

TOWN OF VERNON, ILLINOIS
ANNUAL FINANCIAL REPORT
MARCH 31, 2016

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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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Illinois (the Town) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Illinois as of March 31, 2016, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note L of the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and also *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions were not modified with respect to this matter.

Other Matters

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Vernon, Illinois basic financial statements. The management's discussion and analysis, budgetary comparisons and supplemental information presented on pages 3 through 7, 27 through 35, and 38, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Supplemental Information

The supplemental information presented on pages 36 and 37 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 35 and 36 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dam, Snell & Taveirne, Ltd.

DAM, SNELL & TAVEIRNE, LTD.

Certified Public Accountants

Fox Lake, Illinois

September 26, 2016

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

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, 2015. Please read it in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The Town's net position, which equals total assets less total liabilities, is \$8,448,092 at the end of the 2016 fiscal year, a 3% increase from last year. Unrestricted assets, assets that may be used to meet the Town's ongoing obligations to residents and creditors, were \$1,247,921 at the end of the 2016 fiscal year.
- Total Town revenues were \$4,170,976, a 14% increase from last year. Total expenses were \$3,896,467, a decrease of 3% from last year.
- The fund balance for the General Fund is \$1,247,921 an increase of \$220,123 from the beginning balance of \$1,027,798. 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 Government-wide Statement of Net Position and the Government-wide 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 notes to financial statements and 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 – Government-wide Statements

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 Position 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 position and change in it. You can think of the Town's net position—the difference between assets and deferred inflows of resources and liabilities and deferred outflow of resources—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position 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, 2016

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 Position 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 Position (Modified Cash Basis)

	<u>2015</u>	<u>2016</u>
Current assets	\$ 3,289,443	\$ 3,223,661
Capital assets	4,906,140	5,255,431
Total assets	8,195,583	8,479,092
Current liabilities	22,000	31,000
Long term liabilities	-	-
Total liabilities	22,000	31,000
Net position		
Net investment in capital assets	4,906,140	5,255,431
Restricted	2,239,645	1,944,740
Unrestricted	1,027,798	1,247,921
Total net position	\$ 8,173,583	\$ 8,448,092

The Town's net position is composed of capital assets, restricted and unrestricted categories. Capital assets comprise 62% of net position 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.

The restricted portion of the Town's net position, 23%, represents resources that are subject to external restrictions on how they may be used. The remaining 15% of assets represent the unrestricted category and may be used to meet the government's ongoing obligations to citizens and creditors.

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; \$340,000 has been committed for these expenses.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

Table 2
Changes in Net Position (Modified Cash Basis)

	<u>2015</u>	<u>2016</u>
Taxes and other general revenue	\$ 3,193,657	\$ 3,451,027
Operating grants and contributions	9,784	10,015
Capital grants and contributions	-	210,568
Charges for services	449,656	499,366
Total revenue	<u>3,653,097</u>	<u>4,170,976</u>
Expenses	<u>4,029,834</u>	<u>3,896,467</u>
Increase (decrease) in net assets	(376,737)	274,509
Net position, beginning of year	<u>8,550,320</u>	<u>8,173,583</u>
Net position, end of year	<u>\$ 8,173,583</u>	<u>\$ 8,448,092</u>

Total Town revenues were \$4,170,976 and the total cost of all programs and services was \$3,896,467. Revenues of all programs exceeded the costs, which increased the Town's Net Position from \$8,173,583 to \$8,448,092.

Governmental Activities

The following table depicts the major revenue sources for the Town.

Table 3
Governmental Revenues (Modified Cash Basis)

	<u>2015</u>	<u>2016</u>
Property taxes	\$ 3,085,584	\$ 3,358,856
State replacement taxes	25,256	27,934
Interest	3,044	4,436
Intergovernmental agreement	35,152	26,844
Rentals	20,361	20,901
Passport revenue	72,726	89,923
Operating grants and contributions	9,784	10,015
Capital grants and contributions	-	210,568
Park fees	162,175	163,671
Parking fees	110,816	121,804
Taxi	12,226	13,495
Proceeds from sale of capital assets	55,100	-
Other	60,873	122,529
	<u>\$ 3,653,097</u>	<u>\$ 4,170,976</u>

In the current year, the property tax rate in the Permanent Road fund increased from 0.013 to 0.020 creating a \$235,000 increase in property tax revenue and the Town received \$190,000 grant reimbursement for a stream bank project.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

The table below identifies the various governmental expenses by function.

Table 4
Governmental Activities Expenses (Modified Cash Basis)

	<u>2015</u>	<u>2016</u>
General governmental services	\$1,704,681	\$1,543,613
Assessor	446,168	476,532
Road maintenance	1,351,685	1,344,177
Park operations	318,654	329,018
Home relief	33,472	26,819
Cemetery	34,341	27,443
Metra station maintenance	140,833	148,865
	<u>\$4,029,834</u>	<u>\$3,896,467</u>

The Park Maintenance Fund revenue will continue to supplement 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 fund balance for the Road and Bridge Fund is \$339,270 a decrease of \$65,408 from the beginning balance of \$404,678.

The fund balance for the Permanent Road Fund is \$171,986 a decrease of \$461,226 from the beginning balance of \$633,212.

The Road and Bridge and Permanent Road Funds had significant expenditures for a new garage, River Oaks storm sewer project and Indian Creek/Krisview Acres road project.

The fund balance for the Park Maintenance Fund is \$450,869 an increase of \$238,641 from the beginning balance of \$212,228.

The fund balance for the Metra Station Fund is \$690,903 an increase of \$23,876 from the beginning balance of \$667,027.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

The General, Road and Bridge, Permanent Road and Park Maintenance Fund's maintenance and capital outlay expenditures were significantly below budgeted amounts. In addition, General Fund salaries and benefits were significantly below budgeted amounts.

TOWN OF VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

CAPITAL ASSETS AND DEBT ACTIVITY

Capital Assets

Table 5
Capital Assets (net of depreciation) - Governmental Activities

	<u>2015</u>	<u>2016</u>
Land	\$ 983,909	\$ 983,909
Construction in progress	18,538	-
Land improvements	419,989	398,737
Buildings and improvements	1,458,064	1,512,231
Machinery and equipment	480,707	399,840
Infrastructure	1,544,933	1,960,714
Totals	<u>\$ 4,906,140</u>	<u>\$ 5,255,431</u>

The Town's investment in capital assets for its governmental activities was \$5,255,431, (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 \$979,750, and decreased by additional depreciation of \$630,459. The increase is due primarily to a garage, River Oaks storm sewer project, Indian Creek/Krisview Acres road project and the Cemetery paving project. See additional information in footnote D.

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 2016-2017 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.

TOWN OF VERNON
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
 MARCH 31, 2016

ASSETS	<u>Governmental Activities</u>
Cash and investments	\$ 3,223,661
Capital assets	
Land	983,909
Depreciable buildings and equipment, net	<u>4,271,522</u>
Total assets	<u><u>\$ 8,479,092</u></u>
LIABILITIES	
Current liabilities	
Road bonds	<u>\$ 31,000</u>
Total liabilities	<u>31,000</u>
NET POSITION	
Net investment in capital assets	5,255,431
Restricted	
Special revenues	1,944,740
Unrestricted	<u>1,247,921</u>
Total net position	<u>8,448,092</u>
Total liabilities and net position	<u><u>\$ 8,479,092</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
 YEAR ENDED MARCH 31, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General governmental services	\$ 1,543,613	\$ 115,744	\$ 10,015	\$ 210,568	\$ (1,207,286)
Assessor	476,532	-	-	-	(476,532)
Road and bridge maintenance	1,344,177	30,122	-	-	(1,314,055)
Park operations	329,018	172,246	-	-	(156,772)
Home relief	26,819	-	-	-	(26,819)
Cemetery	27,443	59,450	-	-	32,007
Metra station maintenance	148,865	121,804	-	-	(27,061)
Total governmental activities	\$ 3,896,467	\$ 499,366	\$ 10,015	\$ 210,568	(3,176,518)
General revenues					
Property taxes					3,358,856
State replacement taxes					27,934
Interest					4,436
Miscellaneous					59,801
Gain (loss) on sale of capital asset					-
Total general revenues					3,451,027
Change in net position					274,509
Beginning of year					8,173,583
End of year					\$ 8,448,092

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)
GOVERNMENTAL FUNDS
MARCH 31, 2016

ASSETS	General	Road and Bridge	Permanent Road	Park Maintenance	Metra Station	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 1,247,921	\$ 370,270	\$ 171,986	\$ 450,869	\$ 690,903	\$ 291,712	\$ 3,223,661
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 1,247,921	\$ 370,270	\$ 171,986	\$ 450,869	\$ 690,903	\$ 291,712	\$ 3,223,661
LIABILITIES AND FUND BALANCE							
Liabilities							
Road bonds	\$ -	\$ 31,000	\$ -	\$ -	\$ -	\$ -	\$ 31,000
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	31,000	-	-	-	-	31,000
Fund Balance							
Restricted							
Special revenues	-	339,270	171,986	450,869	350,903	291,712	1,604,740
Committed - maintenance	-	-	-	-	340,000	-	340,000
Unassigned	1,247,921	-	-	-	-	-	1,247,921
Total fund balance	1,247,921	339,270	171,986	450,869	690,903	291,712	3,192,661
Total liabilities and fund balance	\$ 1,247,921	\$ 370,270	\$ 171,986	\$ 450,869	\$ 690,903	\$ 291,712	\$ 3,223,661

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF ASSETS AND LIABILITIES (CASH BASIS) TO THE
 STATEMENT OF NET POSITION
 MARCH 31, 2016

Total fund balance - governmental funds \$ 3,192,661

Amounts reported for governmental activities in the Statement of
 Net Position are different due to:

The cost of capital assets (land, buildings, equipment and infrastructure)
 purchased or constructed is reported as an expenditure in the
 governmental funds. The Statement of Net Position includes those
 capital assets among the assets of the Town as a whole.

Capital outlay:			
General fund	\$ 1,917,433		
Cemetery fund	350,703		
Road and bridge fund	1,210,652		
Permanent road fund	4,548,541		
Park maintenance fund	2,627,009		
Metra station fund	<u>1,247,239</u>		
		11,901,577	
Accumulated depreciation:			
General fund	705,080		
Cemetery fund	50,605		
Road and bridge fund	671,129		
Permanent road fund	2,722,208		
Park maintenance fund	1,515,812		
Metra station fund	<u>981,312</u>		
		<u>(6,646,146)</u>	
Net position of the governmental activities			<u><u>\$ 8,448,092</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2016

	General	Road and Bridge	Permanent Road	Park Maintenance	Metra Station	Nonmajor Governmental Funds	Total Governmental Funds
CASH RECEIPTS							
Property taxes	\$ 1,977,306	\$ 474,561	\$ 669,129	\$ 237,860	\$ -	\$ -	\$ 3,358,856
State replacement tax	10,147	17,787	-	-	-	-	27,934
Interest	2,220	513	389	336	665	313	4,436
Intergovernmental agreement	-	26,844	-	-	-	-	26,844
Rentals	12,326	-	-	8,575	-	-	20,901
Grants	80,555	-	20,000	120,028	-	-	220,583
Passport revenue	89,923	-	-	-	-	-	89,923
Park fees	-	-	-	163,671	-	-	163,671
Parking fees	-	-	-	-	121,804	-	121,804
Taxi	13,495	-	-	-	-	-	13,495
Cemetery lot sales	-	-	-	-	-	43,350	43,350
Grave opening fees	-	-	-	-	-	16,100	16,100
Fines	-	3,278	-	-	-	-	3,278
Miscellaneous	16,749	980	41,648	324	-	100	59,801
Total cash receipts	2,202,721	523,963	731,166	530,794	122,469	59,863	4,170,976
DISBURSEMENTS							
Current							
General governmental services	1,506,066	253,859	-	-	-	-	1,759,925
Assessor	476,532	-	-	-	-	-	476,532
Road maintenance	-	100,489	494,067	-	-	-	594,556
Park operations	-	-	-	292,153	-	-	292,153
Home relief	-	-	-	-	-	26,819	26,819
Cemetery	-	-	-	-	-	17,430	17,430
Metra station maintenance	-	-	-	-	98,593	-	98,593
Capital acquisitions	-	235,023	698,325	-	-	46,402	979,750
Total disbursements	1,982,598	589,371	1,192,392	292,153	98,593	90,651	4,245,758
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	220,123	(65,408)	(461,226)	238,641	23,876	(30,788)	(74,782)
OTHER SOURCES (USES)							
Proceeds from sale of equipment	-	-	-	-	-	-	-
Interfund transfer	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	220,123	(65,408)	(461,226)	238,641	23,876	(30,788)	(74,782)
FUND BALANCE							
Beginning of year	1,027,798	404,678	633,212	212,228	667,027	322,500	3,267,443
End of year	<u>\$ 1,247,921</u>	<u>\$ 339,270</u>	<u>\$ 171,986</u>	<u>\$ 450,869</u>	<u>\$ 690,903</u>	<u>\$ 291,712</u>	<u>\$ 3,192,661</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF CASH RECEIPTS AND DISBURSEMENTS (CASH BASIS)
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2016

Net change in fund balances - total governmental funds \$ (74,782)

Amounts reported for governmental activities in the Statement
 of Activities are different due to:

Capital outlays are reported in governmental funds 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. This is the amount by which outlays for assets capitalized exceeds depreciation expense in the current period.

Capital outlay:

General fund	\$ -	
Cemetery fund	46,402	
Road and bridge fund	235,023	
Permanent road fund	698,325	
Park maintenance fund	-	
Metra station fund	-	
		979,750

Depreciation expense:

General fund	37,547	
Cemetery fund	10,013	
Road and bridge fund	73,102	
Permanent road fund	422,660	
Park maintenance fund	36,865	
Metra station fund	50,272	
		(630,459)

Gains and losses on the sale and trade-in of capital assets are not reported in governmental funds, however, they are a component of the general revenues in the Statement of Activities.

Capital asset deletions	-	
Related accumulated depreciation	-	
		-

Change in net position of governmental activities \$ 274,509

The accompanying notes are an integral part of these financial statements.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Principles Used to Determine Scope of Entity

The Town is a primary government as defined by Governmental Accounting Standards Board Statement 14. The Town's Road District is governed by the same Board as the Town. For financial reporting purposes the Town's Road District is reported as if it were part of the Town's operations because its purpose is to construct and maintain roads within the Town.

2. Basis of Presentation

Government-Wide Statements -The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. All of the Town's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The Town has no operating activities that would be considered "business activities".

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

Fund Financial Statements- The accounts of the Town in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues collected, and expenditures paid. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements. The emphasis in fund financial statements is on the major funds. Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The following fund types are used by the Town:

General Fund – The general fund is the general operating fund of the Town. 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 – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. The Town maintains six special revenue funds. The Road and Bridge and Permanent Hard Road Funds, both major funds, account for expenditures relating to road projects, which are funded mainly by property taxes. The Park Maintenance Fund, a major fund, accounts for revenue and expenditures related to recreation programs funded mainly by property taxes and user fees. The Metra Station Fund, a major fund, accounts for revenue and expenditures relating to the upkeep of the Prairie View Metra Station which is funded by parking fees.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are presented using the modified cash basis of accounting. The Town maintains its accounting records for all funds on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. The cash basis of accounting is modified by reflecting accumulated depreciation and depreciation expense related to capital assets on the government-wide financial statements.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

4. Assets and Liabilities

Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, with original maturities of three months or less from the date of acquisition.

Investments - Investments are reported at cost, which approximates fair value. Gains or losses on the sale of investments are recognized upon realization.

Inventories - It is the Town's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

Capital Assets - Capital assets, which include land, land improvements, buildings, infrastructure, machinery and equipment, and construction in progress are reported in the government – wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 (\$25,000 for infrastructure assets) and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Under GASB 34, the Town elected to begin capitalizing infrastructure assets on April 1, 2004.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight line method over the following estimated useful lives: land improvements – 10 years, buildings – 20 to 50 years, infrastructure – 10 to 50 years, machinery and equipment – 5 to 10 years.

Compensated Absences - Under the cash basis of accounting, the Town does not accrue accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. Vacations and the associated employee-related costs are recorded when paid.

Eliminations and Reclassifications - In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

5. Net Position/Fund Balance Classifications

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets 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 legislation.
- c. Unrestricted – All other amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, the Town implemented in 2012 GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in a nonspendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the Town takes the same highest level of action to remove or change the constraint.
- Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained the authority to assign fund balances.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget.

6. Budgets and Budgetary Accounting

The budget for all funds is prepared on the cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Town Supervisor and Road District Commissioner submit to the Town’s Board of Trustees a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

TOWN OF VERNON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 MARCH 31, 2016

- c. The budget is legally enacted through passage of an ordinance. The ordinance was passed on April 11, 2015. No budgets were amended during the current year.
- d. The Town's Supervisor and Road District Commissioner are authorized to transfer budgeted amounts of up to 10% of amount budgeted between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town's Board of Trustees. There were no revisions to the budget.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for all funds are adopted on the cash basis. Budgetary comparisons presented in this report are on the cash basis of accounting.

7. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits and Investments - Statutes authorize the Town 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, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool. The Illinois Funds Investment Pool is an external investment pool regulated by State statutes, and values participant's shares on a fair value basis. The fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Custodial Credit Risk. For an investment, custodial credit is risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments, if any, are registered in the Town's name. Town policy requires that bank deposits in excess of FDIC limits are collateralized with securities held by the financial institution's agents in the Town's name.

The carrying amount of deposit accounts at March 31, 2016 was \$1,597,879 and the bank balance was \$1,710,172. The deposits are categorized in accordance with risk factors established by governmental reporting standards.

Amount insured by FDIC	\$ 1,248,654
Amount collateralized with securities held by the pledging financial institution's agent in the Town's name	324,602
Uncollateralized balance	136,916
Total bank balance	\$ 1,710,172

In addition, the Town had \$200 of cash on hand as of March 31, 2016.

Interest Rate Risk. Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The Town's investment policy does not limit the maturities of investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

	Total	Maturity in years	
		Less than one year	More than one year
Petty cash	\$ 200	\$ 200	\$ -
Investments:			
Illinois Funds	1,625,582	1,628,582	-
Total investments	1,625,582	1,628,582	-
Deposit accounts:			
Certificates of deposit	721,823	721,823	-
Other deposit accounts	876,056	876,056	-
Total deposit accounts	1,597,879	1,597,879	-
Total cash and investments	\$ 3,223,661	\$ 3,226,661	\$ -

Credit Risk. The Town invests in certificates of deposit, Illinois Funds and a fixed annuity contract. The fixed annuity contract is not rated. Among others, the Town is allowed to invest in banks insured by the Federal Deposit Insurance Corporation, obligations of the Treasury and U.S. Agencies and the Illinois Funds. The Town's investment in Illinois Funds was rated AAAM by Standard and Poor's.

NOTE C - PROPERTY TAXES

The Town's property tax is levied each year on all taxable real property located in the Town and is extended by the county clerk on or before the last Tuesday in December of the year of levy. The lien date is January 1 of the year of the levy. Taxes are due to the County in two equal installments on June 1 and September 1 of the year following the levy year. Distributions are made to the Town by the County shortly after collection by the County. The 2014 levy was adopted by the Town on December 13, 2014 and the 2015 levy was adopted on December 12, 2015. The 2014 levy is included in the current year's cash receipts and was allocated as follows:

Fund	2014 Levy
Town	\$ 1,977,306
Road and bridge	474,561
Permanent road	669,129
Park maintenance	237,860
General assistance	-
	<u>\$ 3,358,856</u>

NOTE D - CAPITAL ASSETS

A summary of changes in the Town's capital assets is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Land, not depreciated	\$ 983,909	\$ -	\$ -	\$ 983,909
Construction in progress	18,538	-	(18,538)	-
Land improvements	2,012,523	-	-	2,012,523
Building and improvements	2,551,691	109,344	-	2,661,035
Machinery and equipment	1,190,550	-	-	1,190,550
Infrastructure	4,164,616	888,944	-	5,053,560
Totals	10,921,827	998,288	(18,538)	11,901,577
Accumulated depreciation	6,015,687	630,459	-	6,646,146
Net totals	<u>\$ 4,906,140</u>	<u>\$ 367,829</u>	<u>\$ (18,538)</u>	<u>\$ 5,255,431</u>

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

Depreciation expense was charged to governmental activities as follows:

General government	\$ 37,547
Road and bridge maintenance	495,762
Park operations	36,865
Cemetery	10,013
Metra maintenance	50,272
	<u>\$ 630,459</u>

NOTE E - DEFERRED COMPENSATION PLAN

Employees of the Town may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation plans with Respect to Service for State and Local Governments.)

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. The Town has an obligation of due care in selecting this third party administrator.

NOTE F - DEFINED BENEFIT PENSION PLAN

Plan Description

The Town's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Town's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available comprehensive financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.imrf.org.

Benefits Provided

IMRF provides retirement, disability, post retirement increases, and death benefits. Your "Tier" determines your IMRF benefits. Your tier is determined by the first date you began participating in IMRF or certain Illinois reciprocal systems. Most IMRF members participate in the Regular plan. Regular plan members work for local units of government that participate in IMRF. Government types include school districts, cities, villages, townships, counties (except Cook), fire protection districts, library districts, and park districts.

If you first participated in IMRF or reciprocal system (except Judges or General Assembly retirement systems):

- Before January 1, 2011, you are in Tier 1
- On or after January 1, 2011, you are in Tier 2

To begin receiving an IMRF Tier 1 Regular Plan pension, you:

- Must have at least eight years of service credit (can include reciprocal retirement system service credit)

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

- Cannot be working in any position which qualifies for IMRF participation.
- Must be at least age 55.

Although you can retire as early as age 55, age 60 is your full retirement age. Your pension may be reduced if you retire before age 60, depending upon the amount of service credit you have.

Under Tier 1, your pension is increased by 3% of the original amount on January 1 every year after you retire. Your first annual increase is based upon the number of months you are retired in your first year. If your pension effective date is January 1, your first year increase will also be 3%. Otherwise, your first year increase will be less than 3%.

Under Tier 2, your pension is increased by the lower of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding year of the original amount. Annual increases begin the January following the year you reach age 67 or after you receive one year of pension payments, whichever is later. If the CPI decreases or is zero, no increase is paid.

For additional benefit information, please see pages B-1 - B-5 of the December 31, 2015 Annual Actuarial Valuation report dated April 1, 2016 or Article 7 of the Illinois Pension Code.

Employees Covered by Benefit Terms.

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries	14
Inactive, non-retired members	9
Active members	<u>22</u>
	<u><u>45</u></u>

Contributions

As set by statute, the Town's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Town's annual required contribution rate for calendar year 2015 was 10.01 percent. The Town also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Town's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of that date.

TOWN OF VERNON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 MARCH 31, 2016

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Aggergate Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	2.75 percent
Salary Increases	3.75 percent to 14.50 percent including inflation
Investment Rate of Return	7.50 percent

Projected retirement age was from the experience-based table of rates that are specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

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

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	38.0%	7.4%
International Equity	17.0%	7.6%
Fixed Income	27.0%	3.0%
Real Estate	8.0%	6.0%
Alternative Investments	9.0%	2.75-8.15%
Cash Equivalents	1.0%	2.25%

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

Single Discount Rate

The Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; municipal bond rate is 3.57% (based on weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Pension Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

Changes in Net Pension Liability – Calendar Year Ended December 31, 2015

Total pension liability	
Service cost	\$ 153,832
Interest on the total pension liability	589,517
Changes of benefit terms	-
Difference between expected and actual experience	(294,278)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(267,825)</u>
Net change in total pension liability	\$ 181,246
Total pension liability - beginning	<u>7,917,218</u>
Total pension liability - ending	<u><u>\$ 8,098,464</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 135,587
Contributions - employee	60,953
Net investment income	40,104
Benefit payments, including refunds of employee contributions	(267,825)
Other (net transfer)	<u>(149,564)</u>
Net change in plan fiduciary net position	\$ (180,745)
Plan fiduciary net position - beginning	<u>8,056,383</u>
Plan fiduciary net position - ending	<u><u>\$ 7,875,638</u></u>
Net pension liability/(asset)	<u><u>\$ 222,826</u></u>
Plan fiduciary net position as a percentage of the total pension liability	97.25%
Covered valuation payroll	\$ 1,354,523
Net pension liability as a percentage of covered payroll	16.45%

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Town calculated using the Single Discount Rate of 7.50% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	<u>\$ 1,188,426</u>	<u>\$ 222,826</u>	<u>(582,396)</u>

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Town recognized pension expense of \$277,337 and calculated net future deferred outflows of resources in the amount of \$220,241 related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 224,433
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	444,674	-
Total deferred future amounts	\$ 444,674	\$ 224,433

Amounts reported as net future deferred outflows of resources related to pensions will be recognized in pension expense in the following periods:

Year ended December 31:

2016	\$ 41,324
2017	41,324
2018	41,324
2019	96,269
2020	-
Thereafter	-
Total	\$ 220,241

NOTE G – POST-EMPLOYMENT BENEFITS

The Town has evaluated its potential other post-employment benefits liability. The Town offers continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Town are required to pay 100% of the premium. No former employees have chosen to stay in the Town's health insurance plan. There has been 0% utilization and there is no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Town has no former employees for whom the Town was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. The Town has no postemployment liability as of March 31, 2016.

TOWN OF VERNON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 MARCH 31, 2016

NOTE H – FUND BALANCES

As of March 31, 2016, restricted fund balances are composed of the following:

Activity	Amount
Road and bridge maintenance	\$ 339,270
Permanent road	171,986
Park operations	450,869
Metra station	350,903
General assistance	46,833
Cemetery	244,879
Total restricted net assets	\$ 1,604,740
Committed Net Assets	
Metra Station - maintenance	\$ 340,000

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned balances are available, the Town considers amounts to have been spent first from committed funds, next from assigned funds, and lastly from unassigned funds, unless the Board of Trustees has provided for otherwise in its commitment or assignment actions.

NOTE I - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in the Township Officials of Illinois Risk Management Association (TOIRMA). TOIRMA is an organization of townships and road districts in Illinois, which have formed an association under the Illinois Intergovernmental Cooperation Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages, property, casualty and workers compensation claim administration/litigation management services, unemployment claim administration, risk management/loss control consulting and training programs and a risk information system and financial reporting service for its members.

The Association is governed by a Board of Trustees which, at a minimum, shall be comprised of five individuals who are elected or appointed officials of member townships and/or road districts. The Chairman of the Board of Trustees is elected by majority vote of the Board.

The government's payments to TOIRMA are included in the financial statements as expenditures in the appropriate funds.

The relationship between the Township and TOIRMA is governed by a contract and by-laws that have been adopted by resolution at each unit's governing body. The Town is contractually obligated to make all annual and supplementary contributions for TOIRMA, to report claims on a timely basis, cooperate with TOIRMA, its claims administrator, and attorneys in claims investigation and settlement, and to follow risk management procedures outline by TOIRMA. Members have a contractual obligation to fund any deficit of TOIRMA attributable to a membership during which they were a member.

TOWN OF VERNON
NOTES TO THE BASIC FINANCIAL STATEMENTS
MARCH 31, 2016

TOIRMA is responsible for administering the self-insurance program and purchasing excess insurance according to direction of the Board of Directors. TOIRMA also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended March 31, 2016, there were no significant reductions in insurance coverage. The Town has not paid any settlements in excess of insurance coverage in the past three fiscal years.

The Town carries commercial insurance for risks of loss for employee health coverage.

NOTE J – MOTOR FUEL TAX ALLOTMENTS

The Town Highway Department has accumulated motor fuel tax funds from the State of Illinois Department of Transportation. In accordance with state statutes, this money is deposited with the County and recorded by the County in a Trust and Agency Fund. During the fiscal year, the Town was allocated \$10,109 of motor fuel tax funds. The Town can use these funds to finance repairs and maintenance of Town roads. When motor fuel tax funds are spent, they are recorded as revenues and expenses in the Permanent Road Fund. However, these amounts are not shown in the budgetary comparison schedules because they are not budgeted for by the Town. The Town had an available balance of \$19,146 at the end of the fiscal year and \$25,894 was disbursed during the fiscal year.

NOTE K – COMMITMENTS AND CONTINGENCIES

Contingent Liability

There are currently various pending objections to certain property taxes levied by the Town. Total objection amounts are as follows:

Special Road/Gravel Tax	\$ 258,948
General Assistance Tax	2,671

The Town intends to vigorously contest these objections. The likely amount of loss, if any, cannot be estimated at this time.

NOTE L – CHANGE IN ACCOUNTING PRINCIPLE

Effective for the year ended March 31, 2016, the Town has implemented GASB Statement No. 68, *Financial Report for Pension Plans – An Amendment of GASB Statement No. 27* and also GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* which amends and supersedes the accounting and financial reporting guidelines for certain pension plans. The objective is to improve financial reporting by state and local government pension plans by providing useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

NOTE M – SUBSEQUENT EVENTS

The Town has evaluated subsequent events through September 26, 2016, the date on which the financial statements were available to be issued.

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

	<u>2015</u>	
TOTAL PENSION LIABILITY		
Service cost	\$ 153,832	
Interest on the total pension liability	589,517	
Changes in benefit terms	-	
Difference between expected and actual experience	(294,278)	
Changes of assumptions	-	
Benefit payments	<u>(267,825)</u>	
Net change in total pension liability	181,246	
Total pension liability - beginning	<u>7,917,218</u>	
Total pension liability - ending		\$ 8,098,464
PLAN FIDUCIARY NET PENSION		
Employer contributions	135,587	
Employee contributions	60,953	
Net investment income	40,104	
Benefit payments	(267,825)	
Other (net transfer)	<u>(149,564)</u>	
Net change in plan fiduciary net position	(180,745)	
Plan fiduciary net position - beginning	<u>8,056,383</u>	
Plan fiduciary net position - ending		<u>7,875,638</u>
NET PENSION LIABILITY (ASSET)		<u>\$ 222,826</u>
Plan fiduciary net position as a percentage of the total pension liability	97.25%	
Covered valuation payroll	\$ 1,354,523	
Net pension liability as a percentage of covered valuation payroll	16.45%	

Note: The Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans, An Amendment to GASB Statement No. 27*. The Statement requires the last ten fiscal years of information to be presented. Information prior to 2015 was unavailable.

TOWN OF VERNON
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Valuation Payroll (c)	Actual Contribution as a % of Covered Valuation Payroll (b/c)
December 31, 2015	\$ 135,588	\$ 135,588	\$ -	\$ 1,354,523	10.01%

Note: The Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans, An Amendment to GASB Statement No. 27*. The Statement requires the last ten fiscal years of information to be presented. Information prior to 2015 was unavailable.

TOWN OF VERNON
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
MARCH 31, 2016

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate
Based on Valuation Assumptions used in the December 31, 2013 Actuarial Valuation

Valuation Date

Notes: The actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level of Percentage of Payroll, Closed
Remaining Amortization Period:	28-year closed period
Asset Valuation Method:	5-Year smoothed market: 20% corridor
Wage Growth:	4.00%
Price Inflation:	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16.00% including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information

Notes: There were no benefit changes during the year.

TOWN OF VERNON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	\$ 1,983,427	\$ 1,977,306	\$ (6,121)
State replacement tax	10,000	10,147	147
Interest	4,000	2,220	(1,780)
Rentals	12,000	12,326	326
Passport revenue	65,000	89,923	24,923
Grants	70,000	80,555	10,555
Taxi	20,000	13,495	(6,505)
Miscellaneous	23,500	16,749	(6,751)
Total cash receipts	<u>2,187,927</u>	<u>2,202,721</u>	<u>\$ 14,794</u>
DISBURSEMENTS			
General governmental services	2,156,100	1,506,066	\$ (650,034)
Assessor	533,725	476,532	(57,193)
Capital acquisitions	345,000	-	(345,000)
Total disbursements	<u>3,034,825</u>	<u>1,982,598</u>	<u>\$ (1,052,227)</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(846,898)	220,123	
OTHER SOURCES (USES)			
Proceeds from sale of assets	-	-	
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(846,898)	220,123	
FUND BALANCE - Beginning of year	<u>1,027,798</u>	<u>1,027,798</u>	
FUND BALANCE - End of year	<u>\$ 180,900</u>	<u>\$ 1,247,921</u>	

TOWN OF VERNON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
 YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	\$ 477,000	\$ 474,561	\$ (2,439)
State replacement tax	16,000	17,787	1,787
Interest	500	513	13
Intergovernmental agreement	30,000	26,844	(3,156)
Fines	200	3,278	3,078
Miscellaneous	20,000	980	(19,020)
Total receipts	<u>543,700</u>	<u>523,963</u>	<u>\$ (19,737)</u>
DISBURSEMENTS			
General governmental services	343,650	253,859	(89,791)
Maintenance	303,655	100,489	(203,166)
Capital acquisitions	366,000	235,023	(130,977)
Total disbursements	<u>1,013,305</u>	<u>589,371</u>	<u>\$ (423,934)</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(469,605)	(65,408)	
OTHER SOURCES (USES)			
Proceeds from sale of assets	-	-	
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(469,605)	(65,408)	
FUND BALANCE - Beginning of year	<u>404,678</u>	<u>404,678</u>	
FUND BALANCE - End of year	<u>\$ (64,927)</u>	<u>\$ 339,270</u>	

TOWN OF VERNON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PERMANENT ROAD FUND
 YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	\$ 670,000	\$ 669,129	\$ (871)
Grants	-	20,000	20,000
Interest	500	389	(111)
Miscellaneous	500	41,648	41,148
Total cash receipts	671,000	731,166	\$ 60,166
DISBURSEMENTS			
Maintenance	685,578	494,067	\$ (191,511)
Capital acquisitions	680,000	698,325	18,325
Total disbursements	1,365,578	1,192,392	\$ (173,186)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(694,578)	(461,226)	
OTHER SOURCES (USES)			
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(694,578)	(461,226)	
FUND BALANCE - Beginning of year	633,212	633,212	
FUND BALANCE - End of year	\$ (61,366)	\$ 171,986	

TOWN OF VERNON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PARK MAINTENANCE FUND
 YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Property taxes	\$ 238,596	\$ 237,860	\$ (736)
Interest	100	336	236
Rentals	7,400	8,575	1,175
Park fees	154,500	163,671	9,171
Grants	120,000	120,028	28
Miscellaneous	500	324	(176)
Total cash receipts	521,096	530,794	\$ 9,698
DISBURSEMENTS			
Capital acquisitions	67,000	-	\$ (67,000)
Operations	321,600	292,153	(29,447)
Total disbursements	388,600	292,153	\$ (96,447)
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS			
	132,496	238,641	
OTHER SOURCES (USES)			
Interfund transfer	-	-	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)			
	132,496	238,641	
FUND BALANCE - Beginning of year	212,228	212,228	
FUND BALANCE - End of year	\$ 344,724	\$ 450,869	

TOWN OF VERNON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - METRA STATION FUND
 YEAR ENDED MARCH 31, 2016

	Original and Final Budget	Actual	Over (Under) Budget
CASH RECEIPTS			
Parking fees	\$ 90,000	\$ 121,804	\$ 31,804
Interest	1,000	665	(335)
Miscellaneous	500	-	(500)
Total cash receipts	<u>91,500</u>	<u>122,469</u>	<u>\$ 30,969</u>
DISBURSEMENTS			
Capital acquisitions	25,000	-	\$ (25,000)
Metra station maintenance	172,400	98,593	(73,807)
Total disbursements	<u>197,400</u>	<u>98,593</u>	<u>\$ (98,807)</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(105,900)	23,876	
OTHER SOURCES (USES)			
Interfund transfer	<u>-</u>	<u>-</u>	
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(105,900)	23,876	
FUND BALANCE - Beginning of year	<u>667,027</u>	<u>667,027</u>	
FUND BALANCE - End of year	<u>\$ 561,127</u>	<u>\$ 690,903</u>	

TOWN OF VERNON
NOTES TO SUPPLEMENTAL INFORMATION
MARCH 31, 2016

Note 1 - Budgetary Basis of Accounting

Budgets are adopted on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Note 2 - Over Expenditure of Budget

None of the funds had total expenditures which exceeded their total budget.

TOWN OF VERNON
 COMBINING STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)
 NONMAJOR GOVERNMENTAL FUNDS
 MARCH 31, 2016

ASSETS	<u>General Assistance</u>	<u>Cemetery</u>	<u>Total</u>
Cash	\$ 46,833	\$ 244,879	\$ 291,712
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 46,833</u>	<u>\$ 244,879</u>	<u>\$ 291,712</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Reserved			
Special revenues	46,833	244,879	291,712
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>46,833</u>	<u>244,879</u>	<u>291,712</u>
Total liabilities and fund balances	<u>\$ 46,833</u>	<u>\$ 244,879</u>	<u>\$ 291,712</u>

TOWN OF VERNON
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND BALANCES (CASH BASIS)
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED MARCH 31, 2016

	<u>General Assistance</u>	<u>Cemetery</u>	<u>Total</u>
CASH RECEIPTS			
Property taxes	\$ -	\$ -	\$ -
Interest	70	243	313
Cemetery lot sales	-	43,350	43,350
Grave opening fees	-	16,100	16,100
Miscellaneous	-	100	100
Total cash receipts	<u>70</u>	<u>59,793</u>	<u>59,863</u>
DISBURSEMENTS			
Home relief	26,819	-	26,819
Cemetery	-	17,430	17,430
Capital acquisitions	-	46,402	46,402
Maintenance	-	-	-
Total disbursements	<u>26,819</u>	<u>63,832</u>	<u>90,651</u>
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,749)	(4,039)	(30,788)
OTHER SOURCES (USES)			
Interfund transfer	-	-	-
EXCESS (DEFICIENCY) OF CASH AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER (USES)	(26,749)	(4,039)	(30,788)
FUND BALANCES - Beginning of year	<u>73,582</u>	<u>248,918</u>	<u>322,500</u>
FUND BALANCES - End of year	<u>\$ 46,833</u>	<u>\$ 244,879</u>	<u>\$ 291,712</u>

TOWN OF VERNON
COMPARATIVE TAX DATA
MARCH 31, 2016

YEAR OF LEVY	2015	2014	2013	2012	2011	2010
TAX EXTENSION						
Corporate	\$ 2,068,956	\$ 1,983,427	\$ 1,943,767	\$ 1,885,818	\$ 1,883,205	\$ 2,000,906
General assistance	-	-	-	34,923	75,328	-
Cemetery	-	-	-	-	-	-
Road and bridge (net)	473,320	476,068	477,112	479,100	477,433	486,760
Permanent road	694,363	670,779	435,672	698,451	414,305	1,000,453
Park maintenance	179,924	238,596	234,593	174,613	188,321	160,072
	<u>\$ 3,416,563</u>	<u>\$ 3,368,870</u>	<u>\$ 3,091,144</u>	<u>\$ 3,272,905</u>	<u>\$ 3,038,592</u>	<u>\$ 3,648,191</u>
TAX RATES						
Corporate	0.059	0.059	0.058	0.054	0.050	0.050
General assistance	-	-	-	0.001	0.002	-
Cemetery	-	-	-	-	-	-
Road and bridge	0.026	0.026	0.027	0.026	0.024	0.023
Permanent road	0.020	0.020	0.013	0.020	0.011	0.025
Park maintenance	0.005	0.007	0.007	0.005	0.005	0.004
	<u>0.110</u>	<u>0.112</u>	<u>0.105</u>	<u>0.106</u>	<u>0.092</u>	<u>0.102</u>
ASSESSED VALUATION	<u>\$ 3,489,611,822</u>	<u>\$ 3,353,895,158</u>	<u>\$ 3,351,323,189</u>	<u>\$ 3,492,255,942</u>	<u>\$ 3,766,410,622</u>	<u>\$ 4,001,812,095</u>
COLLECTIONS		<u>\$ 3,358,856</u>	<u>\$ 3,085,501</u>	<u>\$ 3,269,871</u>	<u>\$ 3,036,311</u>	<u>\$ 3,643,995</u>
Ratio of collections to extensions		<u>99.70%</u>	<u>99.82%</u>	<u>99.91%</u>	<u>99.92%</u>	<u>99.88%</u>

Tax extensions above reflect only the Town's portion of the Road and Bridge Levy.
Tax rates reflect the gross used for extension purposes by the County.