA Continental Executive Park, LP	Real Property	7,118,368
Hawthorn Hills	Real Property	6,791,882
Walmart Stores Inc.	Retail Store	5,227,678
Corporate Woods Associates LLC	Real Property	5,208,038
Total		$100,280,241
Ten Largest as a percent of the Village's 2013 EAV ($1,037,637,711)		9.66%

Notes: (1) Source: Lake County.
(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 2013 EAV is the most current available.

Village of Vernon Hills
Tax Increment Finance District

Levy Year	Equalized Assessed Valuation	Tax Extension	Total Collections	Percent Collected
2004	$ 881,121	$ 53,387	$ 53,465	100.15%
2005	1,140,819	68,597	68,684	100.13%
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	1,225,907	-----In Collection-----	

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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 Illinois Department of Revenue (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

An annual General Homestead Exemption provides that the Equalized Assessed Valuation ("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 $3,500 for assessment years prior to assessment year 2004 in counties with less than 3,000,000 inhabitants, and a maximum reduction of $5,000 for assessment year 2004 through 2007 in all counties. The maximum reduction is $5,500 for assessment year 2008, and for assessment years 2009 through 2011, the maximum reduction is $6,000 in all counties. For assessment years 2012 and thereafter, the maximum reduction is $6,000 in counties with less than 3,000,000 inhabitants.

The Homestead Improvement Exemption applies to Residential Properties that have been improved or rebuilt in the 2 years following a catastrophic event. The exemption is limited to $45,000 through December 31, 2003, and $75,000 per year beginning January 1, 2004 and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by $2,000 in counties with less than 3,000,000 inhabitants. For assessment years 2004 and 2005, the maximum reduction is $3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is $3,500 in all counties. For assessment years 2008 through 2011, the maximum reduction is $4,000 for all counties. For assessment year 2012, the maximum reduction is $4,000 in counties with less than 3,000,000 inhabitants. For assessment years 2013 and thereafter, the maximum reduction is $5,000 in all counties. Furthermore, beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners, who are 65 and older and receive a household income not in excess of the maximum income limitation. The maximum income limitation is $35,000 for years prior to 1999, $40,000 for assessment years 1999 through 2003, $45,000 for assessment years 2004 and 2005, $50,000 from assessment years 2006 and 2007 and for assessments year 2008 and after, the maximum income limitation is $55,000. In general, the Senior Citizens Assessment Freeze Homestead Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. In counties with a population of 3,000,000 or more, the exemption for all assessment years is equal to the EAV of the residence in the assessment year for which application is made less the base amount. Furthermore, for those counties with a population of less than 3,000,000, the Senior Citizens Assessment Freeze Homestead Exemption is as follows: through assessment year 2005 and for assessment year 2007 and later, the exempt amount is the difference between (i) the current EAV of their residence and (ii) the base amount, which is 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). For assessment year 2006, the amount of the Senior Citizens Assessment Freeze Homestead Exemption phases out as the amount of household income increases. The amount of the Senior Citizens Assessment Freeze Homestead Exemption is calculated by using the same formula as above, and then multiplying the resulting value by a ratio that varies according to household income.

Another exemption available to disabled veterans operates annually to exempt up to $70,000 of the assessed valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Also, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals. However, individuals claiming exemption under the Disabled Persons' Homestead Exemption or the Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

Furthermore, beginning with assessment year 2007, 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 persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

In addition, the Disabled Veterans Standard Homestead Exemption provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of $5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50% are granted an exemption of $2,500. Furthermore, the veteran's surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse's new residence, provided that it is the spouse's primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Persons' Homestead Exemption cannot claim the aforementioned exemption.

Beginning with assessment year 2007, the Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of $5,000, which is applicable in all counties. In order to apply for the Returning Veterans' Homestead Exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, "or a leasehold interest of land on which a single family residence is located, which is occupied as a principle residence of a veteran returning from an armed conflict involving the armed forces of the United States who has an ownership interest therein, legal, equitable or as a lessee, and on which the veteran is liable for the payment of property taxes." Those individuals eligible for the Returning Veterans' Homestead Exemption may claim the Returning Veterans' Homestead Exemption, in addition to other homestead exemptions, unless otherwise noted.

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.

Home rule units, including the Village, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the Village, the limitations set forth therein will not apply to any taxes levied by the Village to pay the principal of and interest on the Bonds.

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.

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.

Financial Reports

The Village's financial statements are audited annually by certified public accountants. The Village's financial statements 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.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section and in **APPENDIX A** are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended April 30, 2014 (the "2014 Audit"), which was approved by formal action of the Village Board. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2014 Audit. The inclusion of the Excerpted Financial Information 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 2014 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2014 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 excerpts of the Village's 2014 Audit.

Statement Of Net Position
Governmental Activities

	Audited as of April 30				
	2010	2011	2012	2013	2014
ASSETS:					
Cash and Investments	$ 20,353,249	$ 23,000,311	$ 24,393,452	$ 23,774,418	$ 24,886,282
Receivables, Net:					
Taxes	1,511,098	3,918,410	4,699,963	4,331,018	4,535,432
Accounts	2,511,449	419,028	339,588	662,802	459,937
Accrued Interest	149,804	89,066	41,062	28,429	26,590
Prepaids/Inventory	378,084	406,474	467,790	409,080	442,500
Due from Other Governments	17,696	6,420	4,026	2,103,277	1,527,881
Internal Balances	662,899	246,623	278,932	245,115	230,418
Total Current Assets	$ 25,584,279	$ 28,086,332	$ 30,224,813	$ 31,554,139	$ 32,109,040
Noncurrent Assets					
Capital Assets:					
Nondepreciable Capital Assets	$ 5,688,623	$ 4,568,623	$ 4,568,623	$ 4,568,623	$ 4,568,623
Depreciable Capital Assets	160,982,073	161,204,446	161,356,602	161,629,024	161,781,986
Accumulated Depreciation	(46,161,494)	(50,052,290)	(53,911,858)	(57,680,402)	(61,383,965)
Total Capital Assets	$120,509,202	$115,720,779	$112,013,367	$108,517,245	$104,966,644
Other Assets					
Long-Term Notes Receivable	$ 907,834	$ 0	$ 0	$ 0	$ 0
Net Pension Fund Assets	179,508	180,369	181,794	183,257	186,555
Total Other Assets	$ 1,087,342	$ 180,369	$ 181,794	$ 183,257	$ 186,555
Total Noncurrent Assets	$121,596,544	$115,901,148	$112,195,161	$108,700,502	$105,153,199
Total Assets	$147,180,823	$143,987,480	$142,419,974	$140,254,641	$137,262,239
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 190,158	$ 232,373	$ 271,121	$ 339,205	$ 398,688
Accrued Payroll	692,343	155,429	206,196	247,764	297,885
Accrued Interest Payable	1,065,644	1,626,371	202,949	222,785	213,668
Deposits Payable	962,402	940,420	945,178	887,025	1,042,461
Other Payables	933,337	776,926	1,236,946	1,180,283	1,157,341
Compensated Absences Payable	142,328	146,847	145,846	298,608	262,511
Current Portion of Long-Term Debt	1,190,000	1,245,000	1,315,000	950,000	735,000
Total Current Liabilities	$ 5,176,212	$ 5,123,366	$ 4,323,236	$ 4,125,670	$ 4,107,554
Noncurrent Liabilities:					
Compensated Absences Payable	$ 569,312	$ 587,387	$ 583,382	$ 1,194,433	$ 1,050,042
Other Postemployment Benefit Payable	17,982	29,007	36,662	75,252	137,107
General Obligation Bonds Payable	0	0	9,460,000	9,445,000	9,330,000
TIF Revenue Bonds/Notes Payable	12,963,000	12,963,000	7,000,000	6,110,000	6,715,000
Alternate Revenue Bonds Payable	11,000,000	9,755,000	6,955,000	6,910,000	4,200,000
Total Noncurent Liabilities	$ 24,550,294	$ 23,334,394	$ 24,035,044	$ 23,734,685	$ 21,432,149
Total Liabilities	$ 29,726,506	$ 28,457,760	$ 28,358,280	$ 27,860,355	$ 25,539,703
NET POSITION:					
Invested in Capital Assets-Net of Related Debt	$ 95,356,202	$ 91,757,779	$ 87,283,367	$ 85,102,245	$ 83,986,644
Restricted - Special Revenues	2,076,789	0	0	0	0
Restricted – Public Safety	0	346,725	298,874	332,908	364,682
Restricted – Metra Parking	0	77,839	112,812	135,241	0
Restricted – Tax Increment District	0	0	0	0	179,799
Restricted – Street and Roads	0	1,975,937	2,153,870	2,058,890	2,187,392
Restricted - Capital	948,828	948,828	929,547	100,000	100,000
Unrestricted	19,072,498	20,422,612	23,283,224	24,665,002	24,904,019
Total Net Position	$117,454,317	$115,529,720	$114,061,694	$112,394,286	$111,722,536

General Fund
Balance Sheet

	Audited as of April 30				
	2010	2011	2012	2013	2014
ASSETS:					
Investments.	$16,736,079	$19,456,799	$20,371,836	$19,702,270	$20,620,996
Receivables, Net:					
Taxes	1,460,442	3,870,211	4,651,209	4,211,290	4,413,038
Accounts	2,510,137	41,018	189,542	80,402	95,709
Accrued Interest	143,997	84,547	36,796	26,378	24,539
Other Accounts	1,312	1,486	1,286	1,550	149,887
Intergovernmental Revenues	17,696	6,420	4,026	2,103,277	1,527,881
Due from Other Funds	1,738,899	1,699,147	1,503,692	1,293,484	236,049
Prepaids	378,084	406,474	467,790	409,080	429,650
Long-Term Notes Receivable	907,834	0	0	0	0
Total Assets	$23,894,480	$25,566,102	$27,226,177	$27,827,731	$27,497,749
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 170,198	$ 161,316	$ 238,040	$ 304,788	$ 319,450
Accrued Payroll	692,343	155,429	206,196	216,889	263,472
Deposits Payable	962,402	940,420	945,178	887,025	1,042,461
Due to Other Funds	948,828	948,828	929,547	100,000	100,000
Unearned Revenues/Deferred Revenues	1,220,047	1,124,172	1,667,356	1,655,149	1,725,704
Total Liabilities	$ 3,993,818	$ 3,330,165	$ 3,986,317	$ 3,163,851	$ 3,451,087
Fund Balances:					
Reserved - Prepaid Items	$ 378,084	$ 406,474	$ 0	$ 0	$ 0
Reserved – Special Revenue	189,316	424,564	0	0	0
Reserved – Long-Term Receivables	907,834	0	0	0	0
Reserved – Designated-Commitments	80,917	86,484	0	0	0
Unreserved - Undesignated	18,344,511	21,318,415	0	0	0
Nonspendable	0	0	467,790	409,080	429,650
Restricted	0	0	411,686	258,942	168,098
Committed	0	0	106,218	58,561	16,398
Unassigned	0	0	22,254,166	23,937,297	23,432,516
Total Fund Balances	$19,900,662	$22,235,937	$23,239,860	$24,663,880	$24,046,662
Total Liabilities and Fund Balances	$23,894,480	$25,566,102	$27,226,177	$27,827,731	$27,497,749

Statement Of Activities
Governmental Activities

	Audited Years Ended April 30				
	2010	2011	2012	2013	2014
PRIMARY GOVERNMENT:(1)					
Governmental Activities:					
General Government	$ (3,521,836)	$ (2,983,363)	$ (2,282,039)	$ (2,394,138)	$ (2,023,581)
Public Safety	(8,498,930)	(8,363,734)	(9,247,863)	(9,085,742)	(9,312,169)
Streets and Roads	(6,623,544)	(5,510,836)	(6,057,021)	(6,722,047)	(7,046,320)
Economic Development	(1,147,173)	(326,276)	(46,854)	0	(4,463)
Culture and Recreation	(74,548)	(76,242)	(35,629)	(45,670)	(51,472)
Interest on Long-Term Debt	(1,361,865)	(1,464,042)	(1,462,816)	(954,884)	(901,283)
Total Governmental Activities	$(21,227,896)	$(18,724,493)	$ (19,132,222)	$(19,202,481)	$(19,339,288)
GENERAL REVENUES:					
Taxes:					
Sales Tax	$ 9,153,021	$ 9,508,242	$ 10,334,171	$ 10,547,878	$ 10,773,512
Utility Tax	1,351,570	1,446,045	1,409,506	1,418,186	1,404,549
State Income Tax	1,801,143	1,807,219	2,127,725	2,376,128	2,398,252
Other Taxes	412,477	456,616	464,146	486,456	534,105
Hotel/Motel Tax	248,826	270,764	296,728	323,334	351,087
911 Surcharge Tax	311,658	293,660	442,088	343,609	319,399
Road and Bridge Tax	193,805	202,379	208,235	200,903	205,572
Telecommunications Tax	1,454,587	1,269,772	1,352,296	1,335,120	1,258,098
Tax Increment Tax	0	232,544	772,159	1,048,583	1,281,321
Interest Income	225,103	249,076	188,188	98,374	73,881
Miscellaneous	143,437	1,143,974	68,954	44,992	67,762
Total General Revenues	$ 15,295,627	$ 16,880,291	$ 17,664,196	$ 18,223,563	$ 18,667,538
Change in Net Position	$ (5,932,269)	$ (1,844,202)	$ (1,468,026)	$ (978,918)	$ (671,750)
Net Position, Beginning	123,386,586(2)	117,373,922(2)	115,529,720	113,373,204	112,394,286
Net Position, Ending	$117,454,317	$115,529,720	$114,061,694	$112,394,286	$111,722,536

Notes: (1) Expenses net of program revenues of charges for services, operating grants/contributions and capital grants/contributions.
(2) As restated.

General Fund
Revenues and Expenditures

	Audited Years Ended April 30				
	2010	2011	2012	2013	2014
REVENUES:					
Sales Taxes	$ 9,153,972	$ 9,447,706	$10,251,007	$10,503,422	$10,680,015
Utility Taxes	1,351,570	1,446,045	1,409,506	1,418,186	1,404,549
Telecommunication Tax	1,454,587	1,269,772	1,352,296	1,335,120	1,258,098
Road and Bridge Tax	193,805	202,379	208,235	200,903	205,572
Grants/Intergovernmental	8,065	627,222	116,706	6,121	5,358
State Income Tax	1,801,143	1,807,219	2,127,725	2,376,128	2,398,252
911 Surcharge	311,658	293,660	442,088	0	0
Hotel/Motel Taxes	248,826	270,764	296,728	323,334	351,087
Other Taxes	412,477	456,616	464,146	486,456	534,105
Licenses and Permits and Fees	1,012,321	1,260,751	726,317	927,196	1,672,668
Charges for Services	998,238	1,088,868	1,290,625	1,314,018	1,149,010
Fines and Forfeitures	278,121	255,714	275,768	350,405	359,551
Interest	211,149	222,397	166,028	95,550	63,025
Other Revenue	143,437	1,143,974	64,540	44,992	67,762
Total Revenues	$17,579,369	$19,793,087	$19,191,715	$19,381,831	$20,149,052
EXPENDITURES:					
Current:					
General Government	$ 4,616,386	$ 3,218,639	$ 3,282,636	$ 3,498,692	$ 3,668,619
Public Safety	8,490,969	8,281,006	9,185,888	7,585,680	7,957,699
Streets and Roads	3,642,276	3,398,160	3,567,491	3,978,167	4,603,072
Culture and Recreation	245,328	260,935	259,249	270,899	277,671
Capital Outlay	933,539	650,272	178,931	306,867	385,859
Debt Service:					
Principal	1,150,000	1,190,000	1,245,000	1,315,000	2,345,000
Interest and Fiscal Charges	475,771	435,546	376,736	324,005	273,257
Total Expenditures	$19,554,269	$17,434,558	$18,095,931	$17,279,310	$19,511,177
Excess of Revenues Over (Under) Expenditures	$ (1,974,900)	$ 2,358,529	$ 1,095,784	$ 2,102,521	$ 637,875
Other Financing Sources (Uses):					
Debt Proceeds	0	0	1,625,000	0	0
Payment to Escrow Agent	0	0	(1,639,645)	0	0
Transfers In	0	0	0	804,757	0
Transfers Out	0	$ (23,254)	(77,216)	(1,483,258)(1)	(1,255,093)(2)
Total from Other Sources	$ 0	$ (23,254)	$ (91,861)	$ (678,501)	$ (1,255,093)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	$(1,974,900)	$ 2,335,275	$ 1,003,923	$ 1,424,020	$ (617,218)
Beginning Fund Balance	21,875,562	19,900,662	22,235,937	23,239,860	24,663,880
Ending Fund Balance	$19,900,662	$22,235,937	$23,239,860	$24,663,880	$24,046,662

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.

General Fund
Budget Information

	Budget Fiscal Year 2015
REVENUES:	
Sales Tax	$10,643,000
Electric Utility Tax	1,489,000
Simplified Telecommunications Tax	1,344,000
Amusement Tax	93,000
State Income, Use & Replacement Tax	2,907,062
Road and Bridge tax	206,000
Hotel Motel Tax	398,000
Intergovernmental-Grants	147,000
License, Permits & Fees	1,057,350
Charges for Service	1,201,112
Fines and Forfeitures	368,876
Investment Income	325,000
Miscellaneous	329,000
Total Revenue	$20,508,400
EXPENDITURES:	
General Government	$ 3,699,312
Public Safety	9,935,935
Streets and Roads	5,162,129
Culture and Recreation	299,740
Capital Outlay	713,340
Debt Service:	
Principal	540,000
Interest and Fiscal Charges	182,043
Total Expenditures	$20,532,499
Excess of Revenues Over (Under) Expenditures	$ (24,099)
Other Financing Sources:	
Transfers In	$ 0
Transfers Out	132,000
Excess of Revenues and Other Sources Over (Under) Revenues	$ (156,099)
Beginning Fund Balance	$23,117,463
Ending Fund Balance	$22,961,364

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

See **APPENDIX D** herein for a discussion of the Village's employee retirement and other postemployment benefits obligations.

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 office maintained for the purpose by The Bank of New York Mellon Trust Company, National Association, Chicago, Illinois (the "Bond Registrar"). 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 office maintained for the purpose by 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 (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

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 EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Village has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Village's compliance with the above-referenced covenants, under present law, in the opinion of Chapman and Cutler LLP, Chicago, Illinois, ("Bond Counsel"), interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Village with respect to certain material facts within the Village's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the regular corporate tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the *"Issue Price"*) for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the *"OID Bonds"*) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Village complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the *"Revised Issue Price"*), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the *"Service"*) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Village as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the Village's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

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 Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. 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, except as detailed below. 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. See **"THE UNDERTAKING - Consequences of Failure of the Village to Provide Information."** 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.

In the past five years there have been numerous rating actions reported by Moody's Investors Service, Standard & Poor's Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the Village. Due to widespread knowledge of these rating actions, material event notices were not filed by the Village.

Moody's Investors Service upgraded many of the Village's outstanding bonds, as a result of its recalibration of US Municipal Ratings to its Global Rating Scale on April 16, 2010. Due to widespread knowledge of such recalibration, material event notices were not filed by the Village.

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 within 210 days after the last day of the Village's fiscal year (currently April 30). If Audited Financial Statements are not available when the Annual Financial Information is filed, the Village will file unaudited financial statements. At present, such dissemination is made through the MSRB's Electronic Municipal Market Access System, referred to as EMMA ("EMMA"). 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 financial statements of the Village as audited annually by independent certified public accountants. Audited Financial Statements are expected to continue to be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

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.

* *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.*

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Village by resolution or 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.

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.

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.

OPTIONAL REDEMPTION

Bonds due March 30, 2016-2023, inclusive, are not subject to optional redemption. Bonds due March 30, 2024-2034, inclusive, are subject to redemption at the option of the Village in whole or in part on any date on or after March 30, 2023, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

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 registration books maintained by the Bond Registrar. Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed 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 the 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, 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.

MANDATORY REDEMPTION

The Bonds maturing on March 30, 2029, are subject to mandatory redemption, in part by lot, on March 30, 2028, consisting of a sinking fund payment at a redemption price equal to the principal amount as set forth below:

Year	Principal Amount
2028	$195,000

The final principal amount of the Bonds maturing on March 30, 2029, is $200,000

The Bonds maturing on March 30, 2032, are subject to mandatory redemption, in part by lot, on March 30, 2031, consisting of a sinking fund payment at a redemption price equal to the principal amount set forth below:

Year	Principal Amount
2031	$215,000

The final principal amount of the Bonds maturing on March 30, 2032, is $220,000.

The Bonds maturing on March 30, 2034, are subject to mandatory redemption, in part by lot, on March 30, 2033, consisting of a sinking fund payment at a redemption price equal to the principal amount set forth below:

Year	Principal Amount
2033	$230,000

The final principal amount of the Bonds maturing on March 30, 2034, is $235,000.

All of the Bonds subject to mandatory sinking fund redemption shall be redeemed at a redemption price equal to the principal amount thereof to be redeemed. The Bond Registrar is authorized and directed to mail notice of mandatory sinking fund redemption of the Bonds in the manner provided in the Bond Ordinance.

Whenever the Bonds subject to mandatory sinking fund redemption are redeemed at the option of the Village, the principal amount thereof so redeemed shall be credited against the unsatisfied balance of further sinking fund installments or final maturity amount established with respect to such Bonds, in such amount and against such installments or final maturity amount as shall be determined by the Village in the proceedings authorizing such optional redemption or, in the absence of such determination, shall be credited against the unsatisfied balance of the applicable sinking fund installments next ensuing, and with respect to which notice of redemption has not yet been given.

The 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 registration books maintained by the Bond Registrar. Failure to give such notice by mail to any registered owner of the Bonds (or portion thereof) or any defect therein shall not affect the validity of any proceedings for the redemption of other Bonds (or portions thereof). All Bonds (or portions thereof) so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

NOTICE OF REDEMPTION

Notice of the redemption of Bonds shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for such redemption to the registered owners of Bonds to be redeemed at their last addresses appearing on said registration books. The Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such Bonds or portions thereof shall cease to accrue and become payable.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, 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.

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. There is no litigation now pending, or to the knowledge of the Village, threatened against the Village that is expected to materially impact the financial condition of the Village.

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, as Bond Counsel, who has been retained by, and acts as, Bond Counsel to the Village. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Final Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Final Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Village, reviewed only those portions of this Final Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of the interest on the Bonds and the "bank-qualified" status of the Bonds, if any. This review was undertaken solely at the request and for the benefit of the Village and did not include any obligation to establish or confirm factual matters set forth herein.

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)" from Standard & Poor's, a Division of the McGraw-Hill Companies. 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: Standard & Poor's 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.

DEFEASANCE

The Bonds are subject to legal defeasance by the irrevocable deposit of full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America (collectively, the "Government Obligations") with a bank or trust company acting as escrow agent. Any such deposit must be of sufficient amount that the receipts from the Government Obligations plus any cash on deposit will be sufficient to pay debt service on the Bonds when due or as called for redemption.

UNDERWRITING

The Bonds were offered for sale by the Village at a public, competitive sale on December 2, 2014. The best bid submitted at the sale was submitted by Piper Jaffray & Co., Minneapolis, Minnesota (the "Underwriter"). The Village awarded the contract for sale of the Bonds to the Underwriter at a price of $5,667,103.58. The Underwriter has represented to the Village that the Bonds have been subsequently re-offered to the public initially at the yields or prices set forth on the cover page to this Final Official Statement.

FINANCIAL ADVISOR

The Village has engaged Speer Financial, Inc. as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. The Financial Advisor is an Independent Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Financial 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 Financial Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Financial 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 Financial Advisor obligated by the Village's continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated December 2, 2014, for the $5,630,000 General Obligation Bonds, Series 2014, believe it to be true and correct and 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 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/ **LAURENCE M. NAKRIN**
Village Treasurer
Village of Vernon Hills
Lake County, Illinois

/s/ **ROGER BYRNE**
President
Village of Vernon Hills
Lake County, Illinois

APPENDIX A

VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2014 AUDITED FINANCIAL STATEMENTS

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Position
April 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	$ 24,886,282	-	24,886,282
Receivables - Net of Allowances			
Taxes	4,535,432	-	4,535,432
Accounts	459,937	260	460,197
Accrued Interest	26,590	-	26,590
Prepaids/Inventory	442,500	20,035	462,535
Internal Balances	230,418	(230,418)	-
Due from Other Governments	1,527,881	-	1,527,881
Total Current Assets	32,109,040	(210,123)	31,898,917
Noncurrent Assets			
Capital Assets			
Nondepreciable Capital Assets	4,568,623	302,282	4,870,905
Depreciable Capital Assets	161,781,986	2,127,467	163,909,453
	166,350,609	2,429,749	168,780,358
Accumulated Depreciation	(61,383,965)	(1,843,344)	(63,227,309)
	104,966,644	586,405	105,553,049
Other Assets			
Net Pension Asset	186,555	-	186,555
Total Noncurrent Assets	105,153,199	586,405	105,739,604
Total Assets	137,262,239	376,282	137,638,521

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	398,688	3,119	401,807
Accrued Payroll	297,885	2,987	300,872
Accrued Interest Payable	213,668	-	213,668
Deposits Payable	1,042,461	-	1,042,461
Other Payables	1,157,341	6,280	1,163,621
Compensated Absences Payable	262,511	-	262,511
Current Portion of Long-Term Debt	735,000	-	735,000
Total Current Liabilities	4,107,554	12,386	4,119,940
Noncurrent Liabilities			
Compensated Absences Payable	1,050,042	-	1,050,042
Other Postemployment Benefit Payable	137,107	-	137,107
General Obligation Bonds Payable	9,330,000	-	9,330,000
TIF Revenue Bonds/Notes Payable	6,715,000	-	6,715,000
Alternate Revenue Bonds Payable	4,200,000	-	4,200,000
Total Noncurrent Liabilities	21,432,149	-	21,432,149
Total Liabilities	25,539,703	12,386	25,552,089
NET POSITION			
Net Investment in Capital Assets	83,986,644	586,405	84,573,049
Restricted - Public Safety	364,682	-	364,682
Restricted - Tax Increment District	179,799	-	179,799
Restricted - Streets and Roads	2,187,392	-	2,187,392
Restricted - Capital	100,000	-	100,000
Unrestricted	24,904,019	(222,509)	24,681,510
Total Net Position	111,722,536	363,896	112,086,432

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Activities
For the Year Ended April 30, 2014

		Program Revenues			Net Expense/Revenue		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 4,619,060	2,595,479	-	-	(2,023,581)	-	(2,023,581)
Public Safety	10,507,422	1,195,253	-	-	(9,312,169)	-	(9,312,169)
Streets and Roads	7,802,713	-	751,035	5,358	(7,046,320)	-	(7,046,320)
Culture and Recreation	277,671	226,199	-	-	(51,472)	-	(51,472)
Economic Development	4,463	-	-	-	(4,463)	-	(4,463)
Interest on Long-Term Debt	901,283	-	-	-	(901,283)	-	(901,283)
Total Governmental Activities	24,112,612	4,016,931	751,035	5,358	(19,339,288)	-	(19,339,288)
Business-Type Activities							
Golf Course	514,147	467,568	-	-	-	(46,579)	(46,579)
Total Primary Government	24,626,759	4,484,499	751,035	5,358	(19,339,288)	(46,579)	(19,385,867)

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Sales Tax	10,773,512	-	10,773,512
Utility Tax	1,404,549	-	1,404,549
Hotel/Motel Tax	351,087	-	351,087
911 Surcharge Tax	319,399	-	319,399
Road and Bridge Tax	205,572	-	205,572
Telecommunication Tax	1,258,098	-	1,258,098
Tax Increment Tax	1,281,321	-	1,281,321
Other Taxes	534,105	-	534,105
Intergovernmental - Unrestricted			
State Income Tax	2,398,252	-	2,398,252
Interest Income	73,881	13	73,894
Miscellaneous	67,762	-	67,762
	18,667,538	13	18,667,551
Change in Net Position	(671,750)	(46,566)	(718,316)
Net Position - Beginning	112,394,286	410,462	112,804,748
Net Position - Ending	111,722,536	363,896	112,086,432

VILLAGE OF VERNON HILLS, ILLINOIS

Balance Sheet - Governmental Funds
April 30, 2014

	General	Motor Fuel Tax	Tax Increment	Dispatch Center	VHAC Site Development	Total Governmental Funds
ASSETS						
Cash and Investments	$ 20,620,996	2,153,673	1,277,748	-	-	24,052,417
Receivables - Net of Allowances						
Taxes	4,413,038	46,297	-	76,097	-	4,535,432
Accounts	95,709	-	-	212,094	-	307,803
Accrued Interest	24,539	-	2,051	-	-	26,590
Other	149,887	-	-	-	-	149,887
Prepaids	429,650	-	-	12,850	-	442,500
Due from Other Governments	1,527,881	-	-	-	-	1,527,881
Due from Other Funds	236,049	-	-	-	100,000	336,049
Total Assets	27,497,749	2,199,970	1,279,799	301,041	100,000	31,378,559
LIABILITIES						
Accounts Payable	319,450	12,578	-	66,660	-	398,688
Accrued Payroll	263,472	-	-	34,413	-	297,885
Deposits Payable	1,042,461	-	-	-	-	1,042,461
Due to Other Funds	100,000	-	1,100,000	3,384	-	1,203,384
Other Payables	1,725,704	-	-	-	-	1,725,704
Total Liabilities	3,451,087	12,578	1,100,000	104,457	-	4,668,122
FUND BALANCES						
Nonspendable	429,650	-	-	-	-	429,650
Restricted	168,098	2,187,392	179,799	196,584	100,000	2,831,873
Committed	16,398	-	-	-	-	16,398
Unassigned	23,432,516	-	-	-	-	23,432,516
Total Fund Balances	24,046,662	2,187,392	179,799	196,584	100,000	26,710,437
Total Liabilities and Fund Balances	27,497,749	2,199,970	1,279,799	301,041	100,000	31,378,559

VILLAGE OF VERNON HILLS, ILLINOIS

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

April 30, 2014

Total Governmental Fund Balances	$ 26,710,437
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 funds.	104,966,644
Less: Internal Service Capital Assets	(499,587)
A net pension asset is not considered to represent a financial resource and therefore, is not reported in the funds.	186,555
Internal service funds are used by the Village to charge the costs of vehicle and equipment management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,433,452
Revenues not available to pay for current period expenditures are deferred in the funds.	568,363
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
General Obligation Bonds Payable	(9,445,000)
Revenue Bonds/Notes Payable	(6,910,000)
Alternate Revenue Source Bonds Payable	(4,625,000)
Compensated Absences Payable	(1,312,553)
Other Post-Employment Benefit Obligation Payable	(137,107)
Accrued Interest Payable	(213,668)
Net Position of Governmental Activities	111,722,536

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2014

See Following Page

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended April 30, 2014

	General	Motor Fuel Tax	Tax Increment	Dispatch Center	VHAC Site Development	Total Governmental Funds
Revenues						
Taxes	$ 16,831,678	-	1,281,321	319,399	-	18,432,398
Intergovernmental	5,358	751,035	-	-	-	756,393
Licenses and Permits	1,672,668	-	-	-	-	1,672,668
Charges for Services	1,149,010	-	-	835,702	-	1,984,712
Fines and Forfeits	359,551	-	-	-	-	359,551
Interest	63,025	8,406	205	2,245	-	73,881
Miscellaneous	67,762	-	-	-	-	67,762
Total Revenues	20,149,052	759,441	1,281,526	1,157,346	-	23,347,365
Expenditures						
Current						
General Government	3,668,619	-	-	-	-	3,668,619
Public Safety	7,957,699	-	-	2,296,930	-	10,254,629
Streets and Roads	4,603,072	630,939	-	-	-	5,234,011
Culture and Recreation	277,671	-	-	-	-	277,671
Economic Development	-	-	4,463			4,463
Capital Outlay	385,859	-	-	-	-	385,859
Debt Service						
Principal Retirement	2,345,000	-	90,000	-	-	2,435,000
Interest and Fiscal Charges	273,257	-	637,143	-	-	910,400
Total Expenditures	19,511,177	630,939	731,606	2,296,930	-	23,170,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	637,875	128,502	549,920	(1,139,584)	-	176,713
Other Financing Sources (Uses)						
Transfers In	-	-	128,132	1,126,961	-	1,255,093
Transfers Out	(1,255,093)	-	-	-	-	(1,255,093)
	(1,255,093)	-	128,132	1,126,961	-	-
Net Change in Fund Balances	(617,218)	128,502	678,052	(12,623)	-	176,713
Fund Balances - Beginning	24,663,880	2,058,890	(498,253)	209,207	100,000	26,533,724
Fund Balances - Ending	24,046,662	2,187,392	179,799	196,584	100,000	26,710,437

VILLAGE OF VERNON HILLS, ILLINOIS

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

For the Year Ended April 30, 2014

Net Change in Fund Balances - Total Governmental Funds		$ 176,713
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	85,517	
Depreciation Expense	(3,625,246)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		93,497
An increase in a net pension asset is not considered to be an increase in a financial asset in the governmental funds.		3,298
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.		
Retirement of Long-Term Debt	2,435,000	
Deductions to Compensated Absences Payable	180,488	
Additions to Other Post-Employment Benefit Obligation Payable	(61,855)	
Changes to accrued interest on long-term debt in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		9,117
Internal service funds are used by the Village to charge the costs of liability insurance and vehicle and equipment management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		31,721
Changes in Net Position of Governmental Activities		(671,750)

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Net Position - Proprietary Funds
April 30, 2014

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
ASSETS		
Current Assets		
Cash and Investments	$ -	833,865
Receivables - Accounts	260	-
Inventory	18,516	-
Due from Other Funds	-	1,100,000
Prepaids	1,519	-
Total Current Assets	20,295	1,933,865
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	302,282	-
Depreciable Capital Assets	2,127,467	1,784,547
	2,429,749	1,784,547
Accumulated Depreciation	(1,843,344)	(1,284,960)
Total Noncurrent Assets	586,405	499,587
Total Assets	606,700	2,433,452
LIABILITIES		
Current Liabilities		
Accounts Payable	3,119	-
Accrued Payroll	2,987	-
Due to Other Funds	230,418	-
Other Payables	6,280	-
Total Current Liabilities	242,804	-
NET POSITION		
Investment in Capital Assets	586,405	499,587
Unrestricted	(222,509)	1,933,865
Total Net Position	363,896	2,433,452

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended April 30, 2014

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Operating Revenues		
Charges for Services	$ 467,568	209,411
Operating Expenses		
Operations	447,154	99,373
Depreciation	65,216	78,317
Total Operating Expenses	512,370	177,690
Operating Income (Loss)	(44,802)	31,721
Nonoperating Revenues (Expenses)		
Interest Income	13	-
Other Expenses	(811)	-
Interest Expense	(966)	-
	(1,764)	-
Change in Net Position	(46,566)	31,721
Net Position - Beginning	410,462	2,401,731
Net Position - Ending	363,896	2,433,452

VILLAGE OF VERNON HILLS, ILLINOIS

Statement of Cash Flows - Proprietary Funds
Year Ended April 30, 2014

	Business-Type Activities - Enterprise Golf Course	Governmental Activities Internal Service Equipment Replacement
Cash Flows from Operating Activities		
Receipts from Customers and Users	$ 465,820	209,411
Payments to Suppliers and Employees	(464,867)	(99,373)
	953	110,038
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	-	(67,445)
Interest on Capital Debt	(966)	-
	(966)	(67,445)
Cash Flows from Investing Activities		
Interest Received	13	-
Net Change in Cash and Cash Equivalents	-	42,593
Cash and Cash Equivalents - Beginning	-	791,272
Cash and Cash Equivalents - Ending	-	833,865
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(44,802)	31,721
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	65,216	78,317
Other Expenses	(811)	-
(Increase) Decrease in Current Assets	(1,748)	-
Increase (Decrease) in Current Liabilities	(16,902)	-
	45,755	78,317
Net Cash Provided by Operating Activities	953	110,038

VILLAGE OF VERNON HILLS, ILLINOIS

Trust and Agency Funds

Statement of Fiduciary Net Position
April 30, 2014

	Pension Trust Police Pension	Agency Development
ASSETS		
Cash and Cash Equivalents	$ 1,117,246	82,782
Investments		
U.S. Government and Agency Securities	2,129,096	-
Municipal Bonds	1,865,659	-
Corporate Bonds	10,106,412	-
Common Stocks	6,441,739	-
Mutual Funds	15,336,708	-
Receivables		
Accrued Interest	4,578	-
Total Assets	37,001,438	82,782
LIABILITIES		
Liabilities		
Due to Other Funds	2,247	-
Account Payable	1,667	-
Deposits Payable	-	82,782
Total Liabilities	3,914	82,782
NET POSITION		
Held in Trust for Pension Benefits	36,997,524	-

VILLAGE OF VERNON HILLS, ILLINOIS

Pension Trust Fund - Police Pension

Statement of Changes in Fiduciary Net Position
Year Ended April 30, 2014

Additions	
Contributions - Employer	$ 1,291,118
Contributions - Plan Members	527,784
Total Contributions	1,818,902
Investment Income	
Interest Earned	36,082
Net Change in Fair Value	3,202,865
	3,238,947
Less Investment Expenses	(2,300)
Net Investment Income	3,236,647
Total Additions	5,055,549
Deductions	
Administration	44,252
Benefits and Refunds	1,369,620
Total Deductions	1,413,872
Change in Net Position	3,641,677
Net Position - Beginning	33,355,847
Net Position - Ending	36,997,524

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Vernon Hills

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

Police Pension Employees Retirement System

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION

Government-Wide Statements

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

Fund Financial Statements

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

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

> Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
>
> Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds

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

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains three major special revenue funds, the Motor Fuel Tax Fund, the Tax Increment Fund and the Dispatch Center Fund. The Motor Fuel Tax Fund is used to account for the maintenance and construction of streets and roads as approved by the Department of Transportation. Financing is provided by the Village's share of State restricted motor fuel tax funds. The Tax Increment Fund is used to account for the financing of improvements in the Village's Tax Increment Financing Redevelopment Project Area. Financing is being provided by restricted incremental revenues from real property taxes. The Dispatch Center Fund is used to account for the revenues and expenditures related to providing dispatch services. Financing is being provided by a 911 surcharge and charges for services.

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

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

Fiduciary Funds

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

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

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

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

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

Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

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

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

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

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

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

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

Receivables

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Interfund Receivables, Payables and Activity

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Capital Assets – Continued

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

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

Compensated Absences

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

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Long-Term Obligations

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

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

Net Position

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

> Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.
>
> Unrestricted – All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

Deposits. At year-end, the carrying amount of the Village's deposits for governmental and business-type, activities totaled $3,892,023 and the bank balances totaled $4,031,674.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1 to 5
U.S. Agencies	$ 14,481,700	-	14,481,700
Illinois Funds	5,985,978	5,985,978	-
Illinois Metropolitan Investment Trust	526,581	526,581	-
	20,994,259	6,512,559	14,481,700

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 cash can commercial paper be purchased with a maturity date of more than 125 days from purchase and in no case can certificates of deposit be purchased with a maturity date of more than 370 days from the date of purchase. The Village may invest up to 50% of its budgeted capital reserve in U.S. Treasury securities or U.S. Government Agencies maturing no later than 7 years after the date of purchase; provided that no more than 20% of the Village's portfolio in U.S. Government Agencies maturing more than 3 years from the date of purchase. However, the Village may allocate 20% of the 50% of the budgeted capital reserve to purchase a GNMA with a maturity date of up to 15 ¼ years from its date of purchase. All other U.S. Treasuries and U.S. Agencies purchased must mature within 37 months of the date of purchase.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

Deposits. At year-end, the carrying amount of the Fund's deposits totaled $1,117,246 and the bank balances totaled $1,117,196.

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 1,421,291	-	437,600	639,548	344,143
U.S. Agencies	707,805	707,805	-	-	-
Municipal Bonds	1,865,659	-	187,170	1,603,835	74,654
Corporate Bonds	10,106,412	-	5,696,744	4,070,905	338,763
	14,101,167	707,805	6,321,514	6,314,288	757,560

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

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

The Fund's investment policy also states that the portfolio should be allocated appropriately between equity and fixed-income portfolios, and other such investment mediums, which the Fund deems appropriate and prudent, and within the constraints of state law. At year-end, the Fund is in compliance with the guidelines outlined above. In addition to the securities and fair values listed above, the Fund also has $6,441,739 invested in common stock and $15,336,708 invested in mutual funds. At year-end the Fund has no investment in any single issuer over 5% of total cash and investments (other than U.S. Government guaranteed obligations).

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	$ 4,568,623	-	-	4,568,623
Depreciable Capital Assets				
Land Improvements	13,636,530	-	-	13,636,530
Buildings and Improvements	22,639,674	-	-	22,639,674
Equipment/Vehicles	4,794,417	152,962	-	4,947,379
Infrastructure	120,558,403	-	-	120,558,403
	161,629,024	152,962	-	161,781,986
Less Accumulated Depreciation				
Land Improvements	5,439,802	533,861	-	5,973,663
Buildings and Improvements	6,968,400	506,151	-	7,474,551
Equipment/Vehicles	3,392,247	153,945	-	3,546,192
Infrastructure	41,879,953	2,509,606	-	44,389,559
	57,680,402	3,703,563	-	61,383,965
Total Net Depreciable Capital Assets	103,948,622	(3,550,601)	-	100,398,021
Total Net Capital Assets	108,517,245	(3,550,601)	-	104,966,644

Depreciation expense was charged to governmental activities as follows:

General Government	$ 768,732
Public Safety	256,091
Streets and Roads	2,600,423
Equipment Replacement	78,317
	3,703,563

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

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

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	$ 302,282	-	-	302,282
Depreciable Capital Assets				
Land Improvements	745,882	-	-	745,882
Buildings and Improvements	1,019,002	-	-	1,019,002
Equipment/Vehicles	362,583	-	-	362,583
	2,127,467	-	-	2,127,467
Less Accumulated Depreciation				
Land Improvements	638,451	20,151	-	658,602
Buildings and Improvements	820,818	30,490	-	851,308
Equipment/Vehicles	318,859	14,575	-	333,434
	1,778,128	65,216	-	1,843,344
Total Net Depreciable Capital Assets	349,339	(65,216)	-	284,123
Total Net Capital Assets	651,621	(65,216)	-	586,405

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

Golf	$ 65,216

PROPERTY TAXES

Property taxes for 2013 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 taxes for the current or any of the prior ten fiscal years.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

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

Receivable Fund	Payable Fund	Amount
General	Golf Course	$ 230,418
General	Dispatch Center	3,384
General	Police Pension	2,247
VHAC Site Development	General	100,000
Equipment Replacement	Tax Increment	1,100,000
		1,436,049

Interfund balances are advances in anticipation of receipts.

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Dispatch Center	General	$ 1,126,961
Tax Increment	General	128,132
		1,255,093

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

General Obligation Bonds

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$7,850,000 General Obligation Bonds of 2012A - Due in annual installments of $300,000 to $1,000,000 plus interest at 2.00% to 2.25% through December 30, 2026.	Tax Increment	$ 7,850,000	-	-	7,850,000
$1,625,000 General Obligation Bonds of 2012B - Due in annual installments of $15,000 to $155,000 plus interest at 2.00% to 2.40% through March 30, 2026.	General	1,610,000	-	15,000	1,595,000
		9,460,000	-	15,000	9,445,000

Alternate Revenue Bonds

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$3,540,000 Alternate Revenue Refunding Bonds of 2004 - Due in annual installments of $35,000 to $390,000 plus interest at 3.00% to 4.00% through March 30, 2018.	General	$ 1,825,000	-	1,825,000	-
$3,790,000 Alternate Revenue Refunding Bonds of 2005 - Due in annual installments of $15,000 to $390,000 plus interest at 3.00% to 4.125% through March 30, 2021.	General	2,680,000	-	285,000	2,395,000
$2,050,000 Alternate Revenue Bonds of 2006 - Due in annual installments of $45,000 to $160,000 plus interest at 3.750% to 4.050% through March 30, 2026.	General	95,000	-	95,000	-
$2,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of $95,000 to $220,000 plus interest at 4.00% to 4.125% through March 30, 2027.	General	1,355,000	-	125,000	1,230,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$1,000,000 Alternate Revenue Bonds of 2007 - Due in annual installments of $75,000 to $200,000 plus interest at 4.00% to 4.125% through March 30, 2025.	Tax Increment	1,000,000	-	-	1,000,000
		6,955,000	-	2,330,000	4,625,000

TIF Revenue Bonds/Notes

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
$7,000,000 Senior Lien Tax Increment Revenue Bonds of 2007 - Due in annual installments of $90,000 to $1,375,000 plus interest at 5.50% to 6.25% through December 30, 2026.	Tax Increment	$ 7,000,000	-	90,000	6,910,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	$ 1,493,041	180,488	360,976	1,312,553	262,511
General Obligation Bonds	9,460,000	-	15,000	9,445,000	115,000
Alternate Revenue Bonds	6,955,000	-	2,330,000	4,625,000	425,000
TIF Revenue Bonds/Notes	7,000,000	-	90,000	6,910,000	195,000
Net Other Post-Employment Benefit Obligation	75,252	61,855	-	137,107	-
	24,983,293	242,343	2,795,976	22,429,660	997,511

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

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

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

Fiscal Year Ending April 30	Governmental Activities: General Obligation Bonds Principal	General Obligation Bonds Interest	Alternate Revenue Bonds Principal	Alternate Revenue Bonds Interest	TIF Revenue Bonds Principal	TIF Revenue Bonds Interest
2015	$ 115,000	195,700	425,000	187,370	195,000	423,738
2016	115,000	193,400	450,000	170,370	260,000	413,013
2017	420,000	191,100	465,000	152,370	295,000	398,713
2018	575,000	182,700	495,000	133,769	335,000	382,488
2019	725,000	171,200	510,000	113,969	375,000	364,063
2020	780,000	156,700	535,000	93,214	420,000	340,625
2021	805,000	141,100	560,000	71,354	465,000	314,375
2022	865,000	125,000	175,000	48,466	520,000	285,313
2023	895,000	107,700	185,000	41,379	575,000	252,813
2024	945,000	89,510	195,000	33,886	635,000	216,875
2025	1,050,000	70,320	200,000	25,988	695,000	177,168
2026	1,155,000	48,720	210,000	17,738	765,000	133,750
2027	1,000,000	22,500	220,000	9,074	1,375,000	85,951
	9,445,000	1,695,650	4,625,000	1,098,947	6,910,000	3,788,885

Legal Debt Margin

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Defeased Debt

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

Fiscal Year Ended April 30	2000 Alternate Revenue Bonds	2001 Alternate Revenue Bonds	Total
2015	$ 340,000	285,000	625,000
2016	360,000	305,000	665,000
2017	380,000	320,000	700,000
2018	400,000	340,000	740,000
2019	-	355,000	355,000
2020	-	375,000	375,000
2021	-	395,000	395,000
	1,480,000	2,375,000	3,855,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE

Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2014:

Governmental Activities		
Capital Assets - Net of Accumulated Depreciation		$ 104,966,644
Less Capital Related Debt:		
General Obligation Bonds of 2012A	(7,850,000)	
General Obligation Bonds of 2012B	(1,595,000)	
Alternate Revenue Refunding Bonds of 2005	(2,395,000)	
Alternate Revenue Bonds of 2007	(1,230,000)	
Alternate Revenue Bonds of 2007	(1,000,000)	
Senior Lien TIF Revenue Bonds of 2007	(6,910,000)	(20,980,000)
Net Investment in Capital Assets		83,986,644
Business-Type Activities		
Capital Assets - Net of Accumulated Depreciation		586,405

Fund Balance Classifications

Committed Fund Balance. The Village reports committed fund balance in the General Fund, a major fund. Board ordinance approval is required to establish, modify or rescind a fund balance commitment. The Village Board has committed these funds for future summer celebration costs through formal Board action (Board ordinance) as part of the annual budget process.

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE – Continued

Fund Balance Classifications – Continued

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

	General	Motor Fuel Tax	Tax Increment	Dispatch Center	VHAC Site Development	Total
Fund Balances						
Nonspendable						
Prepaids	$ 429,650	-	-	-	-	429,650
Restricted						
Drug Forfeiture	44,882	-	-	-	-	44,882
DUI Fines	123,216	-	-	-	-	123,216
Motor Fuel Taxes	-	2,187,392	-	-	-	2,187,392
Tax Increment District	-	-	179,799	-	-	179,799
911 Surcharge	-	-	-	196,584	-	196,584
Capital Projects	-	-	-	-	100,000	100,000
	168,098	2,187,392	179,799	196,584	100,000	2,831,873
Committed						
Summer Celebration	16,398	-	-	-	-	16,398
Unassigned	23,432,516	-	-	-	-	23,432,516
Total Fund Balances	24,046,662	2,187,392	179,799	196,584	100,000	26,710,437

In the governmental funds financial statements, the Village considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Village first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

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

Illinois Municipal League Risk Management Association (IMLRMA)

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

CONTINGENT LIABILITIES

Litigation

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

Grants

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

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

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

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police Pension plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of $106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2013 was 12.48 percent.

Police Pension Plan

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

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

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

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

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

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

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	19
Current Employees	
Vested	35
Nonvested	7
	61

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

Significant Investments

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

Related Party Transactions

There are no securities of the employer or any other related parties included in net position.

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	$ 1,291,079
Interest on the NPO (NPA)	(11,107)
Adjustment to the ARC	7,848
Annual Pension Cost	1,287,820
Actual Contribution	1,291,118
Change in NPO (NPA)	(3,298)
NPO (NPA) Beginning of Year	(183,257)
NPO (NPA) End of Year	(186,555)

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

The actuarial assumptions and related information for each plan is as follows:

	IMRF	Police Pension
Contribution Rates		
Employer	12.48%	29.86%
Employee	4.50%	9.91%
Actuarial Valuation Date	12/31/13	4/30/13
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	30 Years	28 Years
Asset Valuation Method	5-Year Smoothed Market	Market
Actuarial Assumptions		
Investment Rate of Return	7.50% Compounded Annually	6.00% Compounded Annually
Projected Salary Increases	.40 to 10.00%	4.75%
Inflation Rate Included	4.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Trend Information

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

	Year	IMRF	Police Pension
Annual Pension Cost (APC)	2012	$ 469,056	$ 1,234,315
	2013	550,462	1,174,587
	2014	625,748	1,287,820
Actual Contributions	2012	469,056	1,235,740
	2013	550,462	1,176,050
	2014	625,748	1,291,118
Percentage of APC Contributed	2012	100.00%	100.12%
	2013	100.00%	100.12%
	2014	100.00%	100.26%
Net Pension Obligation (Asset)	2012	-	(181,794)
	2013	-	(183,257)
	2014	-	(186,555)

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

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

	IMRF	Police Pension
Actuarial Valuation Date	12/31/13	4/30/2013
Percent Funded	81.46%	69.39%
Actuarial Accrued Liability for Benefits	$16,702,147	$48,069,471
Actuarial Value of Assets	$13,605,871	$33,355,847
Over (Under) Funded Actuarial Accrued Liability (UAAL)	($3,096,276)	($14,713,624)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	$5,014,010	$3,939,001
Ratio of UAAL to Covered Payroll	61.75%	373.54%

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

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

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

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

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

All retirees, except two, contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2014, retirees contributed $195,192. Active employees do not contribute to the plan until retirement.

At April 30, 2014, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	20
Active Employees	95
Total	115
Participating Employers	1

The Village does not currently have a funding policy.

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2014, was calculated as follows:

Annual Required Contribution	$ 210,370
Interest on the NPO	3,010
Adjustment to the ARC	(2,509)
Annual OPEB Cost	210,871
Actual Contribution	149,016
Increase in the NPO	61,855
NPO - Beginning of Year	75,252
NPO - End of Year	137,107

Trend Information

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

Fiscal Year Ended April 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	$ 36,935	$ 29,280	79.27%	$ 36,662
2013	131,725	93,135	70.70%	75,252
2014	210,871	149,016	70.67%	137,107

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 2,354,030
Actuarial Value of Plan Assets	$ -
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,354,030
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	$ 8,153,057
UAAL as a Percentage of Covered Payroll	28.87%

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

Actuarial Methods and Assumptions

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

In the April 30, 2012 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of a 3.0% inflation assumption), and an initial annual healthcare cost trend rate of 8.0%, with an ultimate rate of 6.0%. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2014, was 30 years.

Illinois Municipal Retirement Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ 10,642,292	$ 12,966,090	82.08%	$ 2,323,798	$ 4,892,877	47.49%
2009	11,357,793	13,681,409	83.02%	2,323,616	4,876,175	47.65%
2010	9,495,173	12,554,707	75.63%	3,059,534	4,737,639	64.58%
2011	10,598,559	13,753,117	77.06%	3,154,558	4,311,176	73.17%
2012	11,759,488	14,976,630	78.52%	3,217,142	4,530,555	71.01%
2013	13,605,871	16,702,147	81.46%	3,096,276	5,014,010	61.75%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 496,138	$ 496,138	100.00%
2010	486,155	486,155	100.00%
2011	543,407	543,407	100.00%
2012	469,056	469,056	100.00%
2013	550,462	550,462	100.00%
2014	550,462	550,462	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ 22,655,488	$ 31,354,529	72.26%	$ 8,699,041	4,036,335	215.52%
2009	20,963,621	32,525,826	64.45%	11,562,205	3,879,642	298.02%
2010	24,471,159	35,953,751	68.06%	11,482,592	3,930,392	292.15%
2011	28,144,315	37,414,340	75.22%	9,270,025	3,841,881	241.29%
2012	30,253,439	43,547,349	69.47%	13,293,910	3,896,995	341.13%
2013	33,355,847	48,069,471	69.39%	14,713,624	3,939,001	373.54%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 998,400	$ 940,292	106.18%
2010	1,082,676	1,042,676	103.84%
2011	1,173,015	1,172,743	100.02%
2012	1,235,740	1,235,724	100.00%
2013	1,176,050	1,175,962	100.01%
2014	1,291,118	1,291,079	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ N/A	$ N/A	N/A	$ N/A	$ N/A	N/A
2009	-	562,121	0%	562,121	8,755,817	6.42%
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	2,354,030	0%	2,354,030	8,153,057	28.87%
2013	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 29,280	$ 37,568	77.94%
2010	29,280	37,096	78.93%
2011	29,280	39,322	74.46%
2012	29,280	36,742	79.69%
2013	93,135	131,481	70.84%
2014	149,016	210,370	70.84%

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

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 a Standard & Poor's rating of 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 a 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 General Obligation Bonds, Series 2014 (the *"Bonds"*), to the amount of $5,630,000, dated December 30, 2014, due on March 30 of the years and in the amounts and bearing interest as follows:

2016	$270,000	2.00%
2017	310,000	2.00%
2018	325,000	2.00%
2019	325,000	2.00%
2020	340,000	2.00%
2021	340,000	2.00%
2022	345,000	2.00%
2023	355,000	2.15%
2024	370,000	2.30%
2025	370,000	2.45%
2026	380,000	2.60%
2027	395,000	2.75%
2029	395,000	3.00%
2030	210,000	3.00%
2032	435,000	3.00%
2034	465,000	3.50%

the Bonds due on March 30, 2029, 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, 2028, in the principal amount of $195,000, the Bonds due on March 30, 2032, 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, 2031, in the principal amount of $215,000, the Bonds due on March 30, 2034, 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, 2033, in the principal amount of $230,000, the Bonds due on or after March 30, 2024, 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, 2023, 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, subject to the Village's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Village covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

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.

APPENDIX D

EXCERPTS OF FISCAL YEAR 2014 AUDITED FINANCIAL STATEMENTS RELATING TO THE VILLAGE'S PENSION PLANS

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

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

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police Pension plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of $106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2013 was 12.48 percent.

Police Pension Plan

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

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

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

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

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

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

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	19
Current Employees	
Vested	35
Nonvested	7
	61

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

Significant Investments

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

Related Party Transactions

There are no securities of the employer or any other related parties included in net position.

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	$ 1,291,079
Interest on the NPO (NPA)	(11,107)
Adjustment to the ARC	7,848
Annual Pension Cost	1,287,820
Actual Contribution	1,291,118
Change in NPO (NPA)	(3,298)
NPO (NPA) Beginning of Year	(183,257)
NPO (NPA) End of Year	(186,555)

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

The actuarial assumptions and related information for each plan is as follows:

	IMRF	Police Pension
Contribution Rates		
Employer	12.48%	29.86%
Employee	4.50%	9.91%
Actuarial Valuation Date	12/31/13	4/30/13
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	30 Years	28 Years
Asset Valuation Method	5-Year Smoothed Market	Market
Actuarial Assumptions		
Investment Rate of Return	7.50% Compounded Annually	6.00% Compounded Annually
Projected Salary Increases	.40 to 10.00%	4.75%
Inflation Rate Included	4.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Trend Information

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

	Year	IMRF	Police Pension
Annual Pension Cost (APC)	2012	$ 469,056	$ 1,234,315
	2013	550,462	1,174,587
	2014	625,748	1,287,820
Actual Contributions	2012	469,056	1,235,740
	2013	550,462	1,176,050
	2014	625,748	1,291,118
Percentage of APC Contributed	2012	100.00%	100.12%
	2013	100.00%	100.12%
	2014	100.00%	100.26%
Net Pension Obligation (Asset)	2012	-	(181,794)
	2013	-	(183,257)
	2014	-	(186,555)

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

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

	IMRF	Police Pension
Actuarial Valuation Date	12/31/13	4/30/2013
Percent Funded	81.46%	69.39%
Actuarial Accrued Liability for Benefits	$16,702,147	$48,069,471
Actuarial Value of Assets	$13,605,871	$33,355,847
Over (Under) Funded Actuarial Accrued Liability (UAAL)	($3,096,276)	($14,713,624)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	$5,014,010	$3,939,001
Ratio of UAAL to Covered Payroll	61.75%	373.54%

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

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

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

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

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

All retirees, except two, contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending April 30, 2014, retirees contributed $195,192. Active employees do not contribute to the plan until retirement.

At April 30, 2014, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	20
Active Employees	95
Total	115
Participating Employers	1

The Village does not currently have a funding policy.

VILLAGE OF VERNON HILLS, ILLINOIS

Notes to the Financial Statements
April 30, 2014

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2014, was calculated as follows:

Annual Required Contribution	$ 210,370
Interest on the NPO	3,010
Adjustment to the ARC	(2,509)
Annual OPEB Cost	210,871
Actual Contribution	149,016
Increase in the NPO	61,855
NPO - Beginning of Year	75,252
NPO - End of Year	137,107

Trend Information

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

Fiscal Year Ended April 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	$ 36,935	$ 29,280	79.27%	$ 36,662
2013	131,725	93,135	70.70%	75,252
2014	210,871	149,016	70.67%	137,107

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 2,354,030
Actuarial Value of Plan Assets	$ -
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,354,030
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	$ 8,153,057
UAAL as a Percentage of Covered Payroll	28.87%

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

Actuarial Methods and Assumptions

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

In the April 30, 2012 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of a 3.0% inflation assumption), and an initial annual healthcare cost trend rate of 8.0%, with an ultimate rate of 6.0%. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2014, was 30 years.

Illinois Municipal Retirement Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ 10,642,292	$ 12,966,090	82.08%	$ 2,323,798	$ 4,892,877	47.49%
2009	11,357,793	13,681,409	83.02%	2,323,616	4,876,175	47.65%
2010	9,495,173	12,554,707	75.63%	3,059,534	4,737,639	64.58%
2011	10,598,559	13,753,117	77.06%	3,154,558	4,311,176	73.17%
2012	11,759,488	14,976,630	78.52%	3,217,142	4,530,555	71.01%
2013	13,605,871	16,702,147	81.46%	3,096,276	5,014,010	61.75%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 496,138	$ 496,138	100.00%
2010	486,155	486,155	100.00%
2011	543,407	543,407	100.00%
2012	469,056	469,056	100.00%
2013	550,462	550,462	100.00%
2014	550,462	550,462	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ 22,655,488	$ 31,354,529	72.26%	$ 8,699,041	4,036,335	215.52%
2009	20,963,621	32,525,826	64.45%	11,562,205	3,879,642	298.02%
2010	24,471,159	35,953,751	68.06%	11,482,592	3,930,392	292.15%
2011	28,144,315	37,414,340	75.22%	9,270,025	3,841,881	241.29%
2012	30,253,439	43,547,349	69.47%	13,293,910	3,896,995	341.13%
2013	33,355,847	48,069,471	69.39%	14,713,624	3,939,001	373.54%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 998,400	$ 940,292	106.18%
2010	1,082,676	1,042,676	103.84%
2011	1,173,015	1,172,743	100.02%
2012	1,235,740	1,235,724	100.00%
2013	1,176,050	1,175,962	100.01%
2014	1,291,118	1,291,079	100.00%

VILLAGE OF VERNON HILLS, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Apr. 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	$ N/A	$ N/A	N/A	$ N/A	$ N/A	N/A
2009	-	562,121	0%	562,121	8,755,817	6.42%
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	2,354,030	0%	2,354,030	8,153,057	28.87%
2013	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	$ 29,280	$ 37,568	77.94%
2010	29,280	37,096	78.93%
2011	29,280	39,322	74.46%
2012	29,280	36,742	79.69%
2013	93,135	131,481	70.84%
2014	149,016	210,370	70.84%

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