

# Village of Morton Grove

Morton Grove, Illinois



Incredibly Close  Amazingly Open

## Comprehensive Annual Financial Report

*For the Fiscal Year Ended December 31, 2015*

**VILLAGE OF MORTON GROVE, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
December 31, 2015

Prepared by Finance Department

Hanna Sullivan  
Finance Director

**VILLAGE OF MORTON GROVE, ILLINOIS**  
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## **INTRODUCTORY SECTION**

VILLAGE OF MORTON GROVE, ILLINOIS  
 PRINCIPAL OFFICIALS AND OFFICERS  
 December 31, 2015

<b>ELECTED</b>	<b>TITLE/POSITION</b>	<b>TERM/APPOINTMENT ENDS</b>
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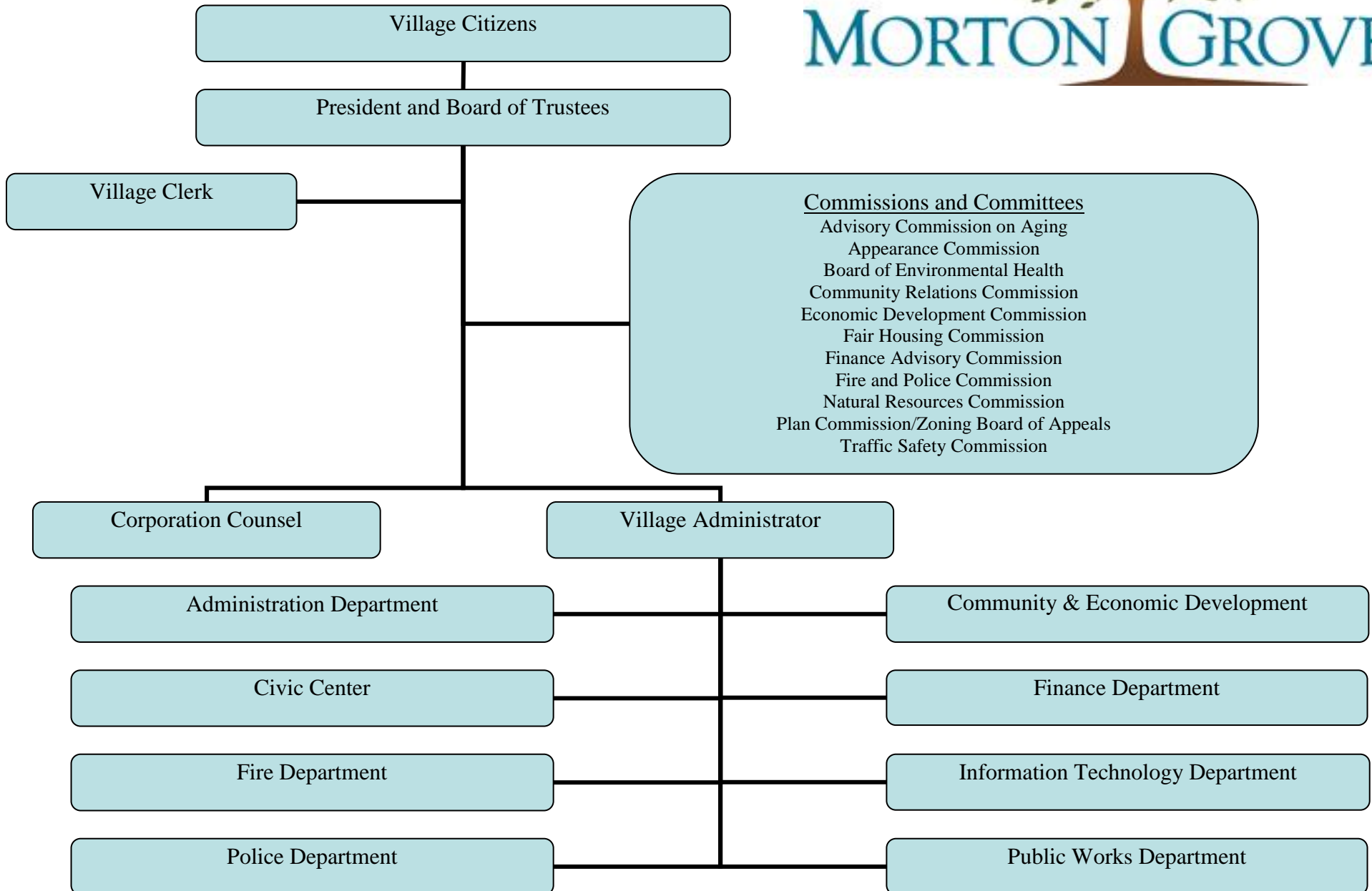
Daniel DiMaria	Mayor	April 2017
Bill Gear	Trustee	April 2017
Rita Minx	Trustee	April 2019
John Pietron	Trustee	April 2017
John Thill	Trustee	April 2019
Janine Witko	Trustee	April 2019
Ed Ramos	Trustee	April 2017
Connie Travis	Village Clerk	April 2017

**APPOINTED**

Ralph Czerwinski	Village Administrator	December 31, 2015
Hanna Sullivan	Finance Director	December 31, 2015
Nancy Radzevich	Economic Development Director	December 31, 2015
Teresa Hoffman Liston	Corporation Counsel	December 31, 2015
Thomas Friel	Fire Chief	December 31, 2015
Michael Simo	Police Chief	December 31, 2015
Andrew DeMonte	Public Works Director	December 31, 2015
Lauren Plahm	Adjudication Hearing Officer	December 31, 2015
Frank Tennant	Village Prosecutor	December 31, 2015



**Village of Morton Grove  
Organization Chart  
2015**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Village of Morton Grove  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

September 16, 2016

The Citizens of the Village of Morton Grove,  
Village President Dan DiMaria, Board of Trustees,  
and Other Interested Parties

The Comprehensive Annual Financial Report of the Village of Morton Grove, Illinois for the year ended December 31, 2015, is hereby submitted as mandated by both local ordinance and state statute. These mandates require that the Village annually issue a report on its financial position and activity presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by an independent firm of certified public accountants.

Management staff assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management staff has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free of any material misstatements. As management staff, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village's financial statements have been audited by Sikich LLP, a firm of independent certified public accountants. The independent auditor concluded that there was a reasonable basis for rendering an unmodified ("clean") opinion on the Village of Morton Grove's financial statements for the year ended December 31, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### ***Profile of the Village of Morton Grove***

The Village of Morton Grove, incorporated in 1895, is a near north suburb of Chicago, located ten miles northeast of O'Hare International Airport. The Village encompasses an area of five square miles and has a population of 23,270 residents according to the 2010 census. The Village is a diversified and balanced community of residential areas, completed by commercial and light to medium manufacturing districts. Village residents are served by five elementary and two secondary school districts.

Board of Trustees and  
Citizens of the Village of Morton Grove

The Village of Morton Grove is governed as a home rule community under Illinois law and operates under a President/Trustee form of government with a full time Administrator. The home rule status was confirmed by a special referendum held on March 18, 1980.

As a home rule municipality, the Village is permitted to carry out its own governing procedures, except where specifically prohibited by the State Legislature. The Village President and six members Board of Trustees are elected at large for four-year terms. The President, with concurrence from the Board, appoints the Village Administrator and all Department Directors. The Village Administrator is the Chief Administrative Officer who oversees the day to day operations of the Village. The Village has eight departments: police, fire, public works, community and economic development, health and human services, code enforcement, finance and administration.

The Village of Morton Grove Comprehensive Annual Financial Report (CAFR) includes all of its governmental operation funds, pension trust funds (the Morton Grove Firefighters' Pension Fund, Morton Grove Police Pension Fund and the General Pension Fund). The accompanying financial statements include only those funds of the Village, as there is no other organization for which it has financial accountability. The pension funds are determined to be pension trust funds due to their fiduciary and fiscal relationships with the Village as their sole purpose is to provide retirement benefits to the Village's civilian employees, sworn firefighters and police officers. The Public Library is no longer reported as a discrete component unit with the implementation of GASB Statement No 61.

The annual budget serves as the foundation for the Village's financial planning and control. Budgetary appropriations for the operations of various Village departments are established through the adoption of an annual Budget Ordinance by the Village Board of Trustees.

On November 10, 1997, the Village Board of Trustees approved Ordinance 97-53 that changed the fiscal year end date from April 30 to December 31. This was done to align property tax receipts with the year they are intended to finance and allow the budget preparation process to begin when municipal operations are generally at a more manageable level.

### ***Local Economy***

The Village of Morton Grove's principal growth took place during the late 50's and early 60's when the population increase from 7,427 to 20,533 residents. The Village primarily consists of residential land uses. Significant industrial, office and commercial land uses are also located in the community. Little vacant land remains for commercial and office development or light manufacturing. Approximately twenty percent (20%) of the Village's land area is Cook County Forest Preserve property.

Although the Village's population has stabilized several years ago, it remains a vibrant economic community and is a desirable place to live. The unemployment rate remained relatively stable over the years: however, it had risen to 8.9% in 2010 and remained the same until 2012 due to the economic recession. Unemployment has decreased to 8.0% as of 2014.

Residents in Morton Grove enjoy a pleasant suburban environment with an easy commute into the City of Chicago for work or entertainment.

Board of Trustees and  
Citizens of the Village of Morton Grove

The median income for a household in the village was \$73,939, and the median income for a family was \$83,277. Males had a median income of \$59,014 versus \$54,052 for females. The per capita income for the village was \$32,676. About 5.6% of families and 6.8% of the population were below the poverty line, including 9.0% of those families with children under age 18 and 4.5% of those ages 65 or over.

Like other communities, the Village of Morton Grove was affected by the prolonged national and regional recession 2008 through 2012. Economists have declared this downturn to be a recession as there has been a deterioration of the labor market, and declines in consumer spending, business investments and industrial production. The economy is showing signs of improvement however the recovery has been slow. The Federal Reserve increased the interest rates for the first time in a decade at the end of 2015 to a current rate between 0.25-.5 percent.

There are several factors that impact the local finances of the Village. These factors include desirability of goods and services provided by the local business community and action taken by the Village Board. During the calendar year the Village recognized changes in the local economic climate. The sales tax trend has shown signs of recovery. However building permits and business license revenues have not returned to levels prior to the economic downturn.

The Village is impacted at the local level by regional, state, and national economic conditions as well as governance of the State of Illinois and weather conditions. Several important revenue sources are affected by economic conditions beyond the Village's control. The State has not passed a State budget, which could impact the local share of State revenues. Additionally, property tax receipts collected by the Cook County are in flux as the billing and payment deadline dates are often delayed further making it difficult to anticipate the cash flow and plan for the outstanding debt service.

The economy is not expected to fully recover for several years. Local governments are still being faced with the difficult choices of reducing service levels, assessing staffing levels, and maintaining adequate reserves. The Village of Morton Grove has weathered this recession and slow recovery very well. By re-evaluating every aspect of the Village's operations for opportunities for new revenues and cost containment. Some of the positive cost containment results were due to staff reductions with limited backfill, procurement savings realized through a municipal partnering initiative in joint proposals for goods and services, reductions in general operating expenses as a result of re-evaluating many budgeted items and cost-sharing through new intergovernmental agreements with neighboring communities.

The Village Board, Management and staff is pleased to report that they have been successful in achieving their primary goal of maintaining service levels to the greatest extent possible while taking measures to reduce their expenditures.

A number of infrastructure improvements have been completed throughout the Village in recent years. These improvements are most prominent in the Village's three tax increment financing districts (TIF). The Lehigh/Ferris tax increment district has been designated for transit-oriented development which has fostered new condominium and town home development. A main Village arterial street is also scheduled for improvements in the upcoming years which will allow for needed infrastructure upgrades and an improved streetscape.

### ***Long-Term Financial Planning***

An analysis of long range issues invariably focuses on the Village's infrastructure. Approximately \$30 million of streets, alleys, bridges, water mains, and storm sewers are deployed throughout the Village. Routine maintenance and restoration is a significant expense each year. The continued viability of this infrastructure network is a priority for the Village Board.

In response to the long-range need to finance infrastructure work, the Village is very active in the area of economic development. The Village works to attract new businesses to the community while retaining and strengthening existing establishments. The Village has been active in its use of tax increment financing (TIF) and private activity bonds assistance to promote economic development. The ultimate goal is for the resulting economic growth to provide additional sales tax and other resources to help support the existing tax base of the Village.

### ***Major Initiatives and Accomplishments***

The Village provided the framework goals to provide outstanding services and programs in a fiscally prudent environment. The goals included continuing to improve the operating budget and financial practices to promote efficient service delivery, fiscal responsibility and transparency, continuing to improve operations, maximize quality of service and efficiency, enhancing the Village's community planning and economic development efforts, develop intergovernmental relationships, enhancing the Village communication program to promote dissemination of information to customers and improving the capital improvement program in an effective and fiscally-responsible manner.

The Waukegan Road tax increment financing district has been successful in removing unsightly properties and promoting a feeling of increased safety and pride in the community.

The Village has issued \$10 million in bonds, partially to refund 6.4 million in bonds from 2007, with the rest of the proceeds to fund the capital equipment and infrastructure improvements in and for the Village, including waterworks and sewerage system improvements, street improvements and the purchase of a new ambulance.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. This was the twenty-seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

Board of Trustees and  
Citizens of the Village of Morton Grove

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and the cooperation and assistance of the staffs of the other departments of the Village.

Finally, appreciation is expressed to the Village Administrator, Village President and Board of Trustees for their leadership and support in planning and conducting the fiscal affairs of the Village in a responsible manner.

Sincerely,



Hanna Sullivan  
Finance Director

## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**



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**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President  
Members of the Board of Trustees  
Village of Morton Grove  
Morton Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Morton Grove, Illinois (the Village) as of and for the year ended December 31, 2015 and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Morton Grove, Illinois, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2014 and we expressed unmodified opinions on those basic financial statements. That audit was conducted for purposes of forming an opinion on the basic financial statements as a whole. The 2014 comparative information included on certain combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 information is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Sikich LLP*

Naperville, Illinois  
September 16, 2016

## **GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS**

# **VILLAGE OF MORTON GROVE, ILLINOIS**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2015**

---

As management of the Village of Morton Grove, Illinois (“the Village”) or (“Morton Grove”), we offer readers of the Village’s financial statements this narrative overview and analysis of the financial activities of the Village for the calendar year ended December 31, 2015.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-viii of this report.

### **USING THIS ANNUAL REPORT**

The accounting standards reflected in this report are designed to provide two perspectives of the Village’s financial performance; a focus on the Village as a whole (government-wide) and a focus on the major individual funds. Both perspectives (government-wide and major fund) provide a broader basis upon which to compare and judge the Village’s financial accountability.

The Statement of Net Position and the Statement of Activities provided information about the activities of the Village as a whole and present a longer-term view of the Village’s finances. For governmental activities, these statements tell how these services were financed in the short term as well as what is available for future spending. Fund financial statements also report the Village’s operations in more detail than the government-wide statements by providing information about the Village’s most significant funds. The remaining statements provide financial information about fiduciary activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Village’s finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Village’s net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result

(See independent auditor’s report.)

in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities reflect the Village's basic services, including general government, police, fire, public works, economic development, senior services, emergency 911 services, fire alarm, tax increment financing districts, motor fuel taxes and related expenditures, and capital projects. Sales tax, property tax levies, and shared state income taxes finance the majority of these services. Business-type activities of the Village consist of the municipal water and sewer system, solid waste and municipal parking operations.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## **GOVERNMENTAL FUNDS**

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

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

The Village maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Lehigh/Ferris TIF Fund and the Waukegan Road TIF Fund and the Capital Projects Fund, all of which are considered to be Major Funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in a later section of this report.

(See independent auditor's report.)

The Village adopts an Annual Budget for all funds. A budgetary comparison statement has been provided where appropriate to demonstrate compliance with these budgets.

## **PROPRIETARY FUNDS**

The Village maintains one type of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The Village uses an Enterprise Fund to account for its municipal water and sewer operations, solid waste function and municipal parking lots.

Proprietary Funds provide the same type of information as the Government-Wide Financial Statement, only in more detail. The Proprietary Fund financial statement provides separate information for the Water and Sewer Fund, which is considered to be a major fund of the Village. Individual fund information for non-major enterprise funds is found in combining statements in a later section of this report.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Municipal Employees' Retirement Fund, Police Pension Fund and Firefighters' Pension Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting use for fiduciary funds is much like that used for Proprietary Funds.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. These notes can be found beginning with page 22 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's Illinois Municipal Retirement Fund, Sheriff's Law Enforcement Personnel Plan, Municipal Employee's Retirement Fund, Police and Firefighters' Pension Fund, and Other Post-Employment Benefit Employee Pension Obligation. The required supplementary information also contains budget to actual comparison schedule for the General Fund, Lehigh/Ferris TIF Fund and the Waukegan Road TIF Fund. Required supplementary information can be found on pages beginning with page 87 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules for the Village can be found on pages beginning with page 106 of this report.

(See independent auditor's report.)



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis and subsequent financial statements show a radically different net position for the Village than in previous years. It is important to recognize that this change is attributable to the Village of Morton Grove implementing GASB pronouncement 68, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for defined-benefit pension plans. While this information was previously in the Notes to Financial Statements, GASB 68 requires they be recognized as part of the entity wide financial statements. This pronouncement has had a significant impact not only on the Village of Morton Grove but every government agency that issues financial statements in accordance with GAAP.

The following tables show the net position of the Village of Morton Grove, December 31, 2015, compared to December 31, 2014:

Village of Morton Grove Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/15	12/31/14	12/31/15	12/31/14	12/31/15	12/31/14
Current and other assets	\$31,000	\$33,866	\$ 6,913	\$ 5,344	\$ 37,913	\$39,209
Capital assets	68,207	57,430	9,167	9,427	77,375	66,856
Deferred outflows	25,339	44	1,545	-	26,884	44
Total assets and deferred outflows	124,546	91,340	17,625	14,771	142,171	106,111
Current and other Liabilities	3,073	1,855	1,399	1,135	4,472	2,990
Long-Term liabilities	120,020	42,613	8,363	3,995	128,382	46,610
Deferred inflows	11,029	10,137	160	-	11,189	10,137
Total liabilities and deferred inflows	134,122	54,605	9,922	5,130	144,044	59,735
Net position:						
Net investment in capital assets	44,953	44,445	5,778	5,876	50,731	50,321
Restricted	17,293	15,894	-	-	17,293	15,894
Unrestricted	(71,822)	(23,604)	1,925	3,764	(69,896)	(19,840)
Total net position	\$ (9,575)	\$36,735	\$ 7,704	\$ 9,641	\$ (1,872)	\$46,374

To record the liabilities for the Village's Police, Fire, MERF, SLEP, and IMRF pensions, a change in accounting principle was required. Governmental activities recognized a decrease to beginning net position of \$37,203,165. The change to business activities was a decrease to the beginning net position of \$935,922. Additionally, there was recognition of additional liabilities and expenses related to the pension funds. A reconciliation between the governmental funds at the fund level and the entity wide governmental activities is on page 10.

The Village's net position, investment in capital assets of \$50,731,224, reflects infrastructure, land, buildings and improvements, machinery, and equipment less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must provide from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

(See independent auditor's report.)

An additional portion, \$17,293,933, of the Village's net assets represents resources that are subject to external restrictions on how they may be used, including restrictions for future street improvements, debt service payments, public safety, and future capital development.

## **NORMAL IMPACTS**

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation:

- 1) *Net Results of Activities* – which will impact (increase/decrease) current assets and unrestricted net position.
- 2) *Borrowing for Capital* – which will increase current assets and long-term debt outstanding.
- 3) *Spending Borrowed Proceeds on New Capital* – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt, which will not change the net investment in capital assets.
- 4) *Spending Nonborrowed Current Assets on New Capital* – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase net investment in capital assets.
- 5) *Principal Payment on Debt* – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.
- 6) *Reduction of Capital Assets through Depreciation* – which will reduce capital assets and reduce net investment in capital assets.

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VILLAGE OF MORTON GROVE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Following is a table that summarizes the change in net position of the Village at the close of the fiscal year, with a comparison to the preceding fiscal year. Again an impact of GASB 68 is the recognition of additional pension expense in the current year.

Village of Morton Grove Changes in Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/15	12/31/14	12/31/15	12/31/14	12/31/15	12/31/14
Revenues						
Program revenues						
Charges for services	\$ 4,369	\$ 4,390	\$ 10,764	\$ 10,722	\$ 15,133	\$ 15,112
Operating Grants	1,078	829	-	-	1,078	829
Capital Grants	141	159	60	58	200	218
General revenues						
Taxes	26,995	25,355	-	-	26,995	25,355
Investment income	18	16	2	3	20	19
Miscellaneous	236	363	321	302	557	665
<b>Total revenues</b>	<b>32,836</b>	<b>31,112</b>	<b>11,147</b>	<b>11,085</b>	<b>43,984</b>	<b>42,197</b>
Expenses						
General government	5,122	3,750			5,122	3,750
Public safety	25,760	19,225			25,760	19,225
Streets and sidewalks	7,364	4,044			7,364	4,044
Vehicle maintenance	701	793			701	793
Health and human services	221	283			221	283
Community development	1,118	981			1,118	981
Building and inspectional services	714	795			714	795
Interest	943	781			943	781
Water and sewer			10,269	7,356	10,269	7,356
Solid Waste			1,869	1,858	1,869	1,858
Municipal Parking			11	11	11	11
<b>Total expenses</b>	<b>41,943</b>	<b>30,652</b>	<b>12,149</b>	<b>9,225</b>	<b>54,092</b>	<b>39,877</b>
Change in net position	(9,107)	460	(1,001)	1,860	(10,108)	2,320
Prior period adjustment	-	-	-	-	-	-
Net position - January 1	36,735	36,275	9,640	7,781	46,375	44,056
Change In Accounting Principle	(37,203)		(936)		(38,139)	
Restated Net Position Jan 1	(468)		8,704		8,236	
<b>Net position - December 31</b>	<b>\$ (9,575)</b>	<b>\$ 36,735</b>	<b>\$ 7,703</b>	<b>\$ 9,641</b>	<b>\$ (1,872)</b>	<b>\$ 46,376</b>

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## NORMAL IMPACTS

There are eight basic (normal) impacts on revenues and expenses are reflected below:

### Revenues:

- 1) *Economic Condition* – which can reflect a declining, stable, or growing economic environment and has a substantial impact on state income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees, and level of consumption.
- 2) *Increase/Decrease in Village-Approved Rates* – while certain tax rates are set by statute, the Village Board has significant authority to impose and periodically increase/decrease rates (property taxes, water, sewer, impact fees, building fees, home rule sales tax, etc.)
- 3) *Changing Patterns in Intergovernmental and Grant Revenue (both Recurring and Nonrecurring)* – certain recurring revenues (state-shared revenues, etc.) may experience significant changes periodically, while nonrecurring (or one-time) grants are less predictable and often distorting on their impact on year-to-year comparisons.
- 4) *Market Impacts on Investment Income* – the Village's investment policy is managed using similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

### Expenses:

- 5) *Introduction of New Programs* – within the functional expense categories (general government, public works, public safety, etc.), individual programs may be added or deleted to meet changing community needs.
- 6) *Change in Authorized Personnel* – changes in service demand may cause the Village Board to increase/decrease authorized staffing. Personnel costs (salary and related benefits).
- 7) *Salary Increases (Annual Adjustments and Merit)* – the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.
- 8) *Inflation* – while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

(See independent auditor's report.)

## GOVERNMENTAL ACTIVITIES

### *Revenues:*

Revenues for governmental activities totaled \$32,836,708 at December 31, 2015.

- Property tax (and replacement tax) continues to be the Village's largest revenue source totaling \$13,267,410 representing 40.40% of total governmental activity revenue. Sales tax revenue was \$6,801,069 or 20.71% of total governmental activity revenue. Charges for Services revenue was \$4,368,685 or 13.30% of total governmental activity revenue. State income tax revenue was \$2,476,003 or 7.54% of total governmental activity revenue. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, gasoline tax and others) was \$2,376,918 or 7.24% of total governmental activity revenue. Telecommunication tax was \$800,602 or 2.44% of total governmental activity revenue. A utility tax (Electric & Natural gas tax) was \$1,272,845 or 3.88% of total governmental activity revenue.

### Comparison with Prior Year.

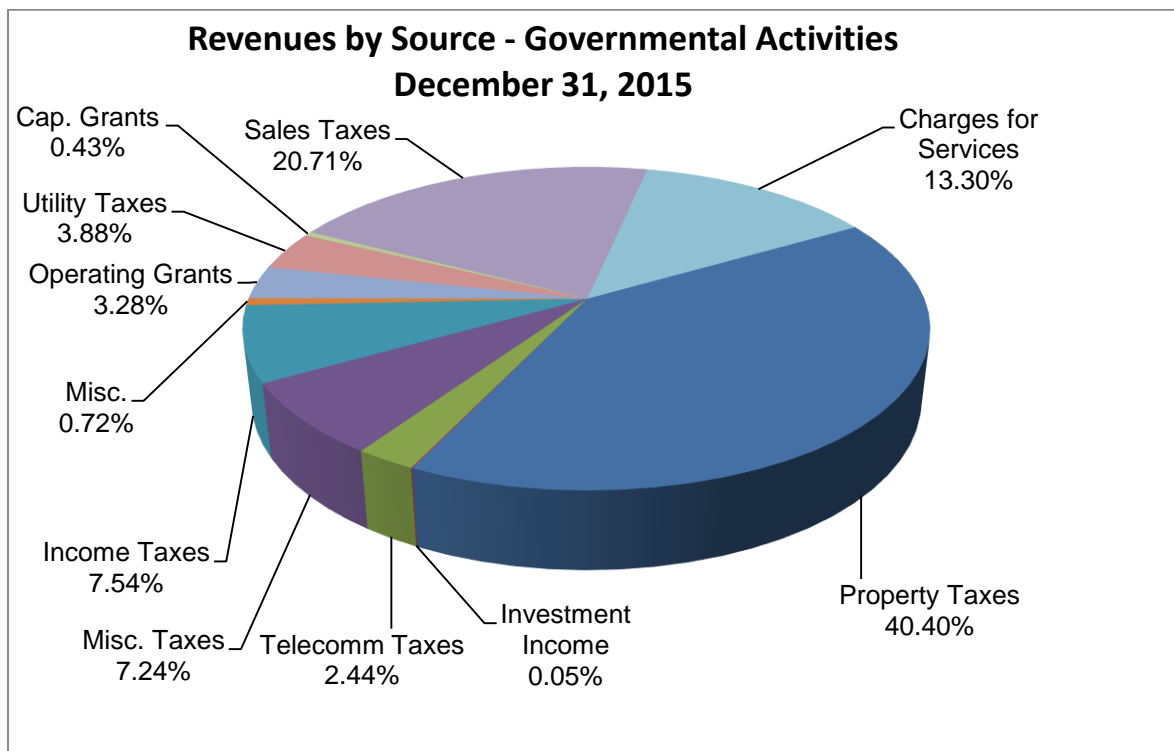
- Property tax and replacement tax revenue increased by \$424,231 or 3.30% from prior year. Sales tax revenue increased by \$387,214 or 6.04% from prior year. Charges for Services revenue decreased by \$21,462 or 0.49% from prior year. State income tax revenue increased by \$248,044 or 11.13% from prior year. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, gasoline tax and others) increased by \$516,790 or 27.78% from prior year. Telecommunication increased by \$19,436 or 2.49% from prior year. A utility tax (Electric & Natural gas tax) increased by \$43,962 or 3.58% from prior year

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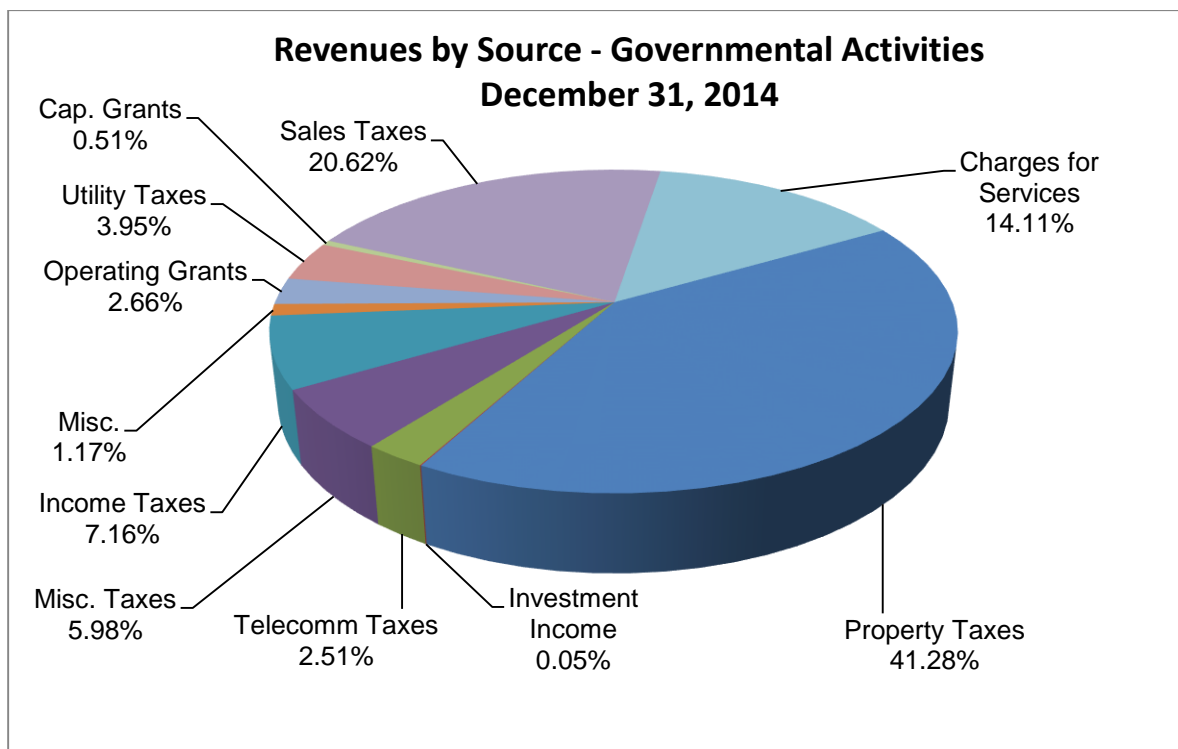
**VILLAGE OF MORTON GROVE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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The following table graphically depicts the major revenue sources of the Village.



Prior Year Revenue by Source – Governmental Activities – For Comparison



(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

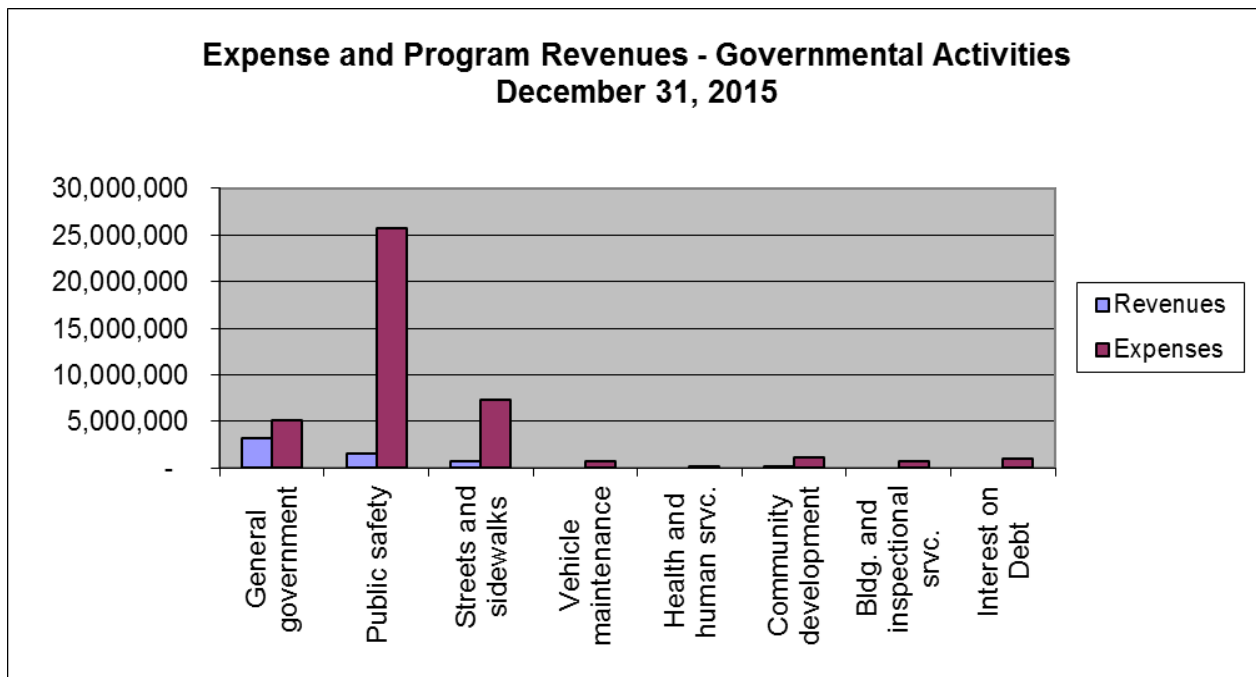
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*Expenses*

Expenses for governmental activities were \$41,943,737 at December 31, 2015 and \$30,651,969 at December 31, 2014, an increase of \$11,291,768, or 36.84%.

The increase in expense for governmental activities is predominantly because the Village of Morton Grove implemented GASB pronouncement 68, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for defined-benefit pension plans.

The 'Expense and Program Revenues' table identifies those governmental functions where program expenses exceed revenues. These deficits are expected as those governmental functions are primarily support by General Revenues (for instance Property Taxes and Sales Taxes) rather than the Program Revenues.



**BUSINESS-TYPE ACTIVITIES**

Business-Type activities posted program revenues of \$10,823,843, while the costs of all business-type activities totaled \$12,149,623. Expenses exceeded revenues by \$1,325,780 (prior to miscellaneous income and investment income) primarily due to the implementation of GASB 68 as discussed above. The cash flow statement shows the proprietary funds activities generated \$1,807,053 in net cash from operating activities.

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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*Revenues*

The Village of Morton Grove purchases its water from the City of Chicago. In 2011, the City of Chicago announced a series of rate increases over a 4 year period equal to 70%. Per Village municipal code 7-4-5:

- 7-4-5-A4: whenever the City of Chicago, Illinois, increases its rates or charges for the water sold to the Village of Morton Grove by an amount equal to or more than one percent (1%) of its current rate or charges, the rates to be charged by the village of Morton Grove to its customers for water shall be automatically increased by a like percentage. Said rate increase shall become effective upon the effective date of any rate increase by the city of Chicago.
- 7-4-5-A5: Additional Rate Increases: Beginning January 1, 2012, in addition to the rate increases set forth in subsection A4 of this section, water rates will increase by an additional three percent (3%) per year for the years 2012, 2013, 2014 and 2015

In 2015 the Village water rate increased by 8.5% but the current water rate charged to customers of \$10.81 per 1,000 Gallon remained unchanged. Water and Sewer Fund operating revenues decreased by \$231,574 or 2.58%.

The Village created the Solid Waste Fund to account for the financial activity of the Village residential waste collection and disposal program. In May 2010 the Village's staff assumed responsibility for billing and residents are charged for waste removal and disposal as part of their bi-monthly water bill. In 2014 Solid Waste operating revenues increased by \$30,888 or 1.56%.

The Village created the Municipal Parking Fund to account for the Village parking lots and monies received from permit sales. The Village staff is responsible for customers who signed a yearly or quarterly lease for parking spaces near the Metra Station in Morton Grove. Operating revenues for 2015 decreased by \$2,102 or 3.5%. The Parking lot opened January 2011 with 112 spaces available.

*Expenses*

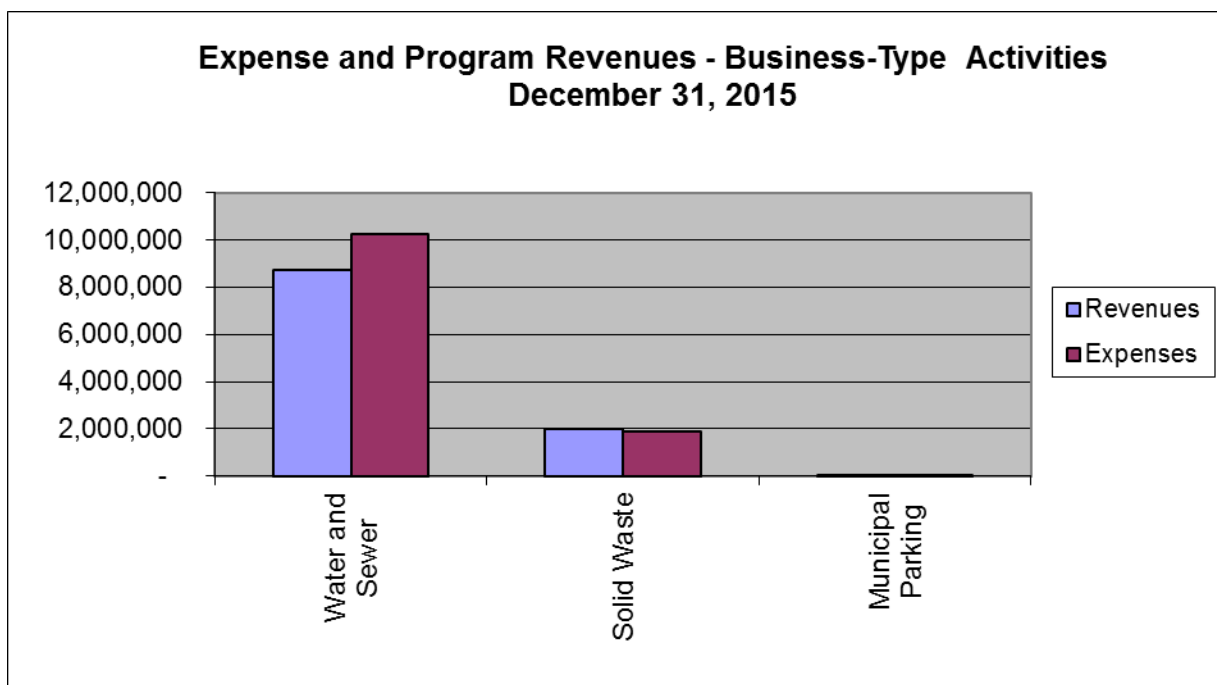
Total expenses for water and sewer fund activities totaled \$10,269,076, an increase of \$2,912,945, or 39.60% from prior year primarily as a result of the implementation of GASB 68. Increase in the cost of water purchases also added to the current year expenses.

Total expenses for solid waste fund activities totaled \$1,869,199, an increase of \$11,276, or .61% from prior year.

Total expenses from Municipal Parking Fund activities remained about the same as the prior year at \$11,348.

(See independent auditor's report.)





## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

## GOVERNMENTAL FUNDS

The focus of the Village's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirement. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Village's governmental funds reported combining ending fund balances of \$27,064,033, which is \$5,121,874, or 23.34% higher than last year's total of \$21,942,159. Of this \$27,064,033 total, \$3,031,121 or 11.20% of the fund balance constitutes unassigned fund balance.

**General Fund:** The General Fund reported a surplus for the year of \$828,495. Revenue exceeded the budgeted amount due to increased tax revenues. The increase in expenditures was related to personnel costs and capital outlay purchases.

The General Fund is the chief operating fund of the Village. At December 31, 2015, unassigned fund balance in the General Fund was \$5,891,331, which represents 67.89% of the total fund balance of the General Fund. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance in General Fund represents approximately 23.0% of total General Fund expenditures.

(See independent auditor's report.)

**Lehigh Ferris TIF Fund:** Reported a fund balance increase of \$745,871 due to incremental property tax revenue exceeding the expenditures for 2015.

**Waukegan Road TIF Fund:** Reported a fund balance declined of \$455,449 as a result of debt service costs exceeding the incremental property tax revenue.

**Debt Service Fund:** Reported a fund balance increase of \$290,528 as a result of 2013 budget plan to increase the home rule sales tax allocation to pay the debt service costs which exceeded the property tax revenue allocated.

**Capital Projects Fund:** Reported a fund balance increase of \$3,142,417 primarily as a result of the issuance of General Obligation bonds in 2015.

## **PROPRIETARY FUNDS**

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Village reports the Water and Sewer Fund a major proprietary fund. The Village reports two non-major proprietary funds, the Solid Waste Fund and the Municipal Parking Fund. The Water and Sewer Fund accounts for all of the operations of the municipal water system. Water is purchased from the City of Chicago at a rate of \$3.81 per thousand gallons an 8.50% increase from 2014. Water is then sold to all residential municipal customers at a rate of \$10.81 with an additional sewer rate of 1.15 per thousand gallons. Rates for commercial customers vary based on the gallons of water consumed. The spread between the purchase and sales rates is intended to finance the operations of the water system, including labor costs, supplies, repair and replacement and required infrastructure maintenance.

## **CAPITAL ASSETS**

The Village's investment in net capital assets for its governmental and business type activities as of December 31, 2015 was \$67,802,560 (net of accumulated depreciation). This investment in capital assets includes land (right of way), buildings, improvements, machinery & equipment, and infrastructure. The minimum capital threshold remained at \$10,000. For more information regarding the Village's capital assets, please refer to Note 4 of this CAFR.

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**VILLAGE OF MORTON GROVE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

<b>Capital Assets - Net of Depreciation (in thousands)</b>							
		Governmental Activities		Business-Type Activities		Total	
Type of Debt		12/31/15	12/31/14	12/31/15	12/31/14	12/31/15	12/31/14
Construction in Progress		\$ 1,073	\$ -	\$ 13	\$ 21	\$ 1,086	\$ 21
Right of Ways		43,972	43,972	-	-	43,972	43,972
Infrastructure		5,730	6,008	-	-	5,730	6,008
Buildings and Improvements		5,534	5,688	8,285	8,555	13,819	14,243
Machinery, Equipment and Vehicles		2,325	1,762	870	872	3,195	2,634
<b>Total</b>		<b>\$ 58,633</b>	<b>\$57,431</b>	<b>\$ 9,169</b>	<b>\$ 9,447</b>	<b>\$ 67,802</b>	<b>\$ 66,878</b>

**Debt Administration**

**Long-Term Debt**

At year-end, the Village had total outstanding debt of \$22,875,826, as compared to \$20,833,626 the previous year, an increase of \$2,425,000, or 11.64% which is due to the issuance of \$10,010,000 in bonds coupled with the refunding of \$6,655,000 issued in 2007 plus principal retirements that reduced the outstanding liability on other bonds previously issued.

The following is a comparative statement of outstanding debt (excluding intergovernmental agreements).

<b>Long Term Debt (in thousands)</b>							
		Governmental Activities		Business-Type Activities		Total	
		12/31/15	12/31/14	12/31/15	12/31/14	12/31/15	12/31/14
General Obligation Bonds		\$ 18,095	\$ 15,488	\$ 3,395	\$ 3,577	\$ 21,490	\$ 19,065
Revolving loans		-	-	-	-	-	-
Installment Notes		1,386	1,769	-	-	1,386	1,769
<b>Total Long Term Debt</b>		<b>\$ 19,482</b>	<b>\$ 17,256</b>	<b>\$ 3,395</b>	<b>\$ 3,577</b>	<b>\$ 22,876</b>	<b>\$ 20,834</b>

For information related to the Village's long-term debt, please refer to Note 6 of this CAFR.

▪ **Economic Factors and Future Prospects**

The slow recovery of the economy and slower revenue growth remain the Village's biggest challenge. The Village Board continues to be sensitive to the unknown financial circumstances of residents and businesses by reducing its operating expenditures and limiting tax increases. Some challenges that were considered during the development of 2016 budget;

- *Instability of the National and local economy:* Weak financial markets continue to dictate low interest rates on investments. Real estate remained very slow particularly for Cook County with the .17% foreclosure compared to .13% Illinois and .08% National. Housing foreclosures, declining tax bases, and reduced state pass-through revenues have negatively impacted the fiscal condition of the local economy.
- *Pension liabilities:* Recent changes in pension legislation allowed the municipalities some relief in funding the pension obligation at 90% by 2040. The Village continues to fund the pension based on actuarial results from the Department of Insurance report or the independent actuary the Village and Pensions hired. Additionally, the Village adjusted its actuarial rate for Police and Fire pension return on investment from 7.25% in 2012 to 7.125% in 2013 and future years.

Total operating revenues budgeted for 2016 are \$53,919,124 (excluding transfers), a .04% increase from the 2015 budget, mostly due to declining property value (EAV). The General fund revenues are budgeted at \$27,067,692 (excluding transfers), an 803,624, or 3.0% increase from 2015 due to a projected slight increase from state shared sales, income and utility taxes. The Village's total 2015 property tax levy payable in 2016 is \$10,229,995, a 0% (zero) increase over the prior year's tax levy.

Total Village spending for the 2016 budget is \$62,388,785 (excluding transfers), which is virtually no increase from the 2015 budget.

▪ **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Village of Morton Grove, 6101 Capulina, Morton Grove, Illinois, 60053.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF NET POSITION**

December 31, 2015

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,032,835	\$ 5,785,123	\$ 16,817,958
Investments	2,503,877	1	2,503,878
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	10,541,361	-	10,541,361
Sales tax	1,828,733	-	1,828,733
State income tax	278,984	-	278,984
Accounts and allotments	1,227,764	1,096,501	2,324,265
Loan to developer	1,700,000	-	1,700,000
IRMA excess surplus	993,728	-	993,728
IPBC terminal reserve	594,122	-	594,122
Prepaid expenses	298,175	31,046	329,221
Land held for resale	9,572,376	-	9,572,376
Capital assets not being depreciated	45,045,445	12,889	45,058,334
Capital assets (net of accumulated depreciation)	13,589,476	9,154,750	22,744,226
 Total assets	 99,206,876	 16,080,310	 115,287,186
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items - police pension	8,819,643	-	8,819,643
Pension items - fire pension	11,401,715	-	11,401,715
Pension items - IMRF	302,780	64,340	367,120
Pension items - SLEP	6,544	-	6,544
Pension items - MERF	4,595,633	1,480,663	6,076,296
Unamortized loss on refunding	213,078	-	213,078
 Total deferred outflows of resources	 25,339,393	 1,545,003	 26,884,396
 Total assets and deferred outflows of resources	 124,546,269	 17,625,313	 142,171,582

(This statement is continued on the following page.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2015

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,411,154	\$ 1,304,213	\$ 2,715,367
Accrued salaries and wages	505,113	50,946	556,059
Other payables	87,332	-	87,332
Accrued interest payable	64,087	7,883	71,970
Deposits - refundable	320,388	50	320,438
Unearned revenue	172,813	35,465	208,278
Due to fiduciary funds	510,853	-	510,853
Noncurrent liabilities			
Due within one year	2,643,322	199,177	2,842,499
Due in more than one year	117,377,395	8,164,010	125,541,405
 Total liabilities	 123,092,457	 9,761,744	 132,854,201
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension items - IMRF	96,269	20,458	116,727
Pension items - MERF	432,645	139,393	572,038
Unearned revenue - property taxes	10,500,269	-	10,500,269
 Total deferred inflows of resources	 11,029,183	 159,851	 11,189,034
 Total liabilities and deferred inflows of resources	 134,121,640	 9,921,595	 144,043,235
<b>NET POSITION</b>			
Net investment in capital assets	44,953,060	5,778,164	50,731,224
Restricted for			
Public safety	1,168,217	-	1,168,217
Debt service	337,367	-	337,367
Community development	15,018,344	-	15,018,344
Highways and streets	765,044	-	765,044
Restricted	4,961	-	4,961
Unrestricted	(71,822,364)	1,925,554	(69,896,810)
 <b>TOTAL NET POSITION</b>	 \$ (9,575,371)	 \$ 7,703,718	 \$ (1,871,653)

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 5,122,457	\$ 3,273,344	\$ -	\$ -
Public safety	25,760,081	1,087,239	405,269	-
Streets and sidewalks	7,364,136	8,102	672,235	94,850
Vehicle maintenance	701,174	-	-	-
Health and human services	220,531	-	-	-
Community development	1,118,066	-	-	46,624
Building and inspectional services	714,270	-	-	-
Interest	943,022	-	-	-
Total governmental activities	41,943,737	4,368,685	1,077,504	141,474
Business-Type Activities				
Water and sewer	10,269,076	8,691,690	-	59,601
Solid waste	1,869,199	2,014,617	-	-
Municipal parking	11,348	57,935	-	-
Total business-type activities	12,149,623	10,764,242	-	59,601
TOTAL PRIMARY GOVERNMENT	\$ 54,093,360	\$ 15,132,927	\$ 1,077,504	\$ 201,075

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
	\$ (1,849,113)	\$ -	\$ (1,849,113)
	(24,267,573)	-	(24,267,573)
	(6,588,949)	-	(6,588,949)
	(701,174)	-	(701,174)
	(220,531)	-	(220,531)
	(1,071,442)	-	(1,071,442)
	(714,270)	-	(714,270)
	(943,022)	-	(943,022)
	(36,356,074)	-	(36,356,074)
	-	(1,517,785)	(1,517,785)
	-	145,418	145,418
	-	46,587	46,587
	-	(1,325,780)	(1,325,780)
	(36,356,074)	(1,325,780)	(37,681,854)
General Revenues			
Taxes			
Property	12,861,602	-	12,861,602
Sales	6,801,069	-	6,801,069
Utility	1,272,845	-	1,272,845
Telecommunications	800,602	-	800,602
Real estate transfer	577,614	-	577,614
Hotel/motel	89,824	-	89,824
Food and beverage	428,635	-	428,635
Gasoline	340,257	-	340,257
Other	423,019	-	423,019
Intergovernmental			
Income	2,476,003	-	2,476,003
Local use	517,569	-	517,569
Personal property replacement	405,808	-	405,808
Investment income	17,912	2,322	20,234
Gain on sale of capital assets	-	6,300	6,300
Miscellaneous	236,286	315,446	551,732
Total	27,249,045	324,068	27,573,113
CHANGE IN NET POSITION	(9,107,029)	(1,001,712)	(10,108,741)
NET POSITION, JANUARY 1	36,734,823	9,641,353	46,376,176
Change in accounting principle	(37,203,165)	(935,923)	(38,139,088)
NET POSITION (DEFICIT), JANUARY 1, RESTATED	(468,342)	8,705,430	8,237,088
<b>NET POSITION (DEFICIT), DECEMBER 31</b>	<b>\$ (9,575,371)</b>	<b>\$ 7,703,718</b>	<b>\$ (1,871,653)</b>

See accompanying notes to financial statements.



**VILLAGE OF MORTON GROVE, ILLINOIS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2015

	<b>General</b>	<b>Lehigh/Ferris TIF</b>	<b>Waukegan Road TIF</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,310,146	\$ 3,922,529	\$ -	\$ 152,256	\$ 1,784,065	\$ 1,863,839	\$ 11,032,835
Investments	-	-	-	169,755	2,238,847	95,275	2,503,877
Receivables							
Property taxes	9,588,954	3,602	-	845,972	102,833	-	10,541,361
Sales tax	1,523,317	-	-	12,500	6,250	286,666	1,828,733
State income tax	278,984	-	-	-	-	-	278,984
Accounts and allotments	1,004,505	-	-	-	-	223,259	1,227,764
Due from other funds	275,977	-	-	-	-	-	275,977
Prepays	192	-	-	-	297,983	-	298,175
Loan to developer	-	1,700,000	-	-	-	-	1,700,000
Advances to other funds	2,781,489	44,364	-	-	-	-	2,825,853
IRMA excess surplus	993,728	-	-	-	-	-	993,728
IPBC terminal reserve	594,122	-	-	-	-	-	594,122
Land held for resale	-	9,572,376	-	-	-	-	9,572,376
<b>TOTAL ASSETS</b>	<b>\$ 20,351,414</b>	<b>\$ 15,242,871</b>	<b>\$ -</b>	<b>\$ 1,180,483</b>	<b>\$ 4,429,978</b>	<b>\$ 2,469,039</b>	<b>\$ 43,673,785</b>

	General	Lehigh/Ferris TIF	Waukegan Road TIF	Debt Service	Capital Projects	Nonmajor	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and retainage payable	\$ 522,274	\$ 224,527	\$ -	\$ -	\$ 431,929	\$ 232,424	\$ 1,411,154
Accrued salaries and wages	505,113	-	-	-	-	-	505,113
Other payables	87,332	-	-	-	-	-	87,332
Unearned revenue	172,813	-	-	-	-	-	172,813
Deposits - refundable	320,388	-	-	-	-	-	320,388
Due to other funds	-	-	-	-	-	275,977	275,977
Due to fiduciary funds	510,853	-	-	-	-	-	510,853
Advances from other funds	-	-	2,539,841	-	-	286,012	2,825,853
Total liabilities	2,118,773	224,527	2,539,841	-	431,929	794,413	6,109,483
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	9,554,668	-	-	843,116	102,485	-	10,500,269
Total deferred inflows of resources	9,554,668	-	-	843,116	102,485	-	10,500,269
Total liabilities and deferred inflows of resources	11,673,441	224,527	2,539,841	843,116	534,414	794,413	16,609,752
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable							
Advance to other funds	2,781,489	-	-	-	-	-	2,781,489
Prepays	192	-	-	-	297,983	-	298,175
Restricted for							
Public safety	-	-	-	-	-	1,168,217	1,168,217
Debt service	-	-	-	337,367	-	-	337,367
Capital improvements - unspent bond proceeds	-	-	-	-	3,597,581	-	3,597,581
Community development	-	15,018,344	-	-	-	-	15,018,344
Highways and streets	-	-	-	-	-	765,044	765,044
Retirement	4,961	-	-	-	-	-	4,961
Committed for commuter improvements	-	-	-	-	-	61,734	61,734
Unassigned (deficit)	5,891,331	-	(2,539,841)	-	-	(320,369)	3,031,121
Total fund balances (deficit)	8,677,973	15,018,344	(2,539,841)	337,367	3,895,564	1,674,626	27,064,033
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 20,351,414</b>	<b>\$ 15,242,871</b>	<b>\$ -</b>	<b>\$ 1,180,483</b>	<b>\$ 4,429,978</b>	<b>\$ 2,469,039</b>	<b>\$ 43,673,785</b>

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

December 31, 2015

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	<b>\$ 27,064,033</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	58,634,921
Interest payable is not due and payable in the current period and, therefore, not reported in the governmental funds	(64,087)
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Police Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	8,819,643
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Firefighters' Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	11,401,715
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	206,511
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Sherriff's Law Enforcement Personnel Plan are recognized as deferred outflows and inflows of resources on the statement of net position	6,544
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Municipal Employers' Retirement Plan are recognized as deferred outflows and inflows of resources on the statement of net position	4,162,988
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
General obligation bonds payable	(18,095,400)
Installment notes payable	(1,385,826)
Intergovernmental agreement payable	(2,407,781)
Net pension liability - police pension	(38,324,934)
Net pension liability - fire pension	(38,809,232)
Net pension liability - IMRF	(818,888)
Net pension liability - SLEP	(4,381)
Net pension liability - MERF	(13,258,782)
Net other postemployment benefits obligation	(4,665,511)
Compensated absences	(781,604)
The unamortized bond premium is not a current financial resource and, therefore, is not reported in the governmental funds	(1,472,259)
The unamortized bond discount is not a current financial resource and, therefore, is not reported in the governmental funds	3,881
The unamortized loss on bond refunding is shown as a deferred outflow on the statement of net position	213,078
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (9,575,371)</b>

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>General</b>	<b>Lehigh/Ferris TIF</b>	<b>Waukegan Road TIF</b>
<b>REVENUES</b>			
Taxes	\$ 18,890,590	\$ 2,122,746	\$ 430,702
Licenses and permits	1,826,803	-	-
Intergovernmental	3,498,297	-	-
Surcharges	-	-	-
Charges for services	827,482	-	-
Fines	717,300	-	-
Investment income	8,841	4,830	162
Cable TV franchise fees	336,620	-	-
Miscellaneous	213,608	17,000	-
	<hr/>	<hr/>	<hr/>
Total revenues	26,319,541	2,144,576	430,864
<b>EXPENDITURES</b>			
Current			
General government	3,259,332	-	-
Public safety	18,075,211	-	-
Streets and sidewalks	2,391,854	-	-
Vehicle maintenance	701,174	-	-
Health and human services	217,248	-	-
Community development	260,196	276,299	803
Building and inspectional services	707,754	-	-
Debt service			
Principal retirement	-	535,000	752,366
Interest and fiscal charges	-	307,746	132,998
Capital outlay			
Capital projects	-	92,987	146
	<hr/>	<hr/>	<hr/>
Total expenditures	25,612,769	1,212,032	886,313
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<hr/>	<hr/>	<hr/>
	706,772	932,544	(455,449)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	270,000	-	-
Transfers (out)	(163,783)	(270,000)	-
Issuance of general obligation bonds	-	5,615,000	-
Premium on bonds issued	-	825,848	-
Payment to escrow agent	-	(6,359,521)	-
Proceeds from sale of capital assets	15,506	2,000	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	121,723	(186,673)	-
<b>NET CHANGE IN FUND BALANCES</b>	<hr/>	<hr/>	<hr/>
	828,495	745,871	(455,449)
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<hr/>	<hr/>	<hr/>
	7,849,478	14,272,473	(2,084,392)
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<hr/>	<hr/>	<hr/>
	\$ 8,677,973	\$ 15,018,344	\$ (2,539,841)

<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 878,286	\$ 125,223	\$ 1,147,920	\$ 23,595,467
-	-	-	1,826,803
75,856	79,739	964,466	4,618,358
-	-	283,028	283,028
-	-	377,452	1,204,934
-	-	-	717,300
529	1,964	1,586	17,912
-	-	-	336,620
-	5,678	-	236,286
954,671	212,604	2,774,452	32,836,708
-	-	-	3,259,332
-	-	416,158	18,491,369
-	-	930,148	3,322,002
-	-	-	701,174
-	-	-	217,248
-	-	847,814	1,385,112
-	-	-	707,754
377,834	-	-	1,665,200
450,092	41,411	-	932,247
-	2,070,187	10,320	2,173,640
827,926	2,111,598	2,204,440	32,855,078
126,745	(1,898,994)	570,012	(18,370)
163,783	-	-	433,783
-	-	-	(433,783)
-	4,395,000	-	10,010,000
-	646,411	-	1,472,259
-	-	-	(6,359,521)
-	-	-	17,506
163,783	5,041,411	-	5,140,244
290,528	3,142,417	570,012	5,121,874
46,839	753,147	1,104,614	21,942,159
\$ 337,367	\$ 3,895,564	\$ 1,674,626	\$ 27,064,033

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 5,121,874</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	2,798,609
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Depreciation expense does not require the use of current financial statement resources and, therefore, is not reported as an expenditure in the governmental funds	(1,593,302)
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Governmental funds do not report compensated absences; however, they are recognized as a reduction to expenses on the statement of activities	(194,243)
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The issuance of long-term debt (general obligation bonds) is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	
Issuance of bonds	(10,010,000)
Premium on issuance of bonds	(1,472,259)

The repayment of the principal portion of general obligation bonds payable, revolving notes payable and installment notes payable are reported as debt service expenditures when due in governmental funds but as a reduction of principal outstanding in the statement of activities	1,665,200
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The payment to escrow agent for the refunding of long-term debt is reported as an other financing use in the governmental funds but as	
A decrease of principal outstanding in the statement of net position	6,120,000
A decrease of discount outstanding in the statement of net position	57,512
Loss on refunding amortized over the life of the bonds	182,009

The repayment of the principal portion of the intergovernmental agreement payable is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	377,612
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The amortization of the refunding loss is not reported in governmental funds, but is reported in the statement of activities	(12,425)
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The amortization of the bond premium is not reported in governmental funds, but is reported in the statement of activities	-
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The amortization of the bond discount is not reported in governmental funds, but is reported in the statement of activities	(1,331)
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The change in the Police Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	(2,142,755)
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(This statement is continued on the following page.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015

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Amounts reported for governmental activities in the statement of activities  
are different because: (Continued)

The change in the Firefighters' Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	\$ (2,721,550)
The change in the Illinois Municipal Retirement Fund net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	(168,349)
The change in the Sheriff's Law Enforcement Personnel Plan net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	4,433
The change in the Municipal Employers' Retirement Plan net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	(6,483,769)
The change in net other postemployment benefits obligations are reported only in the statement of activities	(637,276)
The change in the accrued interest payable on long-term debt is reported as interest expense on the statement of activities	<u>2,981</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (9,107,029)</u></u>

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

December 31, 2015

	<b>Water and Sewer</b>	<b>Nonmajor</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,180,066	\$ 605,057	\$ 5,785,123
Investments	1	-	1
Receivables	1,038,020	58,481	1,096,501
Prepaid expenses	-	31,046	31,046
Total current assets	6,218,087	694,584	6,912,671
<b>NONCURRENT ASSETS</b>			
Capital assets - not being depreciated	12,889	-	12,889
Capital assets - net of accumulated depreciation	9,154,750	-	9,154,750
Total noncurrent assets	9,167,639	-	9,167,639
Total assets	15,385,726	694,584	16,080,310
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension items - IMRF	64,340	-	64,340
Pension items - MERF	1,480,663	-	1,480,663
Total deferred outflows of resources	1,545,003	-	1,545,003
Total assets and deferred outflows of resources	16,930,729	694,584	17,625,313
<b>CURRENT LIABILITIES</b>			
Accounts payable	1,135,780	168,433	1,304,213
Accrued salaries and wages	50,946	-	50,946
Accrued interest payable	7,883	-	7,883
Deposits	50	-	50
Unearned revenue	-	35,465	35,465
Compensated absences - current maturities	12,177	-	12,177
Bonds payable - current maturities	187,000	-	187,000
Total current liabilities	1,393,836	203,898	1,597,734
<b>LONG-TERM LIABILITIES</b>			
Compensated absences	109,590	-	109,590
Net pension liability - IMRF	174,015	-	174,015
Net pension liability - MERF	4,271,835	-	4,271,835
Bonds payable, net of discount	3,202,475	-	3,202,475
Net other postemployment benefit obligation	406,095	-	406,095
Total long-term liabilities	8,164,010	-	8,164,010
Total liabilities	9,557,846	203,898	9,761,744

(This statement is continued on the following page.)



**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**

December 31, 2015

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	<b>Water and Sewer</b>	<b>Nonmajor</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension items - IMRF	\$ 20,458	\$ -	\$ 20,458
Pension items - MERF	139,393	-	139,393
Total deferred inflows of resources	159,851	-	159,851
Total liabilities and deferred inflows of resources	9,717,697	203,898	9,921,595
<b>NET POSITION</b>			
Net investment in capital assets	5,778,164	-	5,778,164
Unrestricted	1,434,868	490,686	1,925,554
<b>TOTAL NET POSITION</b>	<b>\$ 7,213,032</b>	<b>\$ 490,686</b>	<b>\$ 7,703,718</b>

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Water and Sewer</b>	<b>Nonmajor</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Water sales	\$ 7,880,315	\$ -	\$ 7,880,315
Sewer charges	797,433	-	797,433
Waste charges	-	2,014,617	2,014,617
Meter and connection fees	13,942	-	13,942
Parking charges	-	57,935	57,935
Miscellaneous	111,247	-	111,247
Total operating revenues	8,802,937	2,072,552	10,875,489
<b>OPERATING EXPENSES</b>			
Personal services	4,017,973	-	4,017,973
Contractual services and other charges	1,090,261	1,869,551	2,959,812
Water purchases	3,926,564	-	3,926,564
Capital outlay	77,729	-	77,729
Commodities	375,117	796	375,913
Administrative fees	142,500	10,200	152,700
Utilities	69,923	-	69,923
Total operating expenses	9,700,067	1,880,547	11,580,614
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(897,130)	192,005	(705,125)
Depreciation	373,232	-	373,232
OPERATING INCOME (LOSS)	(1,270,362)	192,005	(1,078,357)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Rental income	204,199	-	204,199
Investment income	2,317	5	2,322
Gain on sale of capital assets	6,300	-	6,300
Interest expense and fiscal agent fees	(195,777)	-	(195,777)
Total non-operating revenues (expenses)	17,039	5	17,044
NET INCOME (LOSS) BEFORE CAPITAL GRANTS	(1,253,323)	192,010	(1,061,313)
<b>CAPITAL GRANTS</b>	59,601	-	59,601
CHANGE IN NET POSITION	(1,193,722)	192,010	(1,001,712)
NET POSITION, JANUARY 1	9,342,677	298,676	9,641,353
Change in accounting principle	(935,923)	-	(935,923)
NET POSITION, JANUARY 1, RESTATED	8,406,754	298,676	8,705,430
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 7,213,032</b>	<b>\$ 490,686</b>	<b>\$ 7,703,718</b>

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	<b>Water and Sewer</b>	<b>Nonmajor</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 8,679,700	\$ 2,072,329	\$ 10,752,029
Receipts from miscellaneous revenues	111,247	-	111,247
Payments to suppliers	(5,236,869)	(1,898,993)	(7,135,862)
Payments to employees	(1,777,861)	-	(1,777,861)
Payments to other funds	(142,500)	-	(142,500)
Net cash from operating activities	1,633,717	173,336	1,807,053
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Rental receipts	204,199	-	204,199
Net cash from noncapital financing activities	204,199	-	204,199
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Intergovernmental	59,601	-	59,601
Purchase of capital assets	(93,388)	-	(93,388)
Proceeds from sale of capital assets	6,300	-	6,300
Bond principal payments	(182,234)	-	(182,234)
Interest payments	(195,528)	-	(195,528)
Net cash from capital and related financing activities	(405,249)	-	(405,249)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	2,317	5	2,322
Purchase of investment	498,799	-	498,799
Net cash from investing activities	501,116	5	501,121
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,933,783	173,341	2,107,124
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	3,246,283	431,716	3,677,999
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 5,180,066</u>	<u>\$ 605,057</u>	<u>\$ 5,785,123</u>

(This statement is continued on the following page.)

**VILLAGE OF MORTON GROVE, ILLINOIS****STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	<b>Water and Sewer</b>	<b>Nonmajor</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,270,362)	\$ 192,005	\$ (1,078,357)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	373,232	-	373,232
Changes in operating assets and liabilities			
Receivables	(11,990)	22,072	10,082
Prepaid expenses	-	9,418	9,418
Refundable deposits	-	-	-
Accounts payable	302,725	(27,864)	274,861
Accrued salaries and wages	10,925	-	10,925
Net pension liability - IMRF	39,603	-	39,603
Pension items - IMRF	(3,827)	-	(3,827)
Net pension liability - MERF	1,683,714	-	1,683,714
Pension items - MERF	405,285	-	405,285
Compensated absences	40,337	-	40,337
Other postemployment benefit obligation	64,075	-	64,075
Unearned revenues	-	(22,295)	(22,295)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 1,633,717</b>	<b>\$ 173,336</b>	<b>\$ 1,807,053</b>
<b>SCHEDULE OF NONCASH TRANSACTIONS</b>			
None	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS**

December 31, 2015

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**ASSETS**

Cash and cash equivalents	\$ 1,737,097
Investments, at fair value	
Equities	32,039,391
Corporate bonds	5,765,241
Annuity contracts	8,997,726
U.S. Treasury obligations	8,461,196
U.S. agency obligations	10,381,175
Municipal bonds	2,407,169
Receivables	
Accrued interest	165,733
Other	420,713
Due from primary government	510,853
Prepaid expenses	<u>6,397</u>
Total assets	<u>70,892,691</u>

**LIABILITIES**

Accounts payable	<u>40,481</u>
Total liabilities	<u>40,481</u>

**NET POSITION RESTRICTED FOR  
PENSIONS**

\$ 70,852,210

See accompanying notes to financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS**

For the Year Ended December 31, 2015

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**ADDITIONS**

Contributions	
Employer	\$ 4,836,617
Employee	<u>850,618</u>
Total contributions	<u>5,687,235</u>
Investment income	
Net depreciation in fair value of investments	(1,502,018)
Interest	<u>2,116,240</u>
Total investment income	614,222
Less investment expense	<u>(135,418)</u>
Net investment income	<u>478,804</u>
Total additions	<u>6,166,039</u>

**DEDUCTIONS**

Retirement benefits	5,915,888
Duty/nonduty disability benefits	684,885
Surviving spouse benefits	583,354
Refunds	55,593
Administrative expenses	<u>123,507</u>
Total deductions	<u>7,363,227</u>

NET DECREASE (1,197,188)

**NET POSITION RESTRICTED  
FOR PENSIONS**

January 1	<u>72,049,398</u>
December 31	<u><u>\$ 70,852,210</u></u>

See accompanying notes to financial statements.

# VILLAGE OF MORTON GROVE, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Reporting Entity

The Village is a municipal corporation governed by an elected president and a six-member Board of Trustees. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units.

Based on the criteria of GASB Statement No 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, there are no component units for which the Village is considered to be financially accountable for.

The Village's financial statements include pension trust funds.

#### Municipal Employees' Retirement Fund (MERF)

The Village's municipal employees participate in the Municipal Employees' Retirement Fund (MERF). MERF functions for the benefit of these employees and is governed by the Village Board of Trustees. The Village and MERF participants are obligated to fund all MERF costs based upon actuarial valuations. The Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, MERF is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's municipal employees that are not members of the Police Pension Employees Retirement System or the Firefighters' Pension Employees Retirement System and because of the fiduciary nature of such activities. MERF is reported as a pension trust fund.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a. Reporting Entity (Continued)

Police Pension Employees Retirement System (PPERS)

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees, and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund.

Firefighters' Pension Employees Retirement System (FPERS)

The Village's firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected fire employees constitute the pension board. The Village and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's firefighters, and because of the fiduciary nature of such activities. FPERS is reported as a pension trust fund.

b. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental, proprietary and fiduciary.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Fund Accounting (Continued)**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted, committed or assigned monies (special revenue funds), the funds restricted, committed or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds restricted, committed or assigned for servicing of governmental long-term debt (debt service funds).

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village.

**c. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Interfund services provided and used between funds has not been eliminated in the process of consolidation. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Village reports the following major governmental funds:

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

Lehigh/Ferris Tax Increment Financing Fund accounts for tax increment revenue and other financial resources received along with the costs related to the Village's Tax Increment Financing (TIF) District. The fund entails the TIF District along Lehigh and Ferris Avenues. The TIF District is authorized by state law and is created to promote redevelopment of certain parcels declared as "blighted" into a higher and more productive land use.

The Waukegan Road Tax Increment Financing Fund accounts for tax increment revenue and other financial resources received along with the costs related to the Village's Tax Increment Financing (TIF) District. The fund entails the TIF District along Waukegan Road. The TIF District is authorized by state law and is created to promote redevelopment of certain parcels declared as "blighted" into a higher and more productive land use.

The Debt Service Fund is used to account for the payment of governmental long-term debt. The Village has elected to report the fund as major.

The Capital Projects Fund accounts for property taxes levied and other resources restricted, committed or assigned primarily for major infrastructure and other capital improvements.

The Village reports the following major proprietary fund:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing and billing and collection.

The Village reports the following fiduciary funds:

The Village reports Pension Trust Funds as fiduciary funds to account for the Municipal Employees' Retirement Fund, the Police Pension Fund and the Firefighter's Pension Fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenue/expenses are incidental to the operations of these funds.

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

Sales taxes owed to the state at year end, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Income and motor fuel taxes and fines collected and held by the state or county at year end on behalf of the Village also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Village reports unearned revenue and unavailable revenue on its financial statements. Unearned revenue and unavailable revenue arises when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability or deferred inflow of resources for unearned revenue or unavailable revenue is removed from the financial statements and revenue is recognized.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

e. Cash and Investments

For purposes of the statement of cash flows, the Village's proprietary fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

f. Investments

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is based on quoted market prices at December 31 for debt securities, equity securities and mutual funds and contract values for insurance contracts.

g. Interfund Transactions

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. Interfund Transactions (Continued)

Internal service transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except for interfund services provided and used are reported as transfers.

Advances between funds, if any, are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

h. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses using the consumption method.

i. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm sewers and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs, including street overlays, that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i. Capital Assets (Continued)

	<u>Years</u>
Buildings, reservoirs, pump house, water mains and improvements	50
Garage and fence	50
Office building, remodeling and improvements	10-50
Improvements to water system	20
Vehicles	3-10
Equipment	3-10
Water meters	10-15
Infrastructure	
Streets	50
Alleys	10
Signals	25

Infrastructure acquired prior to fiscal years ended June 30, 1980 is also reported.

j. Compensated Absences

Vested or accumulated vacation leave that is matured is reported as an expenditure and a fund liability of the governmental fund that will pay it in the governmental fund financial statements. Vested or accumulated vacation leave of proprietary funds and governmental activities is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, an expenditure is reported and a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" at retirement.

In prior years, the General and Water and Sewer Funds have been used to liquidate the liability for compensated absences.

In addition, the Village has recorded \$703,521 for sick time payments to be made in the future to all civilian employees who are at least age 50 or are any age, but have 30 years of service and sworn personnel who are at least age 50 and have 20 years of service.

k. Rebtable Arbitrage

The Village reports rebtable arbitrage, if any, as a liability and expense in the governmental activities column in the government-wide financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l. Long-Term Obligations**

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, gains/losses or refundings, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and gains/losses or refundings. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

**m. Fund Balance/Net Position**

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

The Village has not yet adopted a flow of funds policy; therefore, in accordance with GASB Statement No. 54, the default flow of funds has been applied which prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned funds and then unassigned funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

m. Fund Balance/Net Position (Continued)

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. None of the Village's net positions are restricted as a result of enabling legislation adopted by the Village. Net investment in capital assets represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

n. Deferred Outflows/Inflows of Resources

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

o. Accounting Estimates

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

**2. DEPOSITS AND INVESTMENTS**

Permitted Deposits and Investments - The Village's investment policy authorizes the Village to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and derivatives consistent with the Government Finance Officers Association (GFOA) Recommended Practice on Use of Derivatives by state and local governments. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts, mutual funds and equity securities.



**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. DEPOSITS AND INVESTMENTS (Continued)**

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

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

It is the investment credit risk policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

**Village Deposits**

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by an agent of the Village in the Village's name.

**Village Investments**

As of December 31, 2015, the Village had the following debt security investments and maturities.

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
IMET (1-3 year fund)	\$ 265,030	\$ -	\$ 265,030	\$ -	\$ -
Negotiable CDs	2,238,847	2,238,847	-	-	-
<b>TOTAL</b>	<b>\$ 2,503,877</b>	<b>\$ 2,238,847</b>	<b>\$ 265,030</b>	<b>\$ -</b>	<b>\$ -</b>

**2. DEPOSITS AND INVESTMENTS (Continued)**

Village Investments (Continued)

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. However, securities may be sold prior to maturity if the sale minimizes the loss of principal in a declining credit market, a security swap would improve the quality, yield or target duration of the portfolio or for liquidity needs of the portfolio. Investments reserve funds may be purchased with maturities to match future projects or liability requirements.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government or in pools. IMET is rated AAA.

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

Concentration of credit risk - The Village's investment policy does not contain any specific guidelines on the diversification of the investment portfolio. At December 31, 2015, the Village had 25% in negotiable certificate of deposits (CDs) and 3% in IMET.

**3. RECEIVABLES**

a. Property Taxes

Property taxes for 2015 attach as an enforceable lien on January 1, 2015 on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2015 and August 1, 2015 and are payable in two installments, on or about March 1, 2015 and September 1, 2015. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 3% of the tax levy, to reflect actual collection experience. Since the 2015 levy is intended to fund the 2016 fiscal year, the levy has been recorded as a receivable and unavailable or deferred revenue.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. RECEIVABLES (Continued)**

b. Loan Receivable - Developer

In December 2010, the Village executed a loan of \$1,700,000 to a developer in return for the developer agreeing to build and operate a senior living facility in the Lehigh/Ferris TIF District. The loan will be repaid upon sale or refinancing the development. In addition, the Village will reimburse the developer up to \$1,100,000 from new incremental taxes generated by the development during the life of the TIF District.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balances January 1	Additions	Retirements	Ending Balances December 31
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land (including right of ways)	\$ 43,972,244	\$ -	\$ -	\$ 43,972,244
Construction in progress	-	1,073,201	-	1,073,201
Total capital assets not being depreciated	43,972,244	1,073,201	-	45,045,445
Capital assets being depreciated				
Buildings and improvements	18,175,872	446,955	-	18,622,827
Vehicles and equipment	6,562,347	1,009,916	139,826	7,432,437
Infrastructure	30,759,292	268,537	-	31,027,829
Total capital assets being depreciated	55,497,511	1,725,408	139,826	57,083,093
Less accumulated depreciation for				
Buildings and improvements	12,487,617	601,741	-	13,089,358
Vehicles and equipment	4,800,196	446,311	139,826	5,106,681
Infrastructure	24,752,328	545,250	-	25,297,578
Total accumulated depreciation	42,040,141	1,593,302	139,826	43,493,617
Total capital assets being depreciated, net	13,457,370	132,106	-	13,589,476
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	\$ 57,429,614	\$ 1,205,307	\$ -	\$ 58,634,921

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 444,530
Public safety	360,871
Streets and sidewalks	787,901
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,593,302</b>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**4. CAPITAL ASSETS (Continued)**

	Beginning Balances January 1	Additions	Retirements	Ending Balances December 31
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ 20,608	\$ 12,889	\$ 20,608	\$ 12,889
Total capital assets not being depreciated	20,608	12,889	20,608	12,889
Capital assets being depreciated				
Buildings and improvements	16,258,310	-	-	16,258,310
Equipment	2,315,554	101,107	33,838	2,382,823
Total capital assets being depreciated	18,573,864	101,107	33,838	18,641,133
Less accumulated depreciation for				
Buildings and improvements	7,703,264	270,213	-	7,973,477
Equipment	1,443,725	103,019	33,838	1,512,906
Total accumulated depreciation	9,146,989	373,232	33,838	9,486,383
Total capital assets being depreciated, net	9,426,875	(272,125)	-	9,154,750
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS, NET	\$ 9,447,483	\$ (259,236)	\$ 20,608	\$ 9,167,639

**5. RISK MANAGEMENT**

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

These risks (except employee health) are covered by the Village's participation in Intergovernmental Risk Management Association (IRMA), an organization of municipalities and special villages in Northeastern Illinois which have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

**5. RISK MANAGEMENT (Continued)**

The Village's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level. Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors. The Village paid an original contribution that was based on the Village's eligible revenue as defined in the by-laws of IRMA and experience modification factors based on past member loss experience.

The Village has a contractual obligation to fund any deficit of IRMA attributable to a membership year during which the Village was a member. Supplemental contributions may be required to fund these deficits. No supplemental contributions were due at December 31, 2015. The Village has recorded a receivable for the excess surplus balance of \$993,728 in the General Fund as of December 31, 2015.

The Village participates in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC is a public entity risk pool established by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental and life insurance coverage) offered by its members to their officers and employees and to the officers and employees of certain other governmental, quasi governmental and nonprofit public service entities. Risk of loss is retained by the Village, except that IPBC purchases excess coverage policies. The Village had terminal reserve net of any deficits of other subaccounts as of June 30, 2015 (most recent available) of \$594,122. This amount was declared as a dividend to the Village and, therefore, has been recorded as a receivable in the General Fund.

Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are three officers, a Benefit Administrator and a Treasurer. The Village does not exercise any control over activities of IPBC beyond its representation on the Board of Directors.

**6. LONG-TERM DEBT**

**a. General Obligation Bonds**

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary fund if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

**a. General Obligation Bonds (Continued)**

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

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Due Within One Year
\$9,200,000 General Obligation Bonds Series 2007 dated November 1, 2007, due in annual installments of \$270,000 to \$560,000 plus interest at 4%, due on June 1 and December 1 of each year.	Lehigh/ Ferris TIF	\$ 6,655,000	\$ -	\$ 6,655,000	\$ -	\$ -
\$4,920,000 General Obligation Bonds, Series 2009A dated October 1, 2009, due in annual installments of \$355,000 to \$600,000 plus interest at 3.000% to 4.125%, due on June 1 and December 1 of each year.	Waukegan Road TIF	2,865,000	-	515,000	2,350,000	540,000
\$8,130,000 Taxable General Obligation Bonds Series 2010B dated March 31, 2010, due in annual installments of \$415,000 to \$1,870,000 plus interest at 3.2% to 6.0%, due on June 15 and December 15 of each year.	Debt Service	4,552,800	-	232,400	4,320,400	238,000
	Water and Sewer	3,577,200	-	182,600	3,394,600	187,000
\$1,415,000 General Obligation Bonds Series 2014 dated March 25, 2014, due in annual installments of \$470,000 to \$475,000 plus interest at 2.395% due on June 15 and December 15 of each year.	Debt Service	1,415,000	-	-	1,415,000	-

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

**a. General Obligation Bonds (Continued)**

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Due Within One Year
\$10,010,000 General Obligation Bonds Series 2015 dated March 18, 2015, due in annual installments of \$560,000 to \$810,000 plus interest at 4.000% due on June 1 and December 1 of each year.	Debt Service and Lehigh TIF	\$ -	\$ 10,010,000	\$ -	\$ 10,010,000	\$ 985,000
<b>TOTAL</b>		<b>\$ 19,065,000</b>	<b>\$ 10,010,000</b>	<b>\$ 7,585,000</b>	<b>\$ 21,490,000</b>	<b>\$ 1,950,000</b>

**b. Installment Notes Payable**

The Village issues installment notes payable to provide funds for the acquisition of property and the development of the tax increment financing villages. Installment notes payable have been issued for both general government and proprietary activities.

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Due Within One Year
\$3,165,000 General Obligation Bank Promissory Note for projects related to the Tax Increment Financing Fund and the Economic Development Fund principal due semiannually through 2018 with interest at 5.32%.	Waukegan Road TIF	\$ 851,209	\$ -	\$ 237,366	\$ 613,843	\$ 247,158
\$1,060,000 General Obligation Bank Promissory note, Series 2013 for land purchase, principal is payable annually over seven years. Interest is at 2% and is due beginning May 31, 2014.	General	917,417	-	145,434	771,983	148,343
<b>TOTAL</b>		<b>\$ 1,768,626</b>	<b>\$ -</b>	<b>\$ 382,800</b>	<b>\$ 1,385,826</b>	<b>\$ 395,501</b>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. LONG-TERM DEBT (Continued)**

c. Intergovernmental Agreement with School District 67

In 1996, the Village entered into an agreement with Morton Grove School District 67. The agreement calls for the Village to remit to the school district a portion of the proposed tax revenue due to projected growth in the equalized assessed valuation for existing properties located on Waukegan Road and existing on the date when the TIF was formed. Payments are made December 31 of each year and shall continue until the conclusion of the TIF at which time all future growth in the equalized assessed valuation will be released for distribution of property tax revenues to the overlapping taxing jurisdictions. During the year ended December 31, 2015, the Village made total intergovernmental payments of \$236,891 from general (non-TIF) revenues. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

d. Intergovernmental Agreement with School District 70

In 2000, the Village entered into a second intergovernmental agreement, this time with Morton Grove School District 70. The agreement calls for the Village to remit to the school district a portion of the proposed tax revenue due to projected growth in the equalized assessed valuation for existing properties located in the Lehigh/Ferris TIF and existing on the date when the TIF was formed. As with the agreement with School District 67, payments are made December 31 of each year and shall continue until the conclusion of the TIF at which time all future growth in the equalized assessed valuation will be released for distribution of property tax revenues to the overlapping taxing jurisdictions. During the year ended December 31, 2015, the Village made total intergovernmental payments of \$140,720 from general (non-TIF) revenues. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

Year Ending	School District 67	School District 70	Total
2016	\$ 253,938	\$ 152,723	\$ 406,661
2017	271,625	165,114	436,739
2018	289,975	177,909	467,884
2019	-	191,117	191,117
2020-2023	-	905,380	905,380
TOTAL	\$ 815,538	\$ 1,592,243	\$ 2,407,781



**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

e. Debt Service Requirements to Maturity

Year Ending	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,763,000	\$ 834,735	\$ 2,597,735	\$ 187,000	\$ 177,362	\$ 364,362
2017	1,850,800	756,442	2,607,242	189,200	170,630	359,830
2018	2,038,600	671,747	2,710,347	191,400	163,062	354,462
2019	2,014,800	593,773	2,608,573	200,200	154,066	354,266
2020	2,098,800	506,041	2,604,841	211,200	144,657	355,857
2021	2,195,000	414,151	2,609,151	220,000	134,730	354,730
2022	2,136,800	317,615	2,454,415	233,200	124,390	357,590
2023	1,038,000	210,033	1,248,033	242,000	112,147	354,147
2024	1,089,200	157,209	1,246,409	250,800	99,321	350,121
2025	330,400	109,012	439,412	259,600	85,653	345,253
2026	341,600	90,675	432,275	268,400	71,245	339,645
2027	352,800	71,375	424,175	277,200	56,080	333,280
2028	411,600	50,736	462,336	323,400	39,864	363,264
2029	434,000	26,040	460,040	341,000	20,460	361,460
<b>TOTAL</b>	<b>\$ 18,095,400</b>	<b>\$ 4,809,584</b>	<b>\$ 22,904,984</b>	<b>\$ 3,394,600</b>	<b>\$ 1,553,667</b>	<b>\$ 4,948,267</b>

Year Ending	Total Installment Notes Payable		
	Governmental Activities		
	Principal	Interest	Total
2016	\$ 395,501	\$ 38,178	\$ 433,679
2017	408,776	24,902	433,678
2018	263,555	11,691	275,246
2019	157,423	6,360	163,783
2020	160,571	3,211	163,782
<b>TOTAL</b>	<b>\$ 1,385,826</b>	<b>\$ 84,342</b>	<b>\$ 1,470,168</b>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

**f. Changes in Long-Term Liabilities**

During the fiscal year, the following changes occurred in liabilities reported on the schedule of long-term liabilities payable by governmental funds:

	Balances January 1, Restated	Additions	Reductions	Balances December 31	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds payable	\$ 15,487,800	\$ 10,010,000	\$ 7,402,400	\$ 18,095,400	\$ 1,763,000
Unamortized premium on bonds	57,511	1,472,259	57,511	1,472,259	-
Unamortized discount on bonds	(5,212)	-	(1,331)	(3,881)	-
Installment notes payable	1,768,626	-	382,800	1,385,826	395,501
Intergovernmental agreement payable	2,785,393	-	377,612	2,407,781	406,661
Net pension liability - IMRF	632,523	186,365	-	818,888	-
Net pension liability - SLEP	2,270	2,111	-	4,381	-
Net pension liability - MERF	8,032,928	5,225,854	-	13,258,782	-
Net pension liability - police pension	27,362,536	10,962,398	-	38,324,934	-
Net pension liability - firefighters' pension	24,685,967	14,123,265	-	38,809,232	-
Net other postemployment benefit obligation	4,028,235	637,276	-	4,665,511	-
Compensated absences payable	587,361	338,084	143,841	781,604	78,160
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	<b>\$ 85,425,938</b>	<b>\$ 42,957,612</b>	<b>\$ 8,362,833</b>	<b>\$ 120,020,717</b>	<b>\$ 2,643,322</b>

As discussed in Note 12, beginning balances were restated to remove the net pension obligation for the Municipal Employees' Retirement (MERF), police pension and firefighters' pension and to record the opening net pension liability amounts for IMRF, SLEP, MERF and Police and Firefighters' Pension Funds.

Governmental activities' compensated absences, net pension liabilities for IMRF, SLEP, MERF, police pension, firefighters' pension and net other postemployment benefit obligation are liquidated by the General Fund, the fund in which the related salary has been charged.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

f. Changes in Long-Term Liabilities (Continued)

	Balances January 1, Restated	Additions	Reductions	Balances December 31	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds payable	\$ 3,577,200	\$ -	\$ 182,600	\$ 3,394,600	\$ 187,000
Unamortized discount on bonds	(5,491)	-	(366)	(5,125)	-
Net pension liability - IMRF	134,412	39,603	-	174,015	-
Net pension liability - MERF	2,588,121	1,683,714	-	4,271,835	-
Net other postemployment benefit obligation	342,020	64,075	-	406,095	-
Compensated absences payable	81,430	48,480	8,143	121,767	12,177
<b>TOTAL BUSINESS-TYPE DEBT</b>	<b>\$ 6,717,692</b>	<b>\$ 1,835,872</b>	<b>\$ 190,377</b>	<b>\$ 8,363,187</b>	<b>\$ 199,177</b>

Business-type activities' net other postemployment benefit obligation and compensated absences are liquidated by the Water and Sewer Fund, the fund in which the related salary has been charged.

g. Legal Debt Margin

The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property . . . (2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: . . . indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum . . . shall not be included in the foregoing percentage amounts."

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

**6. LONG-TERM DEBT (Continued)**

**h. Refunding Bonds**

On October 1, 2009, the Village issued \$4,920,000 Series 2009A General Obligation Refunding Bonds to advance refund \$4,785,000 of the General Obligation Promissory Note, Series 2002. The proceeds of the 2009 issuance were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The defeased bonds are due annually on June 1 through June 1, 2022, and are callable anytime after June 1, 2016. At December 31, 2015, \$3,095,000 of the refunded notes were outstanding.

On March 18, 2015, the Village issued \$10,010,000 General Obligation Bonds Series 2015 to advance refund \$6,120,000 of the General Obligation Bonds, Series 2007 and for capital projects. A portion of the proceeds of the 2015 issuance were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. Through the defeasance, the Village had a cash flow savings of \$406,088 and an economic gain of \$370,443. The refunded bonds of \$6,120,000 were all paid from escrow on December 1, 2015.

**i. Economic Development and Redevelopment Agreements**

**1. CVS, Inc.**

During June 2006, CVS, Inc. (CVS) purchased the Osco Drug (Osco) store with which the Village had previously entered into an economic development agreement that stated that the total amount paid will not exceed \$250,000. It was determined by legal counsel that the economic agreement that the Village had with Osco remains applicable with CVS. Payment to Osco during 2006 through date of sale totaled \$3,971. No amounts were due to CVS under the terms of the agreement for the year ended December 31, 2015.

**2. Gary D. McGrath Audi**

On December 9, 2013, the Village entered into a redevelopment agreement with Gary D. McGrath, a local auto dealership owner. The agreement calls for Mr. McGrath to provide new jobs, substantial new property taxes, sales taxes, and economic development for the Village. The Village will waive certain permit fees, contribute \$250,000 to the construction costs, and share sales tax revenue generated by the Audi dealership as follows: the dealership will receive 75% of sales taxes paid to the Village for the first ten years after the dealership opens up to a maximum of \$5,000,000. Amounts paid under the terms of the agreement were \$250,000 for year ended December 31, 2015.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**6. LONG-TERM DEBT (Continued)**

i. Economic Development and Redevelopment Agreements (Continued)

3. Bond Drug Company of Illinois, dba Walgreens and MRD - Morton Grove, LP

On June 1, 1999, the Village entered into a redevelopment agreement with Bond Drug Company of Illinois (Walgreens) and MRD - Morton Grove, LP to develop a site for a Walgreens Drug Store in the Village. The Village has required, as part of the redevelopment agreement, that certain infrastructure improvements be constructed. In order to comply with the Village's requirements for infrastructure improvement, the Village has agreed to enter into a sales tax revenue sharing program upon the commencement of retail operations to be public. The program will continue until the developer's receipt of \$253,320 or ten years following the opening of the store, whichever comes first. The first \$110,000 of sales tax revenue of the \$253,320 shall be retained by the Village. The Village will retain 100% of the sales tax on the first \$2,000,000 of annual sales and will share equally in the sales tax on annual sales exceeding \$2,000,000. No amounts were due to Walgreens under the terms of the agreement for the year ended December 31, 2015.

4. L & K Restaurants of Morton Grove LLC

On August 31, 2010, the Village entered into a development agreement with L & K Restaurants of Morton Grove LLC to develop a new Culver's Restaurant (Culver's). The agreement requires the Village to reimburse the developer 100% of sales taxes paid by the business for the first year after the Culver's store is open, and 50% of the sales taxes paid by the business from year two through ten up to total revenue of \$125,000 with additional property tax and performance related payments up to an additional \$100,000. No amounts were due under the terms of the agreement for the year ended December 31, 2015.

j. Noncommitment Debt

Industrial Revenue Bonds

On December 14, 2007, the Village approved the sale of \$30,000,000 Cultural Facility Variable Rate Demand Revenue Bonds, Series 2007 to be used for the construction of a Holocaust Museum in Skokie, Illinois by a not-for-profit agency. These bonds are industrial revenue bonds and are secured solely by the property financed. The bonds are payable solely by the property owners. The Village is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. INDIVIDUAL FUND DISCLOSURES**

a. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
GOVERNMENTAL FUNDS		
General	9-1-1 Emergency Telephone System	\$ 22,310
General	Economic Development	<u>253,667</u>
TOTAL		<u>\$ 275,977</u>

Significant amounts due from/to other funds at December 31, 2015 are as follows:

- \$253,667 due from the Economic Development Fund to the General Fund to eliminate a deficit cash position. Repayment is expected within one year.
- \$22,310 due from the 9-1-1 Emergency Telephone System Fund to the General Fund to eliminate a deficit cash position. Repayment is expected within one year.

b. Due From/To Fiduciary Funds

Receivable Fund	Payable Fund	Amount
PENSION TRUST FUNDS		
Municipal Employees Retirement	General	<u>\$ 510,853</u>
TOTAL		<u>\$ 510,853</u>

Significant amounts due from/to fiduciary funds at December 31, 2015 are as follows:

- \$510,853 due from General Fund to the Municipal Employees Retirement Pension Trust Fund are for amounts received by the pension plan after year end for employer contributions.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. INDIVIDUAL FUND DISCLOSURES (Continued)**

c. Advances

As of December 31, 2015, individual fund advances between funds were as follows:

Receivable Fund	Payable Fund	Amount
General	Waukegan Road TIF	\$ 2,539,841
General	Dempster/Waukegan TIF	241,648
Lehigh/Ferris TIF	Dempster/Waukegan TIF	44,364
<b>TOTAL</b>		<b><u>\$ 2,825,853</u></b>

Significant amounts of advances at December 31, 2015 are as follows:

- \$2,539,841 was advanced by the General Fund as initial costs of the Waukegan Road TIF. This amount will be repaid in future years from incremental property tax revenues of the TIF.

d. Transfers

For the year ended December 31, 2015, individual fund transfers between funds were as follows:

Transferred to	Transferred from	Amount
General	Lehigh/Ferris TIF	\$ 270,000
Debt Service	General	163,783
<b>TOTAL</b>		<b><u>\$ 433,783</u></b>

Significant amounts of transfers during the year ended December 31, 2015 are as follows:

- \$270,000 was transferred from the Lehigh/Ferris TIF Fund to the General Fund for administrative costs. This amount will not be repaid.
- \$163,783 was transferred from the General Fund to the Debt Service Fund to fund a deficit. This amount will not be repaid.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. INDIVIDUAL FUND DISCLOSURES (Continued)**

e. Deficit Fund Balances

As of December 31, 2015, individual funds with deficit fund balances were as follows:

Fund	Deficit
Major Governmental	
Waukegan Road TIF	\$ 2,539,841
Nonmajor Governmental	
Economic Development	29,241
Dempster/Waukegan TIF	291,128

**8. CONTINGENT LIABILITIES**

a. Litigation

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

b. Grants

The Village participates in numerous federally assisted programs, on both a direct and state pass-through basis, as well as on a service provider basis. Principal among these are the Federal Aid Highway Program and Highway Planning and Construction.

In connection with these grants, the Village is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

In the opinion of management, the Village has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the Village expects the resulting liability to be immaterial.



## **9. JOINT VENTURES**

### **Solid Waste Agency of Northern Cook County (SWANCC)**

The Village is a member of the Solid Waste Agency of Northern Cook County (SWANCC) which consists of 23 municipalities. SWANCC is a municipal corporation and public body politic and corporate established pursuant to the Intergovernmental Cooperation Act of the State of Illinois. SWANCC is empowered to plan, construct, finance, operate and maintain a solid waste disposal system to serve its members.

SWANCC is governed by a Board of Directors which consists of the mayor or president from each member municipality. Each director has an equal vote. The officers of SWANCC are appointed by the Board of Directors. The Board of Directors determines the general policy of SWANCC, makes all appropriations, approves contracts, provides for the issuance of debt, adopts by-laws, rules and regulations and exercises such powers and performs such duties as may be prescribed in the agency agreement or the by-laws.

Complete financial statements for SWANCC can be obtained from the SWANCC's administrative office at 2700 Patriot Boulevard, Suite 110, Glenview, Illinois 60026.

SWANCC's outstanding bonds are revenue obligations. They are limited obligations of SWANCC with a claim for payment solely from and secured by a pledge of the revenues of the system and amounts in various funds and accounts established by SWANCC resolutions. The bonds are not the debt of any member. SWANCC has no power to levy taxes.

Revenues of the system consist of (1) all receipts derived from solid waste disposal contracts or any other contracts for the disposal of waste; (2) all income derived from the investment of monies; and (3) all income, fees, service charges and all grants, rents and receipts derived by SWANCC from the ownership and operation of the system. SWANCC covenants to establish fees and charges sufficient to provide revenues to meet all its requirements.

SWANCC has entered into solid waste disposal contracts with the member municipalities. The contracts are irrevocable and may not be terminated or amended except as provided for in the contract. Each member is obligated, on a "take or pay" basis, to deliver a minimum amount of solid waste to the system. The obligation of the Village to make all payments as required by this contract is unconditional and irrevocable, without regard to performance or nonperformance by SWANCC of its obligations under the contract. The contract does not constitute an indebtedness of the Village within the meaning of any statutory or constitutional limitation.

In accordance with the contract, the Village made payments totaling \$435,776 to SWANCC in 2015, which includes payment for debt contribution. The Village does not have an equity interest in SWANCC at December 31, 2015.

**9. JOINT VENTURES (Continued)**

Solid Waste Agency of Northern Cook County (SWANCC) (Continued)

Commencing in 2008, the annual expense will be subject to change based upon the actual tonnage of refuse disposed of and current SWANCC costs. Beginning in 2004, the cost of brush collection was transferred to the residents. The Village continues to pay tipping fees averaging about \$36,314 a month or \$435,776 a year.

**10. JOINTLY GOVERNED ORGANIZATION**

Regional Emergency Dispatch Center

The Regional Emergency Dispatch Center (the Center) is a governmental joint venture of Illinois municipalities which is used to account for the resources involved in dispatching fire and medical emergency services to a seven-community area. The fund is supported by contributions by the eight-member departments.

Management consists of a Board of Directors comprised of one elected officer from each member. There is also a Joint Chiefs Authority which is comprised of the fire chief from each member, which takes care of day-to-day activities.

The Village does not exercise any control over the activities of the Center beyond its representation on the Board of Directors and Joint Chiefs Authority.

Annual contributions are determined each year based on the estimated number of fire calls for the upcoming year. Each year, the members sign a contract which denotes the amount of the contribution for the year. The Board of Directors has the power to levy a special assessment should a deficit or emergency arise.

Complete separate financial statements for the Center may be obtained at the Center's office located at 1842 Shermer Road, Northbrook, Illinois 60062.

**11. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

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

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

b. Benefits Provided

The Village provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under one of the Village's four retirement plans. The Village provides a subsidy of 50% of the blended healthcare premium to retired members with ten or more years of service. Police officers and firefighters who became disabled in the line of duty during an emergency receive continuation of healthcare benefits at no cost to the member. Upon a retiree becoming eligible for Medicare, the amount payable under the Village's health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

c. Membership

At December 31, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	39
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>145</u>
<b>TOTAL</b>	<u><u>184</u></u>
 Participating employers	 <u><u>1</u></u>

d. Funding Policy

The Village is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the Plan until retirement.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 1,415,247	\$ 660,352	46.7%	\$ 3,696,276
December 31, 2014	1,481,863	807,884	54.5%	4,370,255
December 31, 2015	1,247,821	546,470	43.8%	5,071,606

The net OPEB obligation as of December 31, 2015 was calculated as follows:

Annual required contribution	\$ 1,207,192
Interest on net OPEB obligation	196,661
Adjustment to annual required contribution	<u>(156,032)</u>
Annual OPEB cost	1,247,821
Contributions made	<u>546,470</u>
Increase in net OPEB obligation	701,351
Net OPEB obligation, beginning of year	<u>4,370,255</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 5,071,606</u>

Funded Status and Funding Progress: The projected funded status and funding progress of the Plan as of December 31, 2015 was as follows:

Actuarial accrued liability (AAL)	\$ 15,546,065
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	15,546,065
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 12,332,744
UAAL as a percentage of covered payroll	126.06%

**11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

In the December 31, 2015 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and a healthcare cost trend rate of 7.39% with an ultimate healthcare inflation rate of 4.5%. Both rates include a 4% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015 was 30 years.

**12. DEFINED BENEFIT PENSION PLANS**

a. Plan Descriptions

The Village contributes to five defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employees retirement system; the Sheriff's Law Enforcement Personnel Fund (SLEP), which is administered by IMRF, an agent multiple-employer public employee retirement system; the Municipal Employees' Retirement Fund (MERF), an agent

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

multiple-employer plan consisting of the Village and the Morton Grove Public Library (the Library); the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for the Police and Firefighters' Pension Plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. The Morton Grove Public Library also participates in IMRF and MERF. A portion of the liability for IMRF and MERF relates to the Library. A separate actuarial valuation is not provided for the Library's share of the IMRF liability. However, a separate actuarial valuation is provided for the Library's share of the MERF liability.

Illinois Municipal Retirement Fund

*Plan Administration*

All employees (other than those covered by the Police and Firefighters' Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF effective January 1, 2005, as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2015, IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	47
Active employees	<u>66</u>
 TOTAL	 <u><u>119</u></u>

The IMRF data included in the table above includes membership of both the Village and Library.

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided*

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

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

*Contributions*

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2015 was 9.69% of covered payroll.

*Actuarial Assumptions*

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

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market Value

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.49%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was not projected to be available to make all projected



**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate (Continued)*

future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.47% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 5,272,987	\$ 4,239,209	\$ 1,033,778
Changes for the period			
Service cost	429,566	-	429,566
Interest	409,549	-	409,549
Difference between expected and actual experience	(186,773)	-	(186,773)
Changes in assumptions	-	-	-
Employer contributions	-	389,954	(389,954)
Employee contributions	-	177,773	(177,773)
Net investment income	-	22,516	(22,516)
Benefit payments and refunds	(39,656)	(39,656)	-
Administrative expense	-	-	-
Other (net transfer)	-	(242,491)	242,491
Net changes	612,686	308,096	304,590
BALANCES AT DECEMBER 31, 2015	\$ 5,885,673	\$ 4,547,305	\$ 1,338,368

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Changes in the Net Pension Liability (Continued)*

The table presented above includes amounts for both the Village and Library. The Village's proportionate share of the net pension liability at January 1, 2015, the employer contributions and the net pension liability at December 31, 2015 was \$766,935, \$289,298 and \$992,903, respectively. The Library's proportionate share of the net pension liability at January 1, 2015, the employer contributions and the net pension liability at December 31, 2015 was \$266,843, \$100,656 and \$345,465, respectively.

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

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

For the year ended December 31, 2015, the Village recognized pension expense of \$493,423.

At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 67,270	\$ 157,340
Changes in assumption	151,375	-
Net difference between projected and actual earnings on pension plan investments	276,208	-
<b>TOTAL</b>	<b>\$ 494,853</b>	<b>\$ 157,340</b>

The deferred outflows presented in the table above include amounts for both the Village and Library. The Village's proportionate share of the deferred outflows and inflows of resources at December 31, 2015 was \$367,120 and \$116,727, respectively. The Library's proportionate share of the deferred outflows and inflows of resources at December 31, 2015 was \$127,733 and \$40,613, respectively.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

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

<u>Period Ended December 31,</u>	
2016	\$ 66,707
2017	66,707
2018	66,709
2019	58,967
2020	(1,148)
Thereafter	<u>(7,549)</u>
 TOTAL	 <u><u>\$ 250,393</u></u>

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village and Library calculated using the discount rate of 7.49% as well as what the Village and Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.49%) or 1 percentage point higher (8.49%) than the current rate:

	1% Decrease (6.49%)	Current Discount Rate (7.49%)	1% Increase (8.49%)
Net pension liability - Village	\$ 1,766,755	\$ 992,903	\$ 373,489
Net pension liability - library	614,714	345,465	129,949
 NET PENSION LIABILITY - TOTAL	 <u><u>\$ 2,381,469</u></u>	 <u><u>\$ 1,338,368</u></u>	 <u><u>\$ 503,438</u></u>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel

*Plan Administration*

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2015, SLEP membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
	<hr/>
TOTAL	2
	<hr/> <hr/>

*Benefits Provided*

Sheriff's Law Enforcement Personnel having accumulated at least 20 years of SLEP service and terminating IMRF participation or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. SLEP members meeting the two qualifications described in the first sentence of this paragraph are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 55 with ten years of Tier 2 service credit are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited. The pension for participating members who retire between age 50 and 55 will be reduced by 1/2% for each month under age 55. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by ILCS.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

*Contributions*

Participating members are required to contribute 6.5% of their annual salary to SLEP. The Village is required to contribute the remaining amounts necessary to fund the SLEP as specified by statute. The employer contribution rate for the year ended December 31, 2015 was 13.69% of covered payroll.

*Actuarial Assumptions*

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

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market Value

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

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the SLEP's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.45% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 104,794	\$ 102,524	\$ 2,270
Changes for the period			
Service cost	-	-	-
Interest	7,550	-	7,550
Difference between expected and actual experience	830	-	830
Changes in assumptions	415	-	415
Employer contributions	-	1,005	(1,005)
Employee contributions	-	-	-
Net investment income	-	495	(495)
Benefit payments and refunds	(7,982)	(7,982)	-
Administrative expense	-	-	-
Other (net transfer)	-	5,184	(5,184)
Net changes	813	(1,298)	2,111
BALANCES AT DECEMBER 31, 2015	\$ 105,607	\$ 101,226	\$ 4,381

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

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

For the year ended December 31, 2015, the Village recognized pension expense of (\$3,428). At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to SLEP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan investments	6,544	-
TOTAL	\$ 6,544	\$ -

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

<u>Period Ended December 31,</u>	
2016	\$ 1,706
2017	1,706
2018	1,705
2019	1,427
2020	-
Thereafter	-
TOTAL	\$ 6,544

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.45% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.45%) or 1 percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Net pension liability (asset)	\$ 15,554	\$ 4,381	\$ (5,046)

Municipal Employees' Retirement Fund

All employees (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard (1,000 hours) were enrolled in MERF as participating members through January 1, 2005. The plan is closed to new members. Pension benefits vest after ten years of service. Participating members who retire after 30 years of creditable service or at or after age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of average compensation for each of the first 15 years of service, plus 2% of average compensation for each year of service in excess of 15 years. Average compensation is defined as the average of the four calendar years (within the preceding ten years of participation) during which the participant received the highest compensation. Participating members are required to contribute 2% of their annual salary to MERF. The Village is required to contribute the remaining amounts necessary to fund MERF as specified by the plan. The employer contribution for the year ended December 31, 2015 was 45.07% of covered payroll.

*Plan Administration*

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.



**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (Continued)

*Plan Membership*

At December 31, 2015, MERF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>26</u>
<b>TOTAL</b>	<b><u>66</u></b>

*Investment Policy*

MERF's investment policy establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Annuity Contracts	100%	6.45%

The long-term expected rate of return on MERF's investments was determined using a building block method conducted by MERF's actuary in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in MERF's target asset allocation as of December 31, 2015 are listed in the table above.

*Investment Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on MERF plan investments, net of pension plan investment expense, was 2.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (Continued)

*Actuarial Assumptions*

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

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.50%
Interest rate	5.50%
Cost of living adjustments	3.00%
Asset valuation method	Market Value

The actuary used the rates from the December 10, 2014 IMRF Experience Study. For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 4.73%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the MERF's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 5.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 4.73% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 18,959,198	\$ 8,338,149	\$ 10,621,049
Changes for the period			
Service cost	283,482	-	283,482
Interest	868,067	-	868,067
Difference between expected and actual experience	(745,910)	-	(745,910)
Changes in assumptions	7,685,672	-	7,685,672
Employer contributions	-	921,727	(921,727)
Employee contributions	-	44,270	(44,270)
Net investment income	-	215,747	(215,747)
Benefit payments and refunds	(1,213,649)	(1,213,649)	-
Administrative expense	-	-	-
Other (net transfer)	-	-	-
Net changes	6,877,662	(31,905)	6,909,567
BALANCES AT DECEMBER 31, 2015	\$ 25,836,860	\$ 8,306,244	\$ 17,530,616

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (Continued)

*Changes in the Net Pension Liability (Continued)*

The table above includes the total pension liability and the plan fiduciary net position for the Village only. The portion of the plan fiduciary net position that has been allocated to the Library is \$1,617,887.

Changes in assumptions related to retirement age and mortality were made since the prior measurement date. Also, the discount rate was changed from 7.00% to 4.73%.

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

For the year ended December 31, 2015, the Village recognized pension expense of \$9,494,495.

At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to MERF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 572,038
Changes in assumption	5,894,140	-
Net difference between projected and actual earnings on pension plan investments	182,156	-
<b>TOTAL</b>	<b>\$ 6,076,296</b>	<b>\$ 572,038</b>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (Continued)

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

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

<u>Period Ended December 31,</u>	
2016	\$ 1,663,200
2017	1,663,200
2018	1,663,200
2019	514,658
2020	-
Thereafter	-
	<hr/>
TOTAL	<u><u>\$ 5,504,258</u></u>

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 4.73% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.73%) or 1 percentage point higher (5.73%) than the current rate:

	1% Decrease (3.73%)	Current Discount Rate (4.73%)	1% Increase (5.73%)
	<hr/>	<hr/>	<hr/>
Net pension liability - Village	\$ 22,289,755	\$ 17,530,616	\$ 13,706,459

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan

*Plan Administration*

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

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village President, one member is elected by pension beneficiaries, and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2015, the Police Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	53
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>45</u>
TOTAL	<u><u>98</u></u>

*Benefits Provided*

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Benefits Provided* (Continued)

service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive 2.5% of salary for each year of service. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

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

*Contributions*

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended December 31, 2015, the Village's contribution was 44.04% of covered payroll.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy*

ILCS limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, the following changes to the investment policy were approved by the Board of Trustees: allowing investments in real estate investment trusts and the global tactical asset allocation mutual fund. In addition, target allocations across asset classes were adjusted.

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

Asset Class	Target	Long-Term Expected Rate of Return	Inflation + Expenses	Long-Term Expected Real Rate of Return
Fixed Income	48.0%	2.3%	2.3%	0.0%
Large Cap Domestic Equities	27.0%	7.4%	2.3%	5.1%
Mid Cap Domestic Equities	9.0%	7.8%	2.3%	5.5%
Small Cap Domestic Equities	6.0%	8.0%	2.3%	5.7%
International Equities	10.0%	7.8%	2.3%	5.5%



**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Investment Policy* (Continued)

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

*Investment Valuations*

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at December 31 for debt securities, equity securities and mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

*Investment Concentrations*

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

*Investment Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.46%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

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

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2015:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Municipal bonds	\$ 537,109	\$ -	\$ -	\$ 509,129	\$ 27,980
U.S. Treasury obligations	5,866,415	1,222,379	2,747,693	1,896,343	-
U.S. agency obligations	1,356,294	-	49,781	365,644	940,869
Corporate bonds	5,765,241	138,840	2,183,651	2,399,845	1,042,905
<b>TOTAL</b>	<b>\$ 13,525,059</b>	<b>\$ 1,361,219</b>	<b>\$ 4,981,125</b>	<b>\$ 5,170,961</b>	<b>\$ 2,011,754</b>

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

*Credit Risk*

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government or in municipal or corporate bonds. The government bond index fund is not rated by the commercial ratings agencies. The range of quality ratings of securities held in the fund is AAA-BBB-.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.32%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Discount Rate (Continued)*

Police Pension Fund's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 6.32% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 59,527,590	\$ 32,165,054	\$ 27,362,536
Changes for the period			
Service cost	1,204,804	-	1,204,804
Interest	3,656,752	-	3,656,752
Difference between expected and actual experience	4,148,200	-	4,148,200
Changes in assumptions	3,982,348	-	3,982,348
Employer contributions	-	1,819,397	(1,819,397)
Employee contributions	-	412,809	(412,809)
Net investment income	-	(160,038)	160,038
Benefit payments and refunds	(3,335,184)	(3,335,184)	-
Administrative expense	-	(42,462)	42,462
Net Changes	9,656,920	(1,305,478)	10,962,398
BALANCES AT DECEMBER 31, 2015	\$ 69,184,510	\$ 30,859,576	\$ 38,324,934

Changes in assumptions that were made during the year included mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates. In addition, the discount rate changed from 7.125% to 6.32%.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 12.08%
Interest rate	7.00%
Cost of living adjustments	2.50%
Asset valuation method	Market

The L&A 2016 Illinois Police Mortality Rates were used for retirement and survivor pensioners. For disability pensioners, the L&A 2016 Illinois Police Disability Rates were used.

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 6.32% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.32%) or 1 percentage point higher (7.32%) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Net pension liability	\$ 48,338,122	\$ 38,324,934	\$ 30,180,494

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

For the year ended December 31, 2015, the Village recognized pension expense of \$3,962,152. At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,531,825	\$ -
Changes in assumptions	3,390,618	-
Net difference between projected and actual earnings on pension plan investments	1,897,200	-
TOTAL	<u>\$ 8,819,643</u>	<u>\$ -</u>

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

Period Ended  
December 31,

2016	\$ 1,682,407
2017	1,682,407
2018	1,682,407
2019	1,682,403
2020	1,208,106
Thereafter	<u>881,913</u>
TOTAL	<u>\$ 8,819,643</u>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan

*Plan Administration*

Firefighter sworn personnel are covered by the Firefighters' Pension Plan, a single-employer defined benefit pension plan sponsored by the Village. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-101) and may be amended only by the Illinois legislature. The Village accounts for the Firefighters' Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Plan Membership*

At December 31, 2015, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	-
Active members	<u>41</u>
TOTAL	<u><u>87</u></u>

*Benefits Provided*

The following is a summary of benefits of the plan as provided for in ILCS:

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement.

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Benefits Provided* (Continued)

The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

*Contributions*

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with fewer than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Firefighters' Pension Plan. The costs of administering the Firefighters' Pension Plan

**VILLAGE OF MORTON GROVE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Contributions* (Continued)

are financed through investment earnings. The Village is required to finance the Firefighters' Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Firefighters' Pension Plan. For the year ended December 31, 2015, the Village's contribution was 47.53% of covered payroll.

*Investment Policy*

Permitted Deposits and Investments - Statutes and the Firefighter's Pension Fund's (the Fund) investment policy authorize the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities. During the year, the following changes to the investment policy were approved by the Board of Trustees: allowing investments in real estate investment trusts and the global tactical asset allocation mutual fund. In addition, target allocations across asset classes were adjusted.

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

Asset Class	Target	Long-Term Expected Rate of Return	Inflation + Expenses	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	35%	10.1%	3.15%	6.95%
Small Cap Domestic Equities	10%	12.2%	3.15%	9.05%
International Equities	5%	10.3%	3.15%	7.15%
Fixed Income	50%	5.3%	3.15%	2.15%



**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Policy (Continued)*

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are listed in the table above.

*Concentrations*

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

*Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

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

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Interest Rate Risk*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2015:

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Municipal bonds	\$ 1,870,060	\$ -	\$ 411,318	\$ 928,248	\$ 530,494
U.S. Treasury obligations	2,594,781	561,500	1,832,937	200,344	-
U.S. agency obligations	9,024,881	251,239	1,526,098	6,485,655	761,889
<b>TOTAL</b>	<b>\$ 13,489,722</b>	<b>\$ 812,739</b>	<b>\$ 3,770,353</b>	<b>\$ 7,614,247</b>	<b>\$ 1,292,383</b>

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

*Credit Risk*

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The municipal bonds were rated from AA+ to Aa2. The ratings for the U.S. agency investments all were rated AA+.

*Custodial Credit Risk*

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

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 5.96%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Firefighters' Pension Fund's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 5.96% used to determine the total pension liability.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2015	\$ 54,645,387	\$ 29,959,420	\$ 24,685,967
Changes for the period			
Service cost	1,356,812	-	1,356,812
Interest	3,181,468	-	3,181,468
Difference between expected and actual experience	928,412	-	928,412
Changes in assumptions	11,295,766	-	11,295,766
Employer contributions	-	1,949,493	(1,949,493)
Employee contributions	-	387,408	(387,408)
Net investment income	-	363,152	(363,152)
Benefit payments and refunds	(2,530,110)	(2,530,110)	-
Administrative expense	-	(60,860)	60,860
Net changes	14,232,348	109,083	14,123,265
BALANCES AT DECEMBER 31, 2015	\$ 68,877,735	\$ 30,068,503	\$ 38,809,232

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Changes in the Net Pension Liability (Continued)*

Changes in actuarial assumptions that were made during the year included mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates. In addition, the discount rate changed from 7.125% to 5.96%.

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 11.66%
Interest rate	7.00%
Cost of living adjustments	2.50%
Asset valuation method	Market

The L&A 2016 Illinois Firefighters' Mortality Rates were used for retirement and survivor pensioners. For disability pensioners, the L&A 2016 Illinois Firefighters' Disability Rates were used.

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 5.96% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.96%) or 1 percentage point higher (6.96%) than the current rate:

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Discount Rate Sensitivity* (Continued)

	1% Decrease (4.96%)	Current Discount Rate (5.96%)	1% Increase (6.96%)
Net pension liability	\$ 47,221,306	\$ 38,809,232	\$ 29,000,099

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

For the year ended December 31, 2015, the Village recognized pension expense of \$4,671,044. At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 761,130	\$ -
Changes in assumption	9,260,493	-
Net difference between projected and actual earnings on pension plan investments	1,380,092	-
<b>TOTAL</b>	<b>\$ 11,401,715</b>	<b>\$ -</b>

Changes in the net pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the plan. Differences in projected and actual earnings over the measurement period are recognized over a five-year period.

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**12. DEFINED BENEFIT PENSION PLANS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

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

<u>Period Ended December 31,</u>	
2016	\$ 2,547,579
2017	2,547,579
2018	2,547,579
2019	2,547,579
2020	1,211,399
Thereafter	-
<b>TOTAL</b>	<b><u>\$ 11,401,715</u></b>

**13. CHANGE IN ACCOUNTING PRINCIPLE**

	<u>Increase (Decrease)</u>
<b>CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES</b>	
Change in accounting principle	
To write-off the Police Pension, Fire Pension, and MERF Plans net pension obligations	\$ 17,903,661
To record the Fire Pension Plan net pension liability	(24,685,967)
To record the Police Pension Plan net pension liability	(27,362,536)
To record the IMRF net pension liability	(632,523)
To record the IMRF deferred outflows	188,495
To record the SLEP net pension liability	(2,270)
To record the MERF net pension liability	(8,032,928)
To record the MERF deferred outflows	5,985,050
To record the MERF deferred inflows	(564,147)
<b>TOTAL CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (37,203,165)</u></b>

**VILLAGE OF MORTON GROVE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**13. CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

	Increase (Decrease)
<hr/>	
CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES	
To record the IMRF net pension liability	\$ (134,412)
To record the IMRF deferred outflows	40,055
To record the MERF net pension liability	(2,588,121)
To record the MERF deferred outflows	1,928,318
To record the MERF deferred inflows	<u>(181,762)</u>
 TOTAL CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES	 <u>\$ (935,922)</u>

With the implementation of GASB Statement No. 68, the Village retroactively recorded the net pension liability for each of its pension plans and the related deferred inflows and deferred outflows. The Village also wrote off the net pension obligation for each of the applicable pension plans.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Sales taxes	\$ 5,700,000	\$ 5,578,149
Property taxes	9,324,568	9,379,645
Telecommunications taxes	730,000	800,602
Utility taxes	1,245,000	1,272,845
Other taxes	1,400,300	1,859,349
Licenses and permits	1,750,500	1,826,803
Intergovernmental		
State income taxes	2,500,000	2,476,003
Local use taxes	430,000	517,569
Personal property replacement tax	380,000	372,693
Grants	232,000	132,032
Charges for services	918,150	827,482
Fines	892,000	717,300
Investment income	5,000	8,841
Cable TV franchise fees	330,000	336,620
Miscellaneous	381,550	213,608
	<hr/>	<hr/>
Total revenues	26,219,068	26,319,541
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
Current		
General government	3,973,241	3,259,332
Public safety	17,326,703	18,075,211
Streets and sidewalks	2,673,580	2,391,854
Vehicle maintenance	817,735	701,174
Health and human services	296,390	217,248
Community development	330,600	260,196
Buildings and inspection services	894,595	707,754
	<hr/>	<hr/>
Total expenditures	26,312,844	25,612,769
	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(93,776)	706,772
	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of general obligation bonds	-	-
Proceeds from sale of capital assets	45,000	15,506
Transfers in	310,000	270,000
Transfers (out)	(163,783)	(163,783)
	<hr/>	<hr/>
Total other financing sources (uses)	191,217	121,723
	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 97,441	828,495
	<hr/>	<hr/>
<b>FUND BALANCE, JANUARY 1</b>		7,849,478
		<hr/>
<b>FUND BALANCE, DECEMBER 31</b>		\$ 8,677,973
		<hr/>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS****SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LEHIGH/FERRIS TAX INCREMENT FINANCING FUND**

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Property taxes	\$ 2,000,000	\$ 2,122,746
Investment income	3,500	4,830
Miscellaneous	-	17,000
Total revenues	2,003,500	2,144,576
<b>EXPENDITURES</b>		
Current		
Community development		
Personal services	69,700	57,888
Commodities	3,600	7,714
Contractual services	264,710	210,697
Debt service		
Principal retirement	535,000	535,000
Interest and fiscal charges	266,200	307,746
Capital outlay	6,050,000	92,987
Total expenditures	7,189,210	1,212,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,185,710)	932,544
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers (out)	(270,000)	(270,000)
Issuance of general obligation bonds	-	5,615,000
Premium on bonds issued	-	825,848
Payment to escrow agent	-	(6,359,521)
Proceeds from sale of capital assets	1,000,000	2,000
Total other financing sources (uses)	730,000	(186,673)
NET CHANGE IN FUND BALANCE	\$ (4,455,710)	745,871
FUND BALANCE, JANUARY 1		14,272,473
FUND BALANCE, DECEMBER 31		\$ 15,018,344

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
WAUKEGAN ROAD TAX INCREMENT FINANCING FUND**

For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Property taxes	\$ 550,000	\$ 430,702
Investment income	200	162
Total revenues	550,200	430,864
<b>EXPENDITURES</b>		
Current		
Community development		
Professional services	20,750	803
Commodities	500,000	-
Debt service		
Principal	752,366	752,366
Interest and fiscal charges	132,998	132,998
Capital outlay	350,000	146
Total expenditures	1,756,114	886,313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,205,914)	(455,449)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers (out)	(40,000)	-
Total other financing sources (uses)	(40,000)	-
NET CHANGE IN FUND BALANCE	<u>\$ (1,245,914)</u>	(455,449)
FUND BALANCE (DEFICIT), JANUARY 1		<u>(2,084,392)</u>
FUND BALANCE (DEFICIT), DECEMBER 31		<u>\$ (2,539,841)</u>

(See independent auditor's report.)

# VILLAGE OF MORTON GROVE, ILLINOIS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

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### LEGAL COMPLIANCE AND ACCOUNTABILITY

a. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted (at the department level) for the General, Special Revenue, Debt Service, Capital Projects Funds on the modified accrual basis and for the Enterprise and Pension Trust Funds on the accrual basis. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level for all funds. All annual appropriations lapse at fiscal year end.

All departments of the Village submit requests for appropriation to the Village Administrator so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. All annual appropriations lapse at fiscal year end.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. No amendments were made in the current year.

The administrator is authorized to transfer budgeted amounts between departments within the General Fund and at the fund level for all other funds; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level.

b. Excess of Actual Expenditures/Expenses over Budget in Individual Funds

The following funds had an excess of actual expenditures/expenses (exclusive of depreciation and amortization) over budget for the fiscal year:

Fund	Excess
Debt Service	\$ 111,022
Commuter Parking	2,790
Capital Projects	1,024,098

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2015

<b>Actuarial Valuation Date December 31,</b>	<b>(1) Actuarial Value of Plan Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry-Age</b>	<b>(3) Percentage Funded (1) / (2)</b>	<b>(4) Unfunded Actuarial Accrued Liability (2) - (1)</b>	<b>(5) Annual Covered Payroll</b>	<b>(6) Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)</b>
2010	\$ -	\$ 14,235,463	0.00%	\$ 14,235,463	\$ 11,416,724	124.69%
2011	-	14,949,354	0.00%	14,949,354	11,873,393	125.91%
2012	-	19,567,488	0.00%	19,567,488	11,585,243	168.90%
2013	-	20,464,527	0.00%	20,464,527	12,048,653	169.85%
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	-	15,546,065	0.00%	15,546,065	12,332,744	126.06%

N/A - Valuation not performed.

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

December 31, 2015

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	<u><b>2015</b></u>
Actuarially determined contribution	\$ 289,298
Contributions in relation to the actuarially determined contribution	<u>289,298</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 3,950,495
Contributions as a percentage of covered-employee payroll	7.32%

**Notes to Required Supplementary Information**

The information presented was determined as part of the actuarial valuations as of December 31, 2013. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually, and postretirement benefit increases of 3.0% compounded annually.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SHERIFF'S LAW ENFORCEMENT PERSONNEL PLAN**

December 31, 2015

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	<u><b>2015</b></u>
Actuarially determined contribution	\$ 1,005
Contributions in relation to the actuarially determined contribution	<u>1,005</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ -
Contributions as a percentage of covered-employee payroll	0.00%

**Notes to Required Supplementary Information**

The information presented was determined as part of the actuarial valuations as of December 31, 2013. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually, and postretirement benefit increases of 3.0% compounded annually.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MUNICIPAL EMPLOYERS' RETIREMENT FUND**

December 31, 2015

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	<u>2015</u>
Actuarially determined contribution	\$ 987,061
Contributions in relation to the actuarially determined contribution	<u>921,727</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ 65,334</u></u>
Covered-employee payroll	\$ 2,044,912
Contributions as a percentage of covered-employee payroll	45.07%

Notes to Required Supplementary Information

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



**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND**

December 31, 2015

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	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 2,230,643	\$ 2,114,444
Contribution in relation to the actuarially determined contribution	1,819,397	1,746,014
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ 411,246</b>	<b>\$ 368,430</b>
Covered-employee payroll	\$ 4,131,663	\$ 4,017,422
Contributions as a percentage of covered-employee payroll	44.04%	43.46%

Notes to the Required Supplementary Information:

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 25 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.00% annually, projected salary increase assumption of 4.00% to 12.08% compounded annually and postretirement benefit increases of 3.00% compounded annually.

# VILLAGE OF MORTON GROVE, ILLINOIS

## SCHEDULE OF EMPLOYER CONTRIBUTIONS FIREFIGHTERS' PENSION FUND

December 31, 2015

	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 2,190,316	\$ 2,180,622
Contribution in relation to the actuarially determined contribution	1,949,493	1,914,705
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ 240,823</b>	<b>\$ 265,917</b>
Covered-employee payroll	\$ 4,101,744	\$ 3,707,686
Contributions as a percentage of covered-employee payroll	47.53%	51.64%

### Notes to the Required Supplementary Information:

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 25 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.00% annually, projected salary increase assumption of 4.00% to 11.66% compounded annually and postretirement benefit increases of 3.00% compounded annually.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2015

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<b>Calendar Year</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
2010	\$ 560,463	\$ 1,060,889	52.83%
2011	521,940	1,101,892	47.37%
2012	623,335	1,151,127	54.15%
2013	660,352	1,387,902	47.58%
2014	807,884	1,447,500	55.81%
2015	546,470	1,207,192	45.27%

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF THE VILLAGE'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
ILLINOIS MUNICIPAL RETIREMENT FUND**

December 31, 2015

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	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>	
Employer's proportion of net pension liability	74.19%
Employer's proportionate share of net pension liability	\$ 992,903
Employer's covered-employee payroll	2,930,872
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.88%
Plan fiduciary net position as a percentage of the total pension liability	77.26%

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
SHERIFF'S LAW ENFORCEMENT PERSONNEL PLAN**

December 31, 2015

	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ -
Interest	7,550
Changes of benefit terms	-
Differences between expected and actual experience	830
Changes of assumptions	415
Benefit payments, including refunds of member contributions	<u>(7,982)</u>
Net change in total pension liability	813
Total pension liability - beginning	<u>104,794</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u><u>\$ 105,607</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	\$ 1,005
Contributions - member	-
Net investment income	495
Benefit payments, including refunds of member contributions	(7,982)
Administrative expense	<u>5,184</u>
Net change in plan fiduciary net position	(1,298)
Plan net position - beginning	<u>102,524</u>
<b>PLAN NET POSITION - ENDING</b>	<u><u>\$ 101,226</u></u>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<u><u>\$ 4,381</u></u>
Plan fiduciary net position as a percentage of the total pension liability	95.90%
Covered-employee payroll	\$ -
Employer's net pension liability as a percentage of covered-employee payroll	0.00%

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

December 31, 2015

	<u><b>2015</b></u>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 283,482
Interest	868,067
Changes of benefit terms	-
Differences between expected and actual experience	(745,910)
Changes of assumptions	7,685,672
Benefit payments, including refunds of member contributions	<u>(1,213,649)</u>
Net change in total pension liability	6,877,662
Total pension liability - beginning	<u>18,959,198</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u><u>\$ 25,836,860</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	\$ 921,727
Contributions - member	50,401
Net investment income	215,747
Benefit payments, including refunds of member contributions	(1,213,649)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	(25,774)
Plan net position - beginning	<u>8,338,149</u>
<b>PLAN NET POSITION - ENDING</b>	<u><u>\$ 8,312,375</u></u>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<u><u>\$ 17,524,485</u></u>
Plan fiduciary net position as a percentage of the total pension liability	32.20%
Covered-employee payroll	\$ 2,044,912
Employer's net pension liability as a percentage of covered-employee payroll	857.00%

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

December 31, 2015

	<b>2014</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 999,888	\$ 1,204,804
Interest	4,067,424	3,656,752
Changes of benefit terms	-	-
Differences between expected and actual experience	1,780,289	4,148,200
Changes of assumptions	-	3,982,348
Benefit payments, including refunds of member contributions	(3,284,173)	(3,335,184)
Net change in total pension liability	3,563,428	9,656,920
Total pension liability - beginning	55,964,162	59,527,590
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 59,527,590</b>	<b>\$ 69,184,510</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	\$ 1,746,014	\$ 1,819,397
Contributions - member	399,590	412,809
Net investment income	1,972,181	(160,038)
Benefit payments, including refunds of member contributions	(3,284,173)	(3,335,184)
Administrative expense	(47,891)	(42,462)
Net change in plan fiduciary net position	785,721	(1,305,478)
Plan net fiduciary position - beginning	31,379,333	32,165,054
<b>PLAN NET FIDUCIARY POSITION - ENDING</b>	<b>\$ 32,165,054</b>	<b>\$ 30,859,576</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 27,362,536</b>	<b>\$ 38,324,934</b>
Plan fiduciary net position as a percentage of the total pension liability	54.00%	44.60%
Covered-employee payroll	\$ 4,017,422	\$ 4,131,663
Employer's net pension liability as a percentage of covered-employee payroll	681.10%	927.60%

(See independent auditor's report.)

# VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2015

	<b>2014</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 1,067,954	\$ 1,356,812
Interest	3,811,312	3,181,468
Changes of benefit terms	-	-
Differences between expected and actual experience	(661,128)	928,412
Changes of assumptions	-	11,295,766
Benefit payments, including refunds of member contributions	(2,406,899)	(2,530,110)
Net change in total pension liability	1,811,239	14,232,348
Total pension liability - beginning	52,834,148	54,645,387
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 54,645,387</b>	<b>\$ 68,877,735</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	\$ 1,914,705	\$ 1,949,493
Contributions - member	376,279	387,408
Net investment income	1,695,835	363,152
Benefit payments, including refunds of member contributions	(2,441,253)	(2,530,110)
Administrative expense	(42,228)	(60,860)
Net change in plan fiduciary net position	1,503,338	109,083
Plan net fiduciary position - beginning	28,456,082	29,959,420
<b>PLAN NET FIDUCIARY POSITION - ENDING</b>	<b>\$ 29,959,420</b>	<b>\$ 30,068,503</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 24,685,967</b>	<b>\$ 38,809,232</b>
Plan fiduciary net position as a percentage of the total pension liability	54.80%	43.70%
Covered-employee payroll	\$ 3,707,686	\$ 4,101,744
Employer's net pension liability as a percentage of covered-employee payroll	665.80%	946.20%

(See independent auditor's report.)



**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
MUNICIPAL EMPLOYERS' RETIREMENT FUND**

December 31, 2015

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	<b>2014</b>	<b>2015</b>
Annual money-weighted rate of return, net of investment expense	2.80%	2.89%

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
POLICE PENSION FUND**

December 31, 2015

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	<b>2014</b>	<b>2015</b>
Annual money-weighted rate of return, net of investment expense	6.12%	(0.46%)

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
FIREFIGHTERS' PENSION FUND**

December 31, 2015

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	<b>2014</b>	<b>2015</b>
Annual money-weighted rate of return, net of investment expense	6.00%	1.21%

(See independent auditor's report.)

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

## **MAJOR GOVERNMENTAL FUNDS**

### **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with governments which are accounted for in another fund. It receives a greater variety and amount of revenues and finances a wider range of governmental activities than any other fund. Major functions financed by the General Fund include:

Legislative	Administrative
Legal	Finance
Management Information Systems	Police
Fire/ESDA	Public Works
Vehicle Maintenance	Solid Waste Disposal
Health and Human Services	Community Development
Building and Inspectional Services	

### **DEBT SERVICE FUND**

The Debt Service Fund is used to account for the payment of governmental long-term debt. The Debt Service Fund accounts for the principal and interest payments of all long-term debt incurred by the Village, except for the Water Revenue Bonds and various installment notes, which are accounted for in the Proprietary Fund.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for the financial resources used for major infrastructure and other capital improvements (other than those financed by the Proprietary Fund) within the Village. Bond issues used to finance a specific capital project, are separately accounted for in this fund. The description of the Capital Projects Fund is as follows:

Capital Projects Fund - accounts for property taxes levied and other resources accumulated primarily for major infrastructure and other capital improvements.

## **MAJOR GOVERNMENTAL FUNDS (Continued)**

### **LEHIGH/FERRIS TAX INCREMENT FINANCING FUND**

Lehigh/Ferris Tax Increment Financing Fund accounts for tax increment revenue and other financial resources received along with the costs related to the Village's Tax Increment Financing (TIF) District. The fund entails the TIF District along Lehigh and Ferris Avenues. The TIF District is authorized by state law and is created to promote redevelopment of certain parcels declared as "blighted" into a higher and more productive land use.

### **WAUKEGAN ROAD TAX INCREMENT FINANCING FUND**

The Waukegan Road Tax Increment Financing Fund accounts for tax increment revenue and other financial resources received along with the costs related to the Village's Tax Increment Financing (TIF) District. The fund entails the TIF District along Waukegan Road. The TIF District is authorized by state law and is created to promote redevelopment of certain parcels declared as "blighted" into a higher and more productive land use.

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>			<b>2014</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>GENERAL GOVERNMENT</b>				
Legislative				
Personal services	\$ 66,400	\$ 66,400	\$ 58,783	\$ 56,004
Contractual services	47,550	47,550	33,501	36,457
Commodities	13,500	13,500	1,818	698
Total legislative	127,450	127,450	94,102	93,159
Administrative				
Personal services	582,900	582,900	590,329	638,862
Contractual services	135,725	135,725	70,459	53,222
Commodities	3,000	3,000	2,658	2,599
Total administrative	721,625	721,625	663,446	694,683
Finance				
Personal services	1,274,346	1,274,346	1,239,971	948,633
Contractual services	896,380	896,380	519,366	520,388
Commodities	8,500	8,500	9,954	4,132
Less administrative fees				
Municipal Parking Fund	(10,200)	(10,200)	(10,200)	(10,000)
Water and Sewer Fund	(153,000)	(153,000)	(153,000)	(150,000)
Total finance	2,016,026	2,016,026	1,606,091	1,313,153
Management information services				
Professional services	236,900	236,900	155,943	150,324
Contractual services	432,440	432,440	383,372	310,404
Capital outlay	63,300	63,300	50,553	27,832
Total management information services	732,640	732,640	589,868	488,560
Legal				
Contractual services	175,500	175,500	86,375	114,808
Other expenditures				
Other	200,000	200,000	219,450	141,150
Total other expenditures	200,000	200,000	219,450	141,150
Total general government	3,973,241	3,973,241	3,259,332	2,845,513
<b>PUBLIC SAFETY</b>				
Police				
Personal services	8,281,375	8,281,375	8,217,158	8,149,053
Contractual services	862,470	862,470	795,505	865,296
Commodities	126,965	126,965	107,504	132,471
Capital outlay	184,880	184,880	153,373	177,467
Total police	9,455,690	9,455,690	9,273,540	9,324,287

(This schedule is continued on the following pages.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>			<b>2014</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>PUBLIC SAFETY (Continued)</b>				
Fire				
Personal services	\$ 7,398,478	\$ 7,398,478	\$ 7,739,894	\$ 7,556,399
Contractual services	346,520	346,520	334,853	327,205
Commodities	116,400	116,400	99,261	102,531
Capital outlay	-	-	625,961	83,942
Total fire	7,861,398	7,861,398	8,799,969	8,070,077
Civil preparedness				
Personal services	-	-	-	108
Contractual services	6,615	6,615	1,702	2,745
Commodities	3,000	3,000	-	-
Total civil preparedness	9,615	9,615	1,702	2,853
Total public safety	17,326,703	17,326,703	18,075,211	17,397,217
<b>STREETS AND SIDEWALKS</b>				
Streets and sidewalks				
Personal services	1,798,400	1,798,400	1,685,834	1,727,596
Contractual services	599,750	599,750	452,011	445,227
Commodities	163,950	163,950	170,190	146,691
Capital outlay	10,100	10,100	19,803	607,503
Less administrative fees				
Motor Fuel Tax Fund	(196,970)	(196,970)	(196,970)	(191,700)
Commuter Parking Facility Fund	(120,000)	(120,000)	(120,000)	(116,800)
Total streets and sidewalks	2,255,230	2,255,230	2,010,868	2,618,517
Engineering				
Personal services	379,900	379,900	370,386	400,177
Contractual services	35,550	35,550	8,490	6,354
Commodities	2,900	2,900	2,110	3,216
Total engineering	418,350	418,350	380,986	409,747
Total streets and sidewalks	2,673,580	2,673,580	2,391,854	3,028,264
<b>VEHICLE MAINTENANCE</b>				
Personal services	318,100	318,100	304,275	307,211
Contractual services	113,900	113,900	101,734	80,169
Commodities	385,735	385,735	295,165	405,723
Total vehicle maintenance	817,735	817,735	701,174	793,103
<b>HEALTH AND HUMAN SERVICES</b>				
Family and senior services				
Personal services	118,400	118,400	102,363	121,522
Contractual services	164,690	164,690	106,496	147,965
Commodities	13,300	13,300	8,389	13,410
Total health and human services	296,390	296,390	217,248	282,897
<b>COMMUNITY DEVELOPMENT</b>				

(This schedule is continued on the following page.)



**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>			<b>2014</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
Personal services	\$ 264,000	\$ 264,000	\$ 247,563	\$ 177,415
Contractual services	62,600	62,600	12,333	11,670
Commodities	4,000	4,000	300	624
Total community development	330,600	330,600	260,196	189,709
<b>BUILDING AND INSPECTION SERVICES</b>				
Building and inspectional services				
Personal services	491,900	491,900	459,678	429,659
Contractual services	98,525	98,525	14,601	32,467
Commodities	5,400	5,400	1,141	1,546
Capital outlay	-	-	-	26,480
Total building and inspectional services	595,825	595,825	475,420	490,152
Municipal buildings				
Personal services	29,200	29,200	23,080	22,355
Contractual services	237,900	237,900	185,754	184,711
Commodities	8,000	8,000	5,736	5,540
Capital outlay	23,670	23,670	17,764	87,498
Total municipal buildings	298,770	298,770	232,334	300,104
Total building and inspection services	894,595	894,595	707,754	790,256
<b>TOTAL EXPENDITURES</b>	<b>\$ 26,312,844</b>	<b>\$ 26,312,844</b>	<b>\$ 25,612,769</b>	<b>\$ 25,326,959</b>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Property taxes	\$ 456,904	\$ 828,286	\$ 985,364
Sales taxes	50,000	50,000	550,000
Intergovernmental	70,500	75,856	75,693
Investment income	500	529	880
Total revenues	577,904	954,671	1,611,937
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	377,834	377,834	1,634,083
Interest and fiscal charges	339,070	450,092	337,829
Total expenditures	716,904	827,926	1,971,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(139,000)	126,745	(359,975)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	163,783	163,783	492,263
Total other financing sources (uses)	163,783	163,783	492,263
NET CHANGE IN FUND BALANCE	<u>\$ 24,783</u>	290,528	132,288
FUND BALANCE (DEFICIT), JANUARY 1		46,839	(85,449)
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 337,367</u>	<u>\$ 46,839</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS****SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Property taxes	\$ 100,000	\$ 100,223	\$ 50,634
Sales taxes	25,000	25,000	25,000
Intergovernmental			
Personal property replacement tax	34,100	33,115	35,282
Other intergovernmental	645,000	46,624	-
Investment income	5,000	1,964	1,311
Miscellaneous revenue	-	5,678	-
Total revenues	809,100	212,604	112,227
<b>EXPENDITURES</b>			
General government			
Contractual services	-	-	124,145
Debt service			
Interest and fiscal charges	20,000	41,411	-
Capital outlay			
Capital projects			
Construction	822,500	1,780,640	296,422
Machinery and equipment	-	262,466	-
Engineering	245,000	27,081	16,569
Total expenditures	1,087,500	2,111,598	437,136
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(278,400)	(1,898,994)	(324,909)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of general obligation bonds	-	4,395,000	-
Premium on bonds issued	-	646,411	-
Total other financing sources (uses)	-	5,041,411	-
NET CHANGE IN FUND BALANCE	\$ (278,400)	3,142,417	(324,909)
FUND BALANCE, JANUARY 1		753,147	1,078,056
FUND BALANCE, DECEMBER 31		\$ 3,895,564	\$ 753,147

(See independent auditor's report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes. Seven individual funds are reported within the Special Revenue Funds as follows:

Motor Fuel Tax Fund - accounts for monies received from the state levied tax on the sale of fuels and the expenditures for capitalized construction, improvements or general maintenance to the Village roadway system.

Commuter Parking Facility Fund - accounts for the cost of major improvements and general maintenance to the commuter parking facility on Lehigh Avenue. Revenues are primarily received from the daily parking fee imposed on the users of the facility.

9-1-1 Emergency Telephone System Fund - accounts for telephone surcharge fees collected for the 9-1-1 emergency telephone system. The funds are to be disbursed for the purchase and subsequent maintenance of that system.

Economic Development Fund - accounts for expenditures related to promoting economic development throughout the Village. The fund also accounts for non-TIF redevelopment costs including those that support an existing TIF but whose redevelopment is not directly within a TIF established district.

Fire Alarm Fund - accounts for expenditures related to fire alarm costs for the Regional Emergency Dispatch Center. The funds are to be disbursed for the purchase and subsequent maintenance of fire alarms.

Seizure Fund - accounts for expenditures related to public safety. Revenues are primarily received from the seizure of assets within the Village limits.

Dempster/Waukegan TIF Fund - accounts for expenditures related to promoting economic redevelopment in the Prairie View Shopping Center within the Dempster/Waukegan TIF District.

**VILLAGE OF MORTON GROVE, ILLINOIS****COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2015

	<b>Special Revenue Funds</b>		
	<b>Motor Fuel Tax</b>	<b>Commuter Parking Facility</b>	<b>9-1-1 Emergency Telephone System</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 729,077	\$ 62,391	\$ -
Investments	-	-	-
Sales tax receivable	-	-	-
Accounts, miscellaneous and allotments receivable	98,619	-	124,640
<b>TOTAL ASSETS</b>	<b>\$ 827,696</b>	<b>\$ 62,391</b>	<b>\$ 124,640</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and retainage payable	\$ 62,652	\$ 657	\$ 1,952
Due to other funds	-	-	22,310
Advances from other funds	-	-	-
Total liabilities	62,652	657	24,262
<b>FUND BALANCES</b>			
Restricted for			
Public safety	-	-	100,378
Highways and streets	765,044	-	-
Committed for commuter improvements	-	61,734	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	765,044	61,734	100,378
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 827,696</b>	<b>\$ 62,391</b>	<b>\$ 124,640</b>

Special Revenue Funds				
Economic Development	Fire Alarm	Seizure	Dempster/ Waukegan TIF	Total
\$ -	\$ 323,555	\$ 748,816	\$ -	\$ 1,863,839
95,275	-	-	-	95,275
286,666	-	-	-	286,666
-	-	-	-	223,259
\$ 381,941	\$ 323,555	\$ 748,816	\$ -	\$ 2,469,039
\$ 157,515	\$ 4,532	\$ -	\$ 5,116	\$ 232,424
253,667	-	-	-	275,977
-	-	-	286,012	286,012
411,182	4,532	-	291,128	794,413
-	319,023	748,816	-	1,168,217
-	-	-	-	765,044
-	-	-	-	61,734
(29,241)	-	-	(291,128)	(320,369)
(29,241)	319,023	748,816	(291,128)	1,674,626
\$ 381,941	\$ 323,555	\$ 748,816	\$ -	\$ 2,469,039

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS****COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2015

	<b>Special Revenue Funds</b>		
	<b>Motor Fuel Tax</b>	<b>Commuter Parking Facility</b>	<b>9-1-1 Emergency Telephone System</b>
<b>REVENUES</b>			
Sales taxes	\$ -	\$ -	\$ -
Intergovernmental	663,741	-	-
Surcharge fees	-	-	283,028
Charges for services	-	172,919	-
Investment income	217	-	-
Total revenues	663,958	172,919	283,028
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	258,710
Streets and sidewalks	759,108	171,040	-
Community development	-	-	-
Capital outlay	-	-	-
Total expenditures	759,108	171,040	258,710
NET CHANGE IN FUND BALANCES	(95,150)	1,879	24,318
FUND BALANCES (DEFICIT), JANUARY 1	860,194	59,855	76,060
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 765,044</b>	<b>\$ 61,734</b>	<b>\$ 100,378</b>

<b>Special Revenue Funds</b>				
<b>Economic Development</b>	<b>Fire Alarm</b>	<b>Seizure</b>	<b>Dempster/ Waukegan TIF</b>	<b>Total</b>
\$ 1,147,920	\$ -	\$ -	\$ -	\$ 1,147,920
-	-	300,725	-	964,466
-	-	-	-	283,028
-	204,533	-	-	377,452
452	-	917	-	1,586
1,148,372	204,533	301,642	-	2,774,452
-	50,522	106,926	-	416,158
-	-	-	-	930,148
753,352	-	-	94,462	847,814
-	10,320	-	-	10,320
753,352	60,842	106,926	94,462	2,204,440
395,020	143,691	194,716	(94,462)	570,012
(424,261)	175,332	554,100	(196,666)	1,104,614
\$ (29,241)	\$ 319,023	\$ 748,816	\$ (291,128)	\$ 1,674,626

(See independent auditor's report.)



**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	2015		
	Original and Final Budget	Actual	2014 Actual
REVENUES			
Intergovernmental			
Motor fuel taxes	\$ 565,461	\$ 568,891	\$ 576,464
Miscellaneous	97,000	94,850	158,042
Investment income	50	217	85
Total revenues	662,511	663,958	734,591
EXPENDITURES			
Streets and sidewalks			
Materials	668,350	516,686	252,653
Lighting	80,000	45,452	67,971
Administrative fees			
General Fund	196,970	196,970	191,700
Total expenditures	945,320	759,108	512,324
NET CHANGE IN FUND BALANCE	<u>\$ (282,809)</u>	(95,150)	222,267
FUND BALANCE, JANUARY 1		860,194	637,927
FUND BALANCE, DECEMBER 31		\$ 765,044	\$ 860,194

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
COMMUTER PARKING FACILITY FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Charges for services	\$ 140,000	\$ 172,919	\$ 145,953
Investment income	250	-	105
Total revenues	140,250	172,919	146,058
<b>EXPENDITURES</b>			
Streets and sidewalks			
Utilities and maintenance of street lighting	15,700	18,424	45,866
Commodities	22,050	22,116	18,685
Administrative fees			
General Fund	120,000	120,000	116,800
Water and Sewer Fund	10,500	10,500	10,500
Total expenditures	168,250	171,040	191,851
NET CHANGE IN FUND BALANCE	<u>\$ (28,000)</u>	1,879	(45,793)
FUND BALANCE, JANUARY 1		59,855	105,648
FUND BALANCE, DECEMBER 31		<u>\$ 61,734</u>	<u>\$ 59,855</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
9-1-1 EMERGENCY TELEPHONE SYSTEM FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Telecommunications surcharges	\$ 253,000	\$ 283,028	\$ 246,727
Investment income	50	-	26
Total revenues	253,050	283,028	246,753
<b>EXPENDITURES</b>			
Public safety			
Contractual services	258,800	258,710	250,839
Total expenditures	258,800	258,710	250,839
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,750)	24,318	(4,086)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	-	7,010
Total other financing sources (uses)	-	-	7,010
NET CHANGE IN FUND BALANCE	<u>\$ (5,750)</u>	24,318	2,924
FUND BALANCE, JANUARY 1		76,060	73,136
FUND BALANCE, DECEMBER 31		<u>\$ 100,378</u>	<u>\$ 76,060</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ECONOMIC DEVELOPMENT FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Sales taxes	\$ 1,165,000	\$ 1,147,920	\$ 554,355
Investment income	150	452	490
Total revenues	1,165,150	1,148,372	554,845
<b>EXPENDITURES</b>			
Community development			
Contractual services	917,611	745,448	802,402
Capital outlay	60,000	7,904	-
Total expenditures	977,611	753,352	802,402
NET CHANGE IN FUND BALANCE	<u>\$ 187,539</u>	395,020	(247,557)
FUND BALANCE (DEFICIT), JANUARY 1		(424,261)	(176,704)
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<u>\$ (29,241)</u>	<u>\$ (424,261)</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FIRE ALARM FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014 Actual</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Charges for services	\$ 124,000	\$ 204,533	\$ 178,987
Investment income	100	-	311
Total revenues	124,100	204,533	179,298
<b>EXPENDITURES</b>			
Public safety			
Personal services	20,400	20,345	18,938
Contractual services	36,400	30,177	28,903
Capital outlay	22,000	10,320	-
Total expenditures	78,800	60,842	47,841
NET CHANGE IN FUND BALANCE	<u>\$ 45,300</u>	143,691	131,457
FUND BALANCE, JANUARY 1		175,332	43,875
FUND BALANCE, DECEMBER 31		<u>\$ 319,023</u>	<u>\$ 175,332</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SEIZURE FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014 Actual</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 37,500	\$ 300,725	\$ 181,643
Investment income	350	917	564
Total revenues	37,850	301,642	182,207
<b>EXPENDITURES</b>			
Public safety			
Contractual services	134,050	106,926	9,271
Total expenditures	134,050	106,926	9,271
NET CHANGE IN FUND BALANCE	<u>\$ (96,200)</u>	194,716	172,936
FUND BALANCE, JANUARY 1		<u>554,100</u>	<u>381,164</u>
FUND BALANCE, DECEMBER 31		<u>\$ 748,816</u>	<u>\$ 554,100</u>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEMPSTER/WAUKEGAN TIF FUND**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>		<b>2014</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Property taxes	\$ 500,000	\$ -	\$ -
Investment income	100	-	-
Total revenues	500,100	-	-
<b>EXPENDITURES</b>			
Community development			
Personnel services	34,300	19,912	18,162
Contractual services	213,800	74,550	56,880
Capital outlay	3,250,000	-	-
Total expenditures	3,498,100	94,462	75,042
NET CHANGE IN FUND BALANCE	<u>\$ (2,998,000)</u>	(94,462)	(75,042)
FUND BALANCE (DEFICIT), JANUARY 1		<u>(196,666)</u>	<u>(121,624)</u>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<u><b>\$ (291,128)</b></u>	<u><b>\$ (196,666)</b></u>

(See independent auditor's report.)

## **NONMAJOR PROPRIETARY FUNDS**

Solid Waste Fund - accounts for the operation of the Village waste collection services. All activities necessary to provide such services mainly involve the collection and disposition of waste and recyclable items.

Municipal Parking Fund - accounts for the operation of the Village parking lots and monies received from permit sales. All activities necessary to provide such services are accounted for in this fund, including but not limited to operations, maintenance and improvements.



**VILLAGE OF MORTON GROVE, ILLINOIS**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS**

December 31, 2015

	<b>Solid Waste</b>	<b>Municipal Parking</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 373,013	\$ 232,044	\$ 605,057
Receivables	58,431	50	58,481
Prepaid expenses	31,046	-	31,046
Total current assets	462,490	232,094	694,584
Total assets	462,490	232,094	694,584
<b>CURRENT LIABILITIES</b>			
Accounts payable	167,587	846	168,433
Unearned revenue	-	35,465	35,465
Total current liabilities	167,587	36,311	203,898
Total liabilities	167,587	36,311	203,898
<b>NET POSITION</b>			
Unrestricted	294,903	195,783	490,686
<b>TOTAL NET POSITION</b>	<b>\$ 294,903</b>	<b>\$ 195,783</b>	<b>\$ 490,686</b>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2015

	<b>Solid Waste</b>	<b>Municipal Parking</b>	<b>Total Nonmajor Enterprise</b>
<b>OPERATING REVENUES</b>			
Waste charges	\$ 2,014,617	\$ -	\$ 2,014,617
Parking charges	-	57,935	57,935
Total operating revenues	2,014,617	57,935	2,072,552
<b>OPERATING EXPENSES</b>			
Contractual services and other charges	1,869,199	352	1,869,551
Commodities	-	796	796
Administrative fees	-	10,200	10,200
Total operating expenses	1,869,199	11,348	1,880,547
OPERATING INCOME	145,418	46,587	192,005
<b>NON-OPERATING REVENUES</b>			
Interest income	5	-	5
CHANGE IN NET POSITION	145,423	46,587	192,010
NET POSITION, JANUARY 1	149,480	149,196	298,676
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 294,903</b>	<b>\$ 195,783</b>	<b>\$ 490,686</b>

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	<b>Solid Waste</b>	<b>Municipal Parking</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,016,544	\$ 55,785	\$ 2,072,329
Payments to suppliers	(1,887,991)	(11,002)	(1,898,993)
Net cash from operating activities	128,553	44,783	173,336
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
None	-	-	-
Net cash from noncapital financing activities	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
None	-	-	-
Net cash from capital and related financing activities	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	5	-	5
Net cash from investing activities	5	-	5
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	128,558	44,783	173,341
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	244,455	187,261	431,716
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 373,013	\$ 232,044	\$ 605,057
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 145,418	\$ 46,587	\$ 192,005
Adjustments to reconcile operating income to net cash from operating activities			
Changes in operating assets and liabilities			
Receivables	1,927	20,145	22,072
Prepaid expenses	9,418	-	9,418
Payables	(28,210)	346	(27,864)
Unearned revenues	-	(22,295)	(22,295)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ 128,553	\$ 44,783	\$ 173,336
<b>SCHEDULE OF NONCASH TRANSACTIONS</b>			
None	\$ -	\$ -	\$ -

(See independent auditor's report.)

## **FIDUCIARY FUNDS**

## **PENSION TRUST FUNDS**

Municipal Employees' Retirement Fund - accounts for the accumulation of resources to be used for retirement and disability pensions for the Village's municipal employees.

Police Pension Fund - accounts for the accumulation of resources to be used for retirement and disability pensions for the Village's sworn police personnel. Most rules and regulations of the fund are established by the pension division of the Illinois Department of Insurance.

Firefighters' Pension Fund - accounts for the accumulation of resources to be used for retirement and disability pensions for the Village's sworn fire personnel. Most rules and regulations of the fund are established by the pension division of the Illinois Department of Insurance.

**VILLAGE OF MORTON GROVE, ILLINOIS****COMBINING STATEMENT OF PLAN NET POSITION  
PENSION TRUST FUNDS**

December 31, 2015

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	<b>Municipal Employees' Retirement</b>	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>
<hr/>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,243,330	\$ 493,767	\$ 1,737,097
Investments, at fair value				
Equities	-	16,017,914	16,021,477	32,039,391
Corporate bonds	-	5,765,241	-	5,765,241
Annuity contracts	8,997,726	-	-	8,997,726
U.S. Treasury obligations	-	5,866,415	2,594,781	8,461,196
U.S. agency obligations	-	1,356,294	9,024,881	10,381,175
Municipal bonds	-	537,109	1,870,060	2,407,169
Receivables				
Accrued interest	-	83,620	82,113	165,733
Other	415,552	1,106	4,055	420,713
Due from primary government	510,853	-	-	510,853
Prepaid expenses	-	4,217	2,180	6,397
	<hr/>			
Total assets	9,924,131	30,875,246	30,093,314	70,892,691
	<hr/>			
<b>LIABILITIES</b>				
Accounts payable	-	15,670	24,811	40,481
	<hr/>			
Total liabilities	-	15,670	24,811	40,481
	<hr/>			
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	\$ 9,924,131	\$ 30,859,576	\$ 30,068,503	\$ 70,852,210
	<hr/>			

(See independent auditor's report.)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
PENSION TRUST FUNDS**

For the Year Ended December 31, 2015  
(with prior year actual for 2014)

	<b>2015</b>				
	<b>Municipal Employees' Retirement</b>	<b>Police Pension</b>	<b>Firefighters' Pension</b>	<b>Total</b>	<b>2014 Actual</b>
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 1,067,727	\$ 1,819,397	\$ 1,949,493	\$ 4,836,617	\$ 4,455,737
Employee	50,401	412,809	387,408	850,618	818,986
Total contributions	1,118,128	2,232,206	2,336,901	5,687,235	5,274,723
Investment income					
Net appreciation (depreciation) in fair value of investments	-	(824,383)	(677,635)	(1,502,018)	2,633,283
Interest	277,956	721,623	1,116,661	2,116,240	1,479,183
Total investment income	277,956	(102,760)	439,026	614,222	4,112,466
Less investment expense	(2,266)	(57,278)	(75,874)	(135,418)	(164,193)
Net investment income	275,690	(160,038)	363,152	478,804	3,948,273
Total additions	1,393,818	2,072,168	2,700,053	6,166,039	9,222,996
<b>DEDUCTIONS</b>					
Retirement benefits	1,374,426	2,859,392	1,682,070	5,915,888	5,132,732
Duty/nonduty disability benefits	-	140,768	544,117	684,885	681,243
Surviving spouse benefits	-	279,431	303,923	583,354	552,711
Refunds	-	55,593	-	55,593	208,308
Administrative expenses	20,185	42,462	60,860	123,507	90,119
Total deductions	1,394,611	3,377,646	2,590,970	7,363,227	6,665,113
NET INCREASE (DECREASE)	(793)	(1,305,478)	109,083	(1,197,188)	2,557,883
<b>NET POSITION RESTRICTED FOR PENSIONS</b>					
January 1	9,924,924	32,165,054	29,959,420	72,049,398	69,491,515
December 31	\$ 9,924,131	\$ 30,859,576	\$ 30,068,503	\$ 70,852,210	\$ 72,049,398

(See independent auditor's report.)

## STATISTICAL SECTION (Unaudited)

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

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have been changed over time.	127-136
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	137-140
Debt Capacity The schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	141-144
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	145-146
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	147-149

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



# VILLAGE OF MORTON GROVE, ILLINOIS

## NET POSITION BY COMPONENT

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 49,824,312	\$ 50,519,769	\$ 46,369,992	\$ 43,660,888
Restricted	1,618,149	1,320,956	1,490,542	15,697,500
Unrestricted	(16,684,584)	(15,865,423)	(12,451,299)	(24,936,412)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 34,757,877</b>	<b>\$ 35,975,302</b>	<b>\$ 35,409,235</b>	<b>\$ 34,421,976</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 431,305	\$ 779,852	\$ 1,194,967	\$ 1,918,346
Restricted	-	-	-	-
Unrestricted	1,518,474	1,557,185	1,396,375	928,429
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 1,949,779</b>	<b>\$ 2,337,037</b>	<b>\$ 2,591,342</b>	<b>\$ 2,846,775</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 50,255,617	\$ 51,299,621	\$ 47,564,959	\$ 45,579,234
Restricted	1,618,149	1,320,956	1,490,542	15,697,500
Unrestricted	(15,166,110)	(14,308,238)	(11,054,924)	(24,007,983)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 36,707,656</b>	<b>\$ 38,312,339</b>	<b>\$ 38,000,577</b>	<b>\$ 37,268,751</b>

Note: The Village implemented GASB Statement No. 68 in 2015.

Data Source

Audited Financial Statements

2010	2011	2012	2013	2014	2015
\$ 40,455,570	\$ 44,804,287	\$ 44,017,021	\$ 45,225,759	\$ 44,444,400	\$ 44,953,060
19,784,173	11,645,390	13,415,241	14,644,385	15,893,795	17,293,933
(23,196,704)	(18,379,105)	(20,475,242)	(23,595,025)	(23,603,372)	(71,822,364)
\$ 37,043,039	\$ 38,070,572	\$ 36,957,020	\$ 36,275,119	\$ 36,734,823	\$ (9,575,371)
\$ 3,844,337	\$ 4,490,571	\$ 4,108,087	\$ 4,945,237	\$ 5,875,794	\$ 5,778,164
-	-	-	-	-	-
177,104	409,939	2,044,418	2,835,446	3,765,559	1,925,554
\$ 4,021,441	\$ 4,900,510	\$ 6,152,505	\$ 7,780,683	\$ 9,641,353	\$ 7,703,718
\$ 44,299,907	\$ 45,414,747	\$ 48,125,108	\$ 50,170,996	\$ 50,320,194	\$ 50,731,224
19,784,173	11,645,390	13,415,241	14,644,385	15,893,795	17,293,933
(23,019,600)	(14,089,055)	(18,430,824)	(20,759,579)	(19,837,813)	(69,896,810)
\$ 41,064,480	\$ 42,971,082	\$ 43,109,525	\$ 44,055,802	\$ 46,376,176	\$ (1,871,653)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**CHANGE IN NET POSITION**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 3,556,886	\$ 4,390,997	\$ 4,587,340	\$ 3,987,630
Public safety	13,752,166	14,558,399	15,324,442	16,452,967
Streets and highways	3,205,566	3,187,348	4,196,379	3,815,984
Sanitation	411,845	627,214	632,928	646,686
Vehicle maintenance	752,462	872,991	932,625	752,089
Health and human services	557,683	669,564	679,218	717,693
Community development	2,023,898	2,433,222	2,047,185	778,130
Building and inspectional services	710,282	718,784	693,218	812,585
Interest	745,013	1,180,450	1,254,168	879,876
Total governmental activities expenses	25,715,801	28,638,969	30,347,503	28,843,640
Business-type activities				
Water and sewer	4,026,028	4,047,889	4,550,240	4,995,861
Solid waste	-	-	-	-
Municipal parking	-	-	-	-
Total business-type activities expenses	4,026,028	4,047,889	4,550,240	4,995,861
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 29,741,829</b>	<b>\$ 32,686,858</b>	<b>\$ 34,897,743</b>	<b>\$ 33,839,501</b>
<b>PROGRAM REVENUES</b>				
Governmental activities				
Charges for services				
General government	\$ 2,202,037	\$ 2,289,270	\$ 2,151,555	\$ 2,068,374
Public safety	314,940	469,729	439,602	478,189
Other activities	135,589	88,338	83,477	77,835
Operating grants and contributions	1,099,295	826,813	699,862	804,094
Capital grants and contributions	216,256	339,372	55,729	1,244
Total governmental activities program revenues	3,968,117	4,013,522	3,430,225	3,429,736
Business-type activities				
Charges for services				
Water and sewer	4,174,016	4,239,458	4,596,060	4,990,281
Solid waste	-	-	-	-
Municipal parking	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	4,174,016	4,239,458	4,596,060	4,990,281
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUE</b>	<b>\$ 8,142,133</b>	<b>\$ 8,252,980</b>	<b>\$ 8,026,285</b>	<b>\$ 8,420,017</b>
<b>NET (EXPENSE) REVENUE</b>				
Governmental activities	\$ (21,747,684)	\$ (24,625,447)	\$ (26,917,278)	\$ (25,413,904)
Business-type activities	147,988	191,569	45,820	(5,580)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<b>\$ (21,599,696)</b>	<b>\$ (24,433,878)</b>	<b>\$ (26,871,458)</b>	<b>\$ (25,419,484)</b>

2010	2011	2012	2013	2014	2015
\$ 3,394,369	\$ 2,989,799	\$ 5,634,828	\$ 3,826,691	\$ 3,749,953	\$ 5,122,457
16,785,158	18,359,859	18,526,759	18,773,860	19,225,281	25,760,081
4,312,475	4,685,104	3,547,591	5,823,268	4,043,649	7,364,136
74,942	-	-	-	-	-
720,434	738,039	816,073	846,686	793,103	701,174
383,133	254,522	266,405	270,450	282,897	220,531
695,599	331,224	470,695	467,393	980,882	1,118,066
511,905	533,941	699,282	845,669	794,883	714,270
1,018,423	1,043,389	862,272	805,158	781,321	943,022
27,896,438	28,935,877	30,823,905	31,659,175	30,651,969	41,943,737
5,204,329	5,371,031	6,286,120	6,770,519	7,356,131	10,269,076
1,352,270	1,818,505	1,820,057	1,869,140	1,857,923	1,869,199
-	-	370	11,721	11,380	11,348
6,556,599	7,189,536	8,106,547	8,651,380	9,225,434	12,149,623
\$ 34,453,037	\$ 36,125,413	\$ 38,930,452	\$ 40,310,555	\$ 39,877,403	\$ 54,093,360
\$ 2,928,022	\$ 2,889,549	\$ 2,870,140	\$ 3,120,247	\$ 3,426,448	\$ 3,273,344
522,603	722,977	668,063	905,530	961,296	1,087,239
98,009	7,981	3,657	8,306	2,403	8,102
978,467	882,240	1,002,278	758,925	829,051	1,077,504
216,450	278,738	157,618	462,298	158,042	141,474
4,743,551	4,781,485	4,701,756	5,255,306	5,377,240	5,587,663
5,451,711	5,773,298	7,106,948	7,857,661	8,678,471	8,691,690
1,207,409	1,830,623	1,888,288	1,956,253	1,983,404	2,014,617
-	13,660	44,325	54,091	59,633	57,935
811,519	64,122	64,122	59,024	59,473	59,601
7,470,639	7,681,703	9,103,683	9,927,029	10,780,981	10,823,843
\$ 12,214,190	\$ 12,463,188	\$ 13,805,439	\$ 15,182,335	\$ 16,158,221	\$ 16,411,506
\$ (23,152,887)	\$ (24,154,392)	\$ (26,122,149)	\$ (26,403,869)	\$ (25,274,729)	\$ (36,356,074)
914,040	492,167	997,136	1,275,649	1,555,547	(1,325,780)
\$ (22,238,847)	\$ (23,662,225)	\$ (25,125,013)	\$ (25,128,220)	\$ (23,719,182)	\$ (37,681,854)

**VILLAGE OF MORTON GROVE, ILLINOIS**

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>GENERAL REVENUES AND OTHER</b>				
<b>CHANGES IN NET POSITION</b>				
Governmental activities				
Taxes				
Property	\$ 11,485,489	\$ 11,677,488	\$ 12,737,951	\$ 12,799,051
Sales	7,788,874	7,061,621	6,370,839	5,604,221
Utility	1,185,594	1,213,165	1,206,890	1,144,676
Other	2,222,985	2,497,113	2,401,921	2,308,750
Intergovernmental				
Income	1,839,485	1,987,153	2,125,301	1,824,794
Local use	293,618	297,200	331,713	272,041
Personal property replacement	363,585	441,693	434,614	368,208
Investment earnings	467,427	630,288	394,088	304,129
Miscellaneous	95,025	138,578	574,371	295,348
Gain on disposal of capital assets	-	-	-	-
Transfers	-	-	-	-
Total governmental activities	25,742,082	25,944,299	26,577,688	24,921,218
Business-type activities				
Investment earnings	11,993	3,652	12,188	3,469
Contributions	-	-	-	108,134
Miscellaneous	200,274	192,037	196,297	250,925
Gain on disposal of capital assets	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	212,267	195,689	208,485	362,528
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 25,954,349</b>	<b>\$ 26,139,988</b>	<b>\$ 26,786,173</b>	<b>\$ 25,283,746</b>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	\$ 3,994,398	\$ 1,318,852	\$ (339,590)	\$ (492,686)
Business-type activities	360,255	387,258	254,305	356,948
<b>TOTAL PRIMARY GOVERNMENT</b>				
<b>CHANGE IN NET POSITION</b>	<b>\$ 4,354,653</b>	<b>\$ 1,706,110</b>	<b>\$ (85,285)</b>	<b>\$ (135,738)</b>

Data Source

Audited Financial Statements

	2010	2011	2012	2013	2014	2015
\$	13,005,988	\$ 12,796,737	\$ 12,620,923	\$ 12,559,743	\$ 12,444,336	\$ 12,861,602
	5,576,524	5,602,819	5,940,931	6,277,412	6,413,855	6,801,069
	1,159,513	1,154,124	1,119,227	1,166,101	1,228,883	1,272,845
	2,280,628	2,231,857	2,471,292	2,287,247	2,186,679	2,659,951
	1,766,942	1,797,158	2,044,675	2,217,174	2,227,959	2,476,003
	303,687	338,416	366,352	400,868	454,615	517,569
	395,543	348,557	349,197	387,116	398,843	405,808
	114,990	73,661	26,846	12,248	15,843	17,912
	1,170,135	813,078	262,112	414,059	363,420	236,286
	-	25,518	-	-	-	-
	-	-	-	-	-	-
	25,773,950	25,181,925	25,201,555	25,721,968	25,734,433	27,249,045
	6,296	15,454	13,740	2,665	2,966	2,322
	8,100	-	-	-	-	-
	246,230	297,636	296,582	300,864	284,657	315,446
	-	-	-	49,000	17,500	6,300
	-	-	-	-	-	-
	260,626	313,090	310,322	352,529	305,123	324,068
\$	26,034,576	\$ 25,495,015	\$ 25,511,877	\$ 26,074,497	\$ 26,039,556	\$ 27,573,113
\$	2,621,063	\$ 1,027,533	\$ (920,594)	\$ (681,901)	\$ 459,704	\$ (9,107,029)
	1,174,666	805,257	1,307,458	1,628,178	1,860,670	(1,001,712)
\$	3,795,729	\$ 1,832,790	\$ 386,864	\$ 946,277	\$ 2,320,374	\$ (10,108,741)

**VILLAGE OF MORTON GROVE, ILLINOIS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>GENERAL FUND</b>				
Nonspendable				
Advance to other funds	\$ 55,457	\$ 1,667,406	\$ 1,614,804	\$ 1,588,930
Prepaid items	-	-	-	6,626
Restricted for				
Public safety	-	-	-	-
Retirement	-	-	-	-
Specific property tax levies	-	-	-	-
Unrestricted/unassigned	9,492,148	8,890,161	8,477,050	5,794,060
<b>TOTAL GENERAL FUND</b>	<b>\$ 9,547,605</b>	<b>\$ 10,557,567</b>	<b>\$ 10,091,854</b>	<b>\$ 7,389,616</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ 22,336
Advance to other funds	-	-	-	-
Restricted for				
Public safety	-	-	180,400	196,590
Capital improvements - unspent bond proceeds	-	-	550,497	488,113
Community development	5,495,470	5,003,627	6,003,872	14,452,122
Economic development	-	-	7,282,950	-
Highways and streets	-	-	35,727	46,069
Debt service	-	-	468,461	492,270
Unrestricted				
Committed for community development	-	-	-	-
Assigned for commuter improvements	-	-	133,254	164,233
Assigned for capital improvements	-	-	-	-
Special Revenue Funds	197,035	9,264,692	-	-
Unassigned	-	-	(1,103,419)	(975,505)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 5,692,505</b>	<b>\$ 14,268,319</b>	<b>\$ 13,551,742</b>	<b>\$ 14,886,228</b>

Data Source

Audited Financial Statements

	2010	2011	2012	2013	2014	2015
\$	1,549,007	\$ 1,508,930	\$ 1,546,190	\$ 1,506,190	\$ 1,514,751	\$ 2,781,489
	-	-	103,495	-	589,507	192
	-	116,805	116,805	14,559	-	-
	-	-	-	-	-	4,961
	-	-	7,357	-	-	-
	5,931,760	5,684,663	5,093,952	5,744,509	5,745,220	5,891,331
\$	7,480,767	\$ 7,310,398	\$ 6,867,799	\$ 7,265,258	\$ 7,849,478	\$ 8,677,973
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 297,983
	-	-	35,714	-	44,364	-
	191,843	459,385	482,443	498,175	805,492	1,168,217
	6,483,518	4,284,205	2,481,828	1,078,056	18	3,597,581
	12,671,491	10,771,232	12,360,035	13,493,724	14,228,109	15,018,344
	-	-	-	-	-	-
	204,343	297,968	448,601	637,927	860,194	765,044
	232,978	-	-	-	-	337,367
	-	133,110	-	-	-	-
	167,904	189,114	180,440	105,648	59,855	61,734
	-	683,421	543,242	-	-	-
	-	-	-	-	-	-
	(1,079,187)	(1,494,055)	(1,956,874)	(2,150,549)	(1,905,351)	(2,860,210)
\$	18,872,890	\$ 15,324,380	\$ 14,575,429	\$ 13,662,981	\$ 14,092,681	\$ 18,386,060



**VILLAGE OF MORTON GROVE, ILLINOIS**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>REVENUES</b>				
Taxes	\$ 22,455,761	\$ 22,209,713	\$ 22,424,327	\$ 21,586,089
Licenses and permits	1,375,358	1,194,285	1,115,215	1,029,669
Intergovernmental	3,812,238	3,902,475	3,647,439	3,270,381
Surcharge fees	227,181	239,671	293,273	270,610
Charges for services	700,674	983,358	982,042	873,261
Fines and forfeitures	273,543	327,835	281,457	346,754
Lease and rental income	-	-	-	-
Investment income	467,426	620,046	393,869	304,129
Cable TV	197,272	215,606	224,026	233,278
Miscellaneous	200,746	264,832	628,427	436,783
Total revenues	29,710,199	29,957,821	29,990,075	28,350,954
<b>EXPENDITURES</b>				
General government	3,099,624	3,176,009	3,829,837	3,235,134
Public safety	12,918,063	14,809,880	14,878,141	15,393,475
Streets and sidewalks	2,268,649	3,027,875	3,236,324	3,029,454
Sanitation	405,715	627,214	632,928	644,771
Vehicle maintenance	752,462	872,991	932,625	752,089
Health and human services	560,598	669,564	679,218	718,045
Community development	1,582,343	605,286	2,047,185	529,407
Building and inspection services	719,296	718,083	687,918	807,146
Debt service				
Principal	1,766,127	1,940,203	1,701,086	10,144,327
Interest	690,343	999,340	1,304,359	1,084,892
Other charges	-	101,800	-	94,346
Capital outlay	958,947	2,025,571	1,034,105	975,791
Total expenditures	25,722,167	29,573,816	30,963,726	37,408,877
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,988,032	384,005	(973,651)	(9,057,923)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	83,829	2,496,092	137,162	136,945
Transfers (out)	(83,829)	(2,496,092)	(137,162)	(136,945)
Issuance of bonds	2,831,000	9,200,000	-	10,657,500
Premium on bonds issued	-	-	-	-
Discount on debt issuance	-	-	-	(11,975)
Payment to bond escrow	-	-	-	(5,661,824)
Issuance of refunding installment note	-	-	-	2,685,000
Issuance of installment note	-	-	-	-
Other	-	103,198	-	-
Proceeds from sale of capital assets	-	-	17,838	21,470
Total other financing sources (uses)	2,831,000	9,303,198	17,838	7,690,171
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 6,819,032</b>	<b>\$ 9,687,203</b>	<b>\$ (955,813)</b>	<b>\$ (1,367,752)</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>				
	9.92%	10.47%	9.96%	30.68%

Data Source

Audited Financial Statements

	2010		2011		2012		2013		2014		2015
\$	21,775,843	\$	21,551,420	\$	21,879,247	\$	22,290,504	\$	22,273,754	\$	23,595,467
	1,569,517		1,587,662		1,472,977		1,498,507		1,741,148		1,826,803
	3,661,090		3,645,110		4,010,271		4,290,145		4,250,153		4,618,358
	246,812		234,115		273,226		249,121		246,727		283,028
	1,014,532		1,152,456		1,067,979		1,061,973		1,139,875		1,204,934
	561,349		531,010		609,450		835,461		827,515		717,300
	-		-		-		-		-		-
	114,990		73,661		26,846		12,248		15,843		17,912
	260,205		259,862		322,937		322,822		340,991		336,620
	1,313,163		902,535		240,378		416,493		275,667		236,286
	30,517,501		29,937,831		29,903,311		30,977,274		31,111,673		32,836,708
	2,941,777		2,299,975		2,960,966		2,983,917		2,969,658		3,259,332
	15,899,654		16,948,038		16,841,291		16,871,340		17,705,168		18,491,369
	2,754,279		2,752,341		2,974,086		3,147,491		3,732,439		3,322,002
	74,942		-		-		-		-		-
	720,434		738,039		816,073		846,686		793,103		701,174
	395,984		255,880		263,187		284,289		282,897		217,248
	557,192		545,904		766,988		765,500		1,322,606		1,385,112
	514,832		555,482		698,263		858,707		790,256		707,754
	2,434,899		5,390,149		2,649,987		2,627,833		2,846,995		1,665,200
	1,081,772		1,026,638		859,489		793,459		783,179		932,247
	-		-		-		-		-		-
	4,680,419		3,173,842		2,342,331		3,431,829		315,560		2,173,640
	32,056,184		33,686,288		31,172,661		32,611,051		31,541,861		32,855,078
	(1,538,683)		(3,748,457)		(1,269,350)		(1,633,777)		(430,188)		(18,370)
	62,630		-		-		-		-		-
	(62,630)		-		-		-		-		-
	5,586,000		-		-		-		-		10,010,000
	-		-		-		-		-		1,472,259
	(3,371)		-		-		-		-		-
	-		-		-		-		-		(6,359,521)
	-		-		-		-		-		-
	-		-		-		1,060,000		1,415,000		-
	-		-		-		-		-		-
	33,867		29,578		77,800		58,788		29,108		17,506
	5,616,496		29,578		77,800		1,118,788		1,444,108		5,140,244
\$	4,077,813	\$	(3,718,879)	\$	(1,191,550)	\$	(514,989)	\$	1,013,920	\$	5,121,874
	12.21%		19.95%		11.36%		11.02%		11.84%		8.64%

**VILLAGE OF MORTON GROVE, ILLINOIS**

**ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Levy Years

<b>Levy Year</b>	<b>Residential Property</b>	<b>Farm Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Estimated Actual Taxable Value</b>
2005	\$ 534,079,256	\$ -	\$ 102,275,899	\$ 164,166,151	\$ -	\$ 800,521,306	1.122	\$ 2,401,563,918	33.333%
2006	545,691,470	-	107,797,552	154,382,871	-	807,871,893	1.159	2,423,615,679	33.333%
2007	690,027,687	-	110,013,043	168,985,460	-	969,026,190	0.996	2,907,078,570	33.333%
2008	758,998,259	-	109,264,039	187,025,722	-	1,055,288,020	0.915	3,165,864,060	33.333%
2009	784,203,243	115,060	98,422,952	147,319,741	-	1,030,060,996	0.937	3,090,182,988	33.333%
2010	701,075,231	103,019	105,399,747	146,339,223	-	952,917,220	1.021	2,858,751,660	33.333%
2011	660,244,991	103,019	89,873,325	127,153,891	-	877,375,226	1.139	2,632,125,678	33.333%
2012	606,992,305	103,019	87,545,734	116,476,425	-	811,117,483	1.231	2,433,352,449	33.333%
2013	502,751,427	87,861	84,511,239	101,866,766	-	689,217,293	1.449	2,067,651,879	33.333%
2014	498,219,161	89,479	128,260,405	75,359,033	-	701,928,078	1.503	2,105,784,234	33.333%

Note: Property in the Village is reassessed each year. Property is assessed at 33% of actual value.

Data Source

Office of the County Clerk

**VILLAGE OF MORTON GROVE, ILLINOIS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Levy Years

<b>Tax Levy Year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>VILLAGE DIRECT RATES</b>										
General	0.940	0.660	0.559	0.486	0.465	0.528	0.597	0.658	0.725	0.779
Police pension	-	0.142	0.132	0.138	0.162	0.179	0.182	0.191	0.258	0.265
Fire pension	-	0.176	0.151	0.157	0.179	0.199	0.205	0.216	0.284	0.284
Bonds and interest	0.070	0.068	0.058	0.053	0.049	0.075	0.126	0.136	0.143	0.121
IMRF	-	-	-	-	-	-	0.021	0.022	0.030	0.041
Purchase agreement	0.002	0.002	0.002	0.002	0.052	0.002	0.002	0.002	0.003	-
IEPA agreement	0.065	0.064	0.053	0.049	-	0.027	-	-	-	-
Capital improvement	0.045	0.047	0.040	0.029	0.030	0.011	0.006	0.006	0.008	0.015
Total direct rates	1.122	1.159	0.995	0.914	0.937	1.021	1.139	1.231	1.449	1.505
<b>OVERLAPPING RATES</b>										
Morton Grove Library	0.288	0.307	0.266	0.259	0.269	0.335	0.349	0.377	0.444	0.458
School District #68	2.149	2.258	1.931	1.882	1.999	2.133	2.452	2.723	3.144	3.121
School District #69	3.335	3.527	3.124	3.247	3.768	4.357	4.866	5.481	6.214	5.926
School District #67	2.041	2.094	1.859	1.807	1.943	2.203	2.449	2.961	3.497	3.427
School District #63	2.542	2.617	2.276	2.233	2.235	2.499	2.775	3.100	3.864	3.811
School District #70	2.729	2.846	2.506	2.484	2.574	2.890	3.261	3.669	4.351	4.344
High School District #207	1.757	1.826	1.602	1.577	1.617	1.782	1.995	2.215	2.722	2.739
High School District #219	2.007	2.374	2.114	2.120	2.267	2.538	2.904	3.256	3.707	3.650
Community College District #535	0.158	0.166	0.141	0.140	0.140	0.160	0.196	0.219	0.256	0.258
Cook County	0.533	0.500	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568
Cook County Forest Preserve	0.060	0.057	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069
Consolidated Elections	-	-	0.012	-	0.021	-	0.025	0.531	0.031	-
Metro Water Reclamation District	0.315	0.028	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430
Morton Grove Park District	0.325	0.328	0.289	0.272	0.284	0.311	0.365	0.382	0.468	0.463
Skokie Park District	0.407	0.436	0.375	0.386	0.383	0.423	0.476	0.518	0.581	0.477
Glenview Park District	0.490	0.511	0.429	0.429	0.422	0.483	0.538	0.579	0.662	0.661
Maine Township	0.121	0.127	0.114	0.112	0.117	0.131	0.149	0.168	0.210	0.210
Niles Township	0.031	0.034	0.030	0.030	0.032	0.036	0.042	0.048	0.056	0.057
Suburban T.B. Sanitary District	0.005	0.005	-	-	-	-	-	-	-	-
North Shore Mosquito Abatement	0.008	0.009	0.008	0.008	0.008	0.009	0.010	0.010	0.007	0.011

Data Source

Office of the County Clerk

**VILLAGE OF MORTON GROVE, ILLINOIS**

**PRINCIPAL PROPERTY TAXPAYERS**

Current Year and Nine Years Ago

Taxpayer	2014			2005		
	EAV Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	EAV Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
CRP Holdings CLP	\$ 14,419,203	1	2.05%	\$ 19,124,549	2	2.39%
Schwinge Family Ltd.	11,514,393	2	1.64%	11,565,995	5	1.44%
Tower Real Estate	9,630,393	3	1.37%	20,572,986	1	2.57%
9000 Waukegan LLC	8,822,254	4	1.26%	12,402,547	3	1.55%
Menards	7,444,522	5	1.06%	12,300,304	4	1.54%
Bell & Gossett (Fluid Handling LLC)	7,290,161	6	1.04%	10,142,254	6	1.27%
Avon Products Inc.	7,266,011	7	1.04%	10,109,600	7	1.26%
Schwartz Paper Co	-		0.00%	8,701,678	8	1.09%
Lawnware Products	-		0.00%	6,204,875	10	0.78%
John Crane Inc.	6,172,973	8	0.88%	-		0.00%
Public Storage	5,598,469	9	0.80%	8,008,438	9	1.00%
Kraft	5,151,134	10	0.73%	-		0.00%
	<u>\$ 83,309,513</u>		<u>11.87%</u>	<u>\$ 119,133,226</u>		<u>14.89%</u>

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.

Data Source

Office of the County Clerk

# VILLAGE OF MORTON GROVE, ILLINOIS

## PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 8,983,978	\$ 8,861,648	98.64%	\$ -	\$ 8,861,648	98.64%
2006	9,368,298	9,160,127	97.78%	-	9,160,127	97.78%
2007	9,649,253	9,455,259	97.99%	-	9,455,259	97.99%
2008	9,649,253	9,312,628	96.51%	-	9,312,628	96.51%
2009	9,649,253	9,346,622	96.86%	-	9,346,622	96.86%
2010	9,986,977	9,544,078	95.57%	-	9,544,078	95.57%
2011	9,986,977	9,756,941	97.70%	-	9,756,941	97.70%
2012	9,986,976	9,784,931	97.98%	-	9,784,931	97.98%
2013	9,986,976	9,821,777	98.35%	-	9,821,777	98.35%
2014	10,556,998	10,374,750	98.27%	-	10,374,750	98.27%

Note: Property in the Village is reassessed each year. Property is assessed at 33% of actual value.

### Data Source

Office of the County Clerk

# VILLAGE OF MORTON GROVE, ILLINOIS

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Revolving Loans Payable	Installment Notes Payable	Intergovernmental Agreements Payable	General Obligation Bonds	Revolving Loans Payable	Installment Notes Payable			
2006	\$ 7,657,500	\$ 2,431,075	\$ 14,280,939	\$ 4,867,208	\$ 2,552,500	\$ 292,771	\$ 486,778	\$ 32,568,771	5.20%	\$ 1,450.66
2007	16,182,500	2,039,279	13,015,702	4,682,533	2,327,500	222,283	370,161	38,839,958	6.20%	1,729.99
2008	15,481,250	1,633,332	12,015,866	4,482,974	2,093,750	150,021	250,081	36,107,274	5.76%	1,608.27
2009	19,283,750	1,212,720	4,648,818	4,260,718	1,856,250	75,943	51,148	31,389,347	5.01%	1,398.13
2010	23,124,800	776,917	4,394,673	4,014,958	5,855,200	-	-	38,166,548	6.08%	1,640.16
2011	21,072,950	325,372	1,507,919	3,753,704	5,347,050	-	-	32,006,995	5.10%	1,375.46
2012	18,958,300	-	1,297,954	3,457,411	4,766,700	-	-	28,480,365	4.54%	1,223.91
2013	16,549,300	-	2,139,121	3,134,950	4,175,700	-	-	25,999,071	4.14%	1,117.28
2014	15,487,800	-	1,768,626	2,785,393	3,577,200	-	-	23,619,019	3.10%	1,015.00
2015	18,095,400	-	1,385,826	2,407,781	3,394,600	-	-	25,283,607	3.14%	1,086.53

\* See the schedule of Demographic and Economic Information on page 145 for personal income and population data.

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

**VILLAGE OF MORTON GROVE, ILLINOIS**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Business Type General Obligation Bonds</b>	<b>Less: Amounts Available In Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property*</b>	<b>Per Capita</b>
2006	\$ 7,657,500	\$ 2,552,500	\$ 597,680	\$ 9,612,320	1.20%	\$ 428.15
2007	16,182,500	2,327,500	417,525	18,092,475	2.24%	805.86
2008	15,481,250	2,093,750	468,461	17,106,539	1.77%	761.95
2009	19,283,750	1,856,250	492,269	20,647,731	1.96%	887.31
2010	23,124,800	5,855,200	232,978	28,747,022	2.79%	1,235.37
2011	21,072,950	5,347,050	-	26,420,000	2.77%	1,135.37
2012	18,958,300	4,766,700	-	23,725,000	2.70%	1,019.55
2013	16,549,300	4,175,700	-	20,725,000	2.56%	890.63
2014	15,487,800	3,577,200	46,839	19,018,161	2.76%	817.28
2015	18,095,400	3,394,600	337,367	21,152,633	3.01%	909.01

\* See the schedule of Assessed and Actual Value of Taxable Property on page 137 for property value data.

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

User fees/charges are the main source in repayment of the General Obligation Bonds - Business-Type.



**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT**

December 31, 2015

<b>Governmental Unit</b>	<b>Gross Bonded Debt</b>	<b>(1) (2) Percentage of Debt Applicable to Government</b>	<b>Government's Share of Debt</b>
Village of Morton Grove	\$ 25,283,607	100%	\$ 25,283,607
Total direct debt	<u>25,283,607</u>		<u>25,283,607</u>
<b>SCHOOLS</b>			
School District #63	14,513,421	14.15%	2,053,649
School District #67	12,020,470	72.46%	8,710,033
School District #68	2,085,000	0.56%	11,676
School District #69	9,665,000	16.84%	1,627,586
School District #70	3,630,000	98.41%	3,572,283
Community College District #535	35,370,000	7.03%	2,486,511
High School District #207	8,570,000	3.39%	290,523
High School District #219	<u>146,823,952</u>	15.29%	<u>22,449,382</u>
Total schools	<u>232,677,843</u>		<u>41,201,643</u>
<b>OTHERS</b>			
Cook County	3,466,976,750	0.61%	21,148,558
Cook County Forest Preserve	118,610,000	0.61%	723,521
Metropolitan Metro Water Reclamation District of Greater Chicago	2,619,000,317	0.62%	16,237,802
Glenview Park District	13,075,000	0.18%	23,535
Morton Grove Park District	750,000	99.34%	745,050
Skokie Park District	<u>4,515,000</u>	0.48%	<u>21,672</u>
Total others	<u>6,222,927,067</u>		<u>38,900,138</u>
Total overlapping debt	<u>6,455,604,910</u>		<u>80,101,781</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u><u>\$ 6,480,888,517</u></u>		<u><u>\$ 105,385,388</u></u>

(1) Overlapping debt percentages based on 2014 EAV, the most recent available.

(2) Percentages are calculated by comparing the equalized assessed value (EAV) of the overlapping entity that falls within the boundaries of the Village to its total EAV.

Date Source

Cook County Clerk

**VILLAGE OF MORTON GROVE, ILLINOIS**

**SCHEDULE OF LEGAL DEBT MARGIN**

December 31, 2015

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Under the 1970 Illinois Constitution, there is no legal limit for home rule municipalities except as set by the General Assembly.

# VILLAGE OF MORTON GROVE, ILLINOIS

## DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2006	22,451	\$ 626,360,449	\$ 27,899	3.8%
2007	22,451	626,360,449	27,899	3.8%
2008	22,451	626,360,449	27,899	3.9%
2009	22,451	626,360,449	27,899	6.5%
2010	23,270	626,358,590	26,917	8.1%
2011	23,270	627,661,710	26,973	8.9%
2012	23,270	627,661,710	26,973	8.9%
2013	23,270	627,661,710	26,973	8.9%
2014	23,270	762,278,660	32,758	8.7%
2015	23,270	805,886,640	34,632	5.8%

### Data Sources

U.S. Bureau of Census  
Department of Labor  
Village records

# VILLAGE OF MORTON GROVE, ILLINOIS

## PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago

2015				2007		
Employer	Rank	Employees	% of Total Village Population	Employer	Rank	% of Total Village Population
John Crane Inc	1	700	3.0%	Avon Products Inc	1	3.1%
Xylem	2	650	2.8%	ITT Bell & Gossett	2	3.1%
Schwartz Paper Co	3	347	1.5%	John Crane Inc	3	3.0%
Shore Koenig Training Center	4	205	0.9%	Sunstone	4	1.3%
Morton Grove Pharmaceuticals Inc	5	190	0.8%	Lawnware Products	5	0.8%
Quantum Group	6	170	0.7%	Menards	6	0.7%
TSI Accessory Group	7	165	0.7%	Schwartz Paper Co	7	0.7%
Integrated Mechandising System LLC	8	150	0.6%	Quantum Group	8	0.6%
Catering by Michael's	9	120	0.5%	Morton Grove Pharmaceuticals Inc	9	0.6%
Lifeway Foods Inc	10	100	0.4%	Dominicks Finer Foods	10	0.6%
Village Population = 23,270				Village Population = 22,451		

Note: 2006 number of employees is unavailable.

### Data Sources

Village business licences

2014 Illinois Manufacturers Directory and 2014 Illinois Services Directory

**VILLAGE OF MORTON GROVE, ILLINOIS**

**FULL-TIME EQUIVALENT EMPLOYEES**

Last Ten Fiscal Years

<b>Function/Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>GENERAL GOVERNMENT</b>										
Administrative	5.0	4.5	4.5	3.5	3.0	3.0	4.0	4.0	4.5	4.0
Community development	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	2.5	2.0
Legal	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Management information	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	7.5	6.5	6.0	5.5	5.5	5.5	5.0	6.0	6.0	6.0
Health and human services	-	-	-	-	-	-			0.5	0.5
Family services	12.0	12.0	9.5	11.5	4.5	4.5	4.5	3.5	2.5	2.5
Building/code enforcement	9.0	8.5	8.0	7.0	4.0	4.0	2.5	4.0	5.0	4.0
<b>PUBLIC SAFETY</b>										
Police										
Officers	46.0	46.0	46.0	45.0	45.0	46.0	45.0	45.0	46.0	46.0
Civilians	23.5	23.5	23.0	22.0	20.0	18.5	18.5	21.0	17.0	15.0
Fire										
Firefighters and officers	44.0	44.0	42.0	40.0	41.0	41.0	40.0	42.0	41.0	39.0
Civilians	3.0	3.0	3.0	30.0	2.5	2.5	1.5	3.5	3.0	2.5
<b>PUBLIC WORKS</b>										
Street maintenance	16.5	16.5	16.5	17.5	17.5	17.5	17.5	17.5	20.0	20.0
Engineering	3.2	3.2	3.2	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Vehicle maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Water/sewer	13.3	13.3	13.3	12.0	12.0	12.0	12.0	12.0	12.0	13.5
<b>TOTAL</b>	<b>190.0</b>	<b>188.0</b>	<b>182.0</b>	<b>204.0</b>	<b>164.5</b>	<b>164.0</b>	<b>160.0</b>	<b>168.0</b>	<b>168.5</b>	<b>163.5</b>

Data Source

Village budget office

**VILLAGE OF MORTON GROVE, ILLINOIS**

**OPERATING INDICATORS**

Last Ten Fiscal Years

<b>Function/Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>PUBLIC SAFETY</b>										
Police										
Physical arrests	710	635	550	651	647	574	580	513	551	438
Parking violations	3,866	5,210	5,171	6,075	8,331	8,933	6,751	6,465	4,530	3,814
Traffic violations	7,681	4,598	4,367	5,092	4,587	4,440	3,686	3,849	3,072	3,292
Fire										
Emergency responses	3,246	3,384	3,594	3,249	3,265	3,419	3,360	3,470	3,631	3,694
Fires extinguished	36	38	22	70	59	60	48	63	69	39
<b>PUBLIC WORKS</b>										
Street resurfacing (miles)	1.41	1.81	0.63	1.33	3.03	4.90	6.65	5.70	1.50	3.90
Pothole repairs (in tons)	71.50	121.50	120.00	180.00	189.00	170.75	12.50	132.00	160.00	104.00
<b>WATER</b>										
New connections	27	70	23	1	27	8	9	7	9	-
Water main breaks	55	85	67	91	81	64	70	122	80	72
Average daily consumption	3,050,000	3,180,000	3,500,000	2,999,484	2,969,923	2,670,613	2,745,553	2,601,227	2,869,367	2,698,000
Peak daily consumption	4,964,000	4,955,000	6,200,000	4,374,000	4,167,000	4,498,000	4,412,000	4,238,000	3,628,000	5,086,000
<b>WASTEWATER</b>										
Average daily treatment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Data Source

Various Village departments

# VILLAGE OF MORTON GROVE, ILLINOIS

## CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>PUBLIC SAFETY</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Area patrols	3	3	3	3	3	3	3	3	3	3
Patrol units	15	15	15	15	15	15	15	15	15	15
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire engines	2	2	2	2	2	2	2	2	2	2
<b>PUBLIC WORKS</b>										
Arterial streets (miles)	19	19	19	19	19	19	19	19	19	19
Residential streets (miles)	86	86	86	86	86	86	86	86	86	86
Streetlights	372	372	357	357	357	357	357	357	357	357
Traffic signals	13	13	13	13	13	13	13	13	13	13
<b>WATER</b>										
Water mains (miles)	98.9	98.9	98.9	98.9	98.9	98.9	98.9	98.9	98.9	98.9
Fire hydrants	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093
Storage capacity (gallons)	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000
<b>WASTEWATER</b>										
Sanitary sewers (miles)	47.9	47.9	47.9	47.9	47.9	47.9	47.9	47.9	47.9	47.9
Storm sewers (miles)	70.6	70.6	70.6	70.6	70.6	70.6	70.6	70.6	70.6	70.6
Combined sewers (miles)	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6
Treatment capacity (gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### Data Source

Various Village departments

## **COMPLIANCE SECTION**





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Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

## REPORT OF INDEPENDENT ACCOUNTANT'S ON COMPLIANCE

The Honorable President  
Members of the Board of Trustees  
Village of Morton Grove, Illinois

We have examined management's assertion, included in its representation letter dated September 16, 2016 that the Village of Morton Grove, Illinois (the Village) complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended December 31, 2015. Management is responsible for the Village's assertion and for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with statutory requirements.

In our opinion, management's assertion that the Village of Morton Grove, Illinois complied with the aforementioned requirements for the year ended December 31, 2015 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Village President, the Board of Trustees and management of the Village, the Illinois State Comptroller's Office and the joint review boards. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Naperville, Illinois  
September 16, 2016