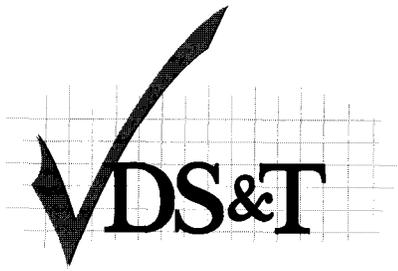


TOWN OF VERNON, ILLINOIS

ANNUAL FINANCIAL REPORT
MARCH 31, 2010



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the 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 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.

The Management's Discussion and Analysis, budgetary comparisons and supplemental information presented on Schedules 1 through 6 are not a part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken 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
July 26, 2010

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2010

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, 2010. 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 \$9,675,606 at the end of the 2010 fiscal year, a 2% increase from last year. Unrestricted assets, assets that may be used to meet the Town's ongoing obligations to residents and creditors, were \$2,549,020 at the end of the 2010 fiscal year.*
- Total Town revenues were \$4,050,585, a 5% increase over last year. Total expenses were \$3,844,930.
- The fund balance for the General Fund was \$2,549,020 a decrease of \$41,352 from the beginning balance of \$2,590,372. 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, 2010

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>2009</u>	<u>2010</u>
Current assets	\$ 4,832	\$ 5,030
Capital assets	4,690	4,693
Total assets	<u>9,522</u>	<u>9,723</u>
Other liabilities	32	28
Long term liabilities	20	20
Total liabilities	<u>52</u>	<u>48</u>
Net assets		
Invested in capital assets	4,690	4,693
Restricted	2,190	2,433
Unrestricted	2,590	2,549
Total net assets	<u>\$ 9,470</u>	<u>\$ 9,675</u>

The Town's net assets are composed of capital assets, restricted assets and unrestricted assets. Capital assets comprise 49% 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, 25%, represents resources that are subject to external restrictions on how they may be used. The remaining 26% 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, 2010

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>2009</u>	<u>2010</u>
Taxes and other revenue	\$ 3,424	\$ 3,608
Operating grants and contributions	7	13
Capital grants and contributions	8	1
Charges for services	419	429
Total	3,858	4,051
Expenses	3,763	3,845
Increase (decrease) in net assets	95	206
Net assets, beginning of year	9,375	9,470
Prior period adjustment	-	-
Net assets, end of year	\$ 9,470	\$ 9,676

Net assets for all Town Activities increased during the year by \$205,655 from \$9,469,951 to \$9,675,606.

Total Town revenues were \$4,050,585 and the total cost of all programs and services were \$3,844,930. Because revenues exceeded the cost of all programs and services, Town Net Assets increased by \$205,655.

Governmental Activities

Revenues for governmental activities were \$4,050,585 while the total cost of all programs and services were \$3,844,930. The following table depicts the major revenue sources for the Town.

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

	<u>2009</u>	<u>2010</u>
Property taxes	\$ 3,290	\$ 3,483
State replacement taxes	27	24
Interest	103	46
Intergovernmental agreement	37	49
Rentals	19	18
Passport revenue	17	17
Operating grants and contributions	7	13
Capital grants and contributions	8	1
Dial-a-ride	4	5
Park fees	196	178
Other	150	216
	\$ 3,858	\$ 4,050

The largest change in revenue was an increase in property taxes, which increased by 5.8%.

**TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2010**

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>2009</u>	<u>2010</u>
General governmental services	\$ 1,558	\$ 1,609
Assessor	495	536
Road maintenance	1,160	1,142
Park maintenance	391	403
Home relief	43	32
Cemetery	40	27
Metra maintenance	76	96
	<u>\$ 3,763</u>	<u>\$ 3,845</u>

Road maintenance services decreased primarily because of decreased spending on improvements to road drainage. The expenses for the Assessor increased because of increases in health insurance and IMRF employer share.

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 expenses due to the drainage and paving projects on the Township roads, specifically the following: S. Elm and the Raleigh Dr./Port Clinton drainage project.

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 \$4,693,133, (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 \$442,142, deletions of \$41,686 and decreased by additional depreciation of \$428,887. The increase is due primarily to road resurfacing of S. Elm and construction in progress relating to the Raleigh Dr/Port Clinton drainage project. See additional information in footnote D.

**TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2010**

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

	Governmental Activities	
	<u>2009</u>	<u>2010</u>
Land	\$ 984	\$ 984
Construction in progress	-	211
Land improvements	142	50
Buildings and improvements	1,630	1,620
Machinery and equipment	229	206
Infrastructure	<u>1,705</u>	<u>1,622</u>
 Totals	 <u>\$ 4,690</u>	 <u>\$ 4,693</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 2010-2011 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.