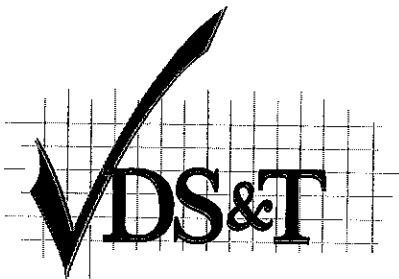


TOWN OF VERNON, ILLINOIS
ANNUAL FINANCIAL REPORT
MARCH 31, 2011



D A M , S N E L L & T A V E I R N E , L T D .

C E R T I F I E D • P U B L I C • A C C O U N T A N T S

LEONARD A. DAM CPA, CFP
DAVID W. SNELL CPA, CFP
DOUGLAS J. TAVEIRNE CPA, CFP
HUGH (SKIP) McCANN CPA, CVA
BARBARA A. HARPOLD CPA
PATRICK L. McCANN

INDEPENDENT AUDITORS' REPORT

Town Supervisor and Board of Trustees
Town of Vernon
Buffalo Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Town of Vernon (the Town) as of and for the year ended March 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Town prepares its financial statement on the modified cash and cash bases, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the government-wide financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of the Town of Vernon as of March 31, 2010 and the revenues received and expenditures disbursed – modified cash basis for the year then ended in conformity with the modified cash basis of accounting described in Note A to these financial statements. In addition, the fund financial statements present fairly, in all material respects, the revenues received and expenditures disbursed of the respective funds as of and for the year ended March 31, 2010 on the cash basis of accounting described in Note A to these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons and supplemental information presented on pages 3 through 7, 23 through 27 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Town as a whole. The other supplemental information presented on Schedules 7 through 9 of this report is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Dam, Snell & Taveirne, Ltd.

DAM, SNELL & TAVEIRNE, LTD.

Certified Public Accountants

Fox Lake, Illinois

June 10, 2011

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011

Our discussion and analysis of the Vernon Township's financial performance provides an overview of the Town's financial activities for the fiscal year ended March 31, 2011. Please read it in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The Town's net assets, which equal total assets minus total liabilities, were \$9,579,120 at the end of the 2011 fiscal year, a 1% decrease from last year. Unrestricted assets, assets that may be used to meet the Town's ongoing obligations to residents and creditors, were \$2,228,536 at the end of the 2011 fiscal year.
- Total Town revenues were \$4,005,294, a 1% decrease over last year. Total expenses were \$4,101,780.
- The fund balance for the General Fund was \$2,228,536 a decrease of \$320,484 from the beginning balance of \$2,549,020. The General Fund balance is unreserved and can be used to meet the Town's ongoing obligations to residents and creditors.

A BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government. The notes to financial statements and required supplemental information provide additional information that is essential to a full understanding of the data provided in the financial statements.

Reporting on the Town as a Whole

One of the most important questions asked about the Town's finances is, "is the Town as whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. All of the current year's revenues and expenses are taken into account when cash is received or paid. The method is modified to capitalize fixed assets and to record depreciation on those fixed assets.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are considered governmental funds.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011

Governmental Funds

All of the Town's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the cash basis method of accounting. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following tables present the financial position and results of operations of the Town.

Table 1
Net Assets (Modified Cash Basis)
(in thousands)

	<u>2010</u>	<u>2011</u>
Current assets	\$ 5,011	\$ 4,750
Capital assets	4,693	4,846
Total assets	<u>9,704</u>	<u>9,596</u>
Other liabilities	28	17
Long term liabilities	20	-
Total liabilities	<u>48</u>	<u>17</u>
Net assets		
Invested in capital assets	4,693	4,846
Restricted	2,434	2,504
Unrestricted	2,549	2,229
Total net assets	<u>\$ 9,676</u>	<u>\$ 9,579</u>

The Town's net assets are composed of capital assets, restricted assets and unrestricted assets. Capital assets comprise 51% of net assets and reflect the Town's investments in capital assets and infrastructure (for example, land, streets, buildings, machinery and equipment) less any related debt used to acquire those assets that remain outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town's net assets, 26%, represents resources that are subject to external restrictions on how they may be used. The remaining 23% of assets represent unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011

An intergovernmental agreement between Vernon Township and Metra requires the Township to set aside revenues in a sinking fund to be used for future repairs and improvements to the train station.

Table 2
Changes in Net Assets (Modified Cash Basis)
(in thousands)

	<u>2010</u>	<u>2011</u>
Taxes and other revenue	\$ 3,608	\$ 3,560
Operating grants and contributions	13	12
Capital grants and contributions	1	-
Charges for services	429	433
Total	<u>4,051</u>	<u>4,005</u>
Expenses	3,845	4,102
Increase (decrease) in net assets	<u>206</u>	<u>(97)</u>
Net assets, beginning of year	9,470	9,676
Prior period adjustment	-	-
Net assets, end of year	<u>\$ 9,676</u>	<u>\$ 9,579</u>

Net assets for all Town Activities decreased during the year by \$96,486 from \$9,675,606 to \$9,579,120.

Total Town revenues were \$4,005,294 and the total cost of all programs and services were \$4,101,780. Because costs exceeded the revenues brought in of all programs and services, Town Net Assets decreased by \$96,486.

Governmental Activities

Revenues for governmental activities were \$4,005,294 while the total cost of all programs and services were \$4,101,780. The following table depicts the major revenue sources for the Town.

Table 3
Governmental Revenues (Modified Cash Basis)
(in thousands)

	<u>2010</u>	<u>2011</u>
Property taxes	\$ 3,483	\$ 3,505
State replacement taxes	24	26
Interest	46	29
Intergovernmental agreement	49	48
Rentals	18	20
Passport revenue	17	17
Operating grants and contributions	13	12
Capital grants and contributions	1	-
Dial-a-ride	5	5
Park fees	178	195
Other	216	148
	<u>\$ 4,050</u>	<u>\$ 4,005</u>

Park fees increased by 9.6% in the current year. In 2010, other revenue reflected \$55,000 in recapture fees, where none were received in 2011.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011

The table below identifies the various governmental functions and the expenses associated with each.

Table 4
Governmental Activities Expenses (Modified Cash Basis)
(in thousands)

	<u>2010</u>	<u>2011</u>
General governmental services	\$ 1,609	\$ 1,880
Assessor	536	533
Road maintenance	1,142	1,192
Park maintenance	403	329
Home relief	32	53
Cemetery	27	29
Metra maintenance	96	85
	<u>\$ 3,845</u>	<u>\$ 4,101</u>

General governmental services increased mainly due to a \$100,000 increase in social agency assistance.

The Park fees will continue to cover the cost of maintenance of the pool and grounds. The roads will continually need maintenance due to heavy traffic and element damage.

ANALYSIS OF BALANCES AND TRANSACTIONS IN INDIVIDUAL FUNDS

Governmental Funds

The Permanent Road Fund had major expenditures due to the drainage and paving projects on the Township roads, specifically the following: Raleigh Dr./Port Clinton drainage project and Inverrary road project. The General Fund had increased expenditures in social agency assistance.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

General, Road and Bridge, and Permanent Road Fund maintenance and capital outlay expenditures were significantly below budgeted amounts.

CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets

The Town's investment in capital assets for its governmental activities was \$4,846,347, (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, streets and related infrastructure, sidewalks and bridges. The Town's investment in capital assets increased by acquisitions during the year of \$153,214, and decreased by additional depreciation of \$428,363. The increase is due primarily to the Raleigh Dr/Port Clinton drainage project and Inverrary road project. See additional information in footnote D.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011

Table 5
Capital Assets (net of depreciation)
(in thousands)

	Governmental Activities	
	<u>2010</u>	<u>2011</u>
Land	\$ 984	\$ 984
Construction in progress	211	-
Land Improvements	50	45
Buildings and improvements	1,620	1,583
Machinery and equipment	206	296
Infrastructure	<u>1,622</u>	<u>1,938</u>
 Totals	 <u>\$ 4,693</u>	 <u>\$ 4,846</u>

Debt

The Town has no outstanding long-term debt.

SIGNIFICANT CHANGES IN CONDITION AND ESTIMATED MAINTENANCE EXPENSES FOR INFRASTRUCTURE ASSETS

The highway department anticipates continual improvements including: repaving, culvert installation, drainage installation, etc.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 budget and the associated property tax rates and charges for services.

In preparing the budget, the Town Board, Supervisor, and Highway Commissioner take into consideration long term goals of the Town along with any unforeseen expenses which may occur.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 847-634-4600.