

Village of Morton Grove

Morton Grove, Illinois



Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2014

VILLAGE OF MORTON GROVE, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
December 31, 2014

Prepared by Finance Department

Remy Navarrete
Finance Director

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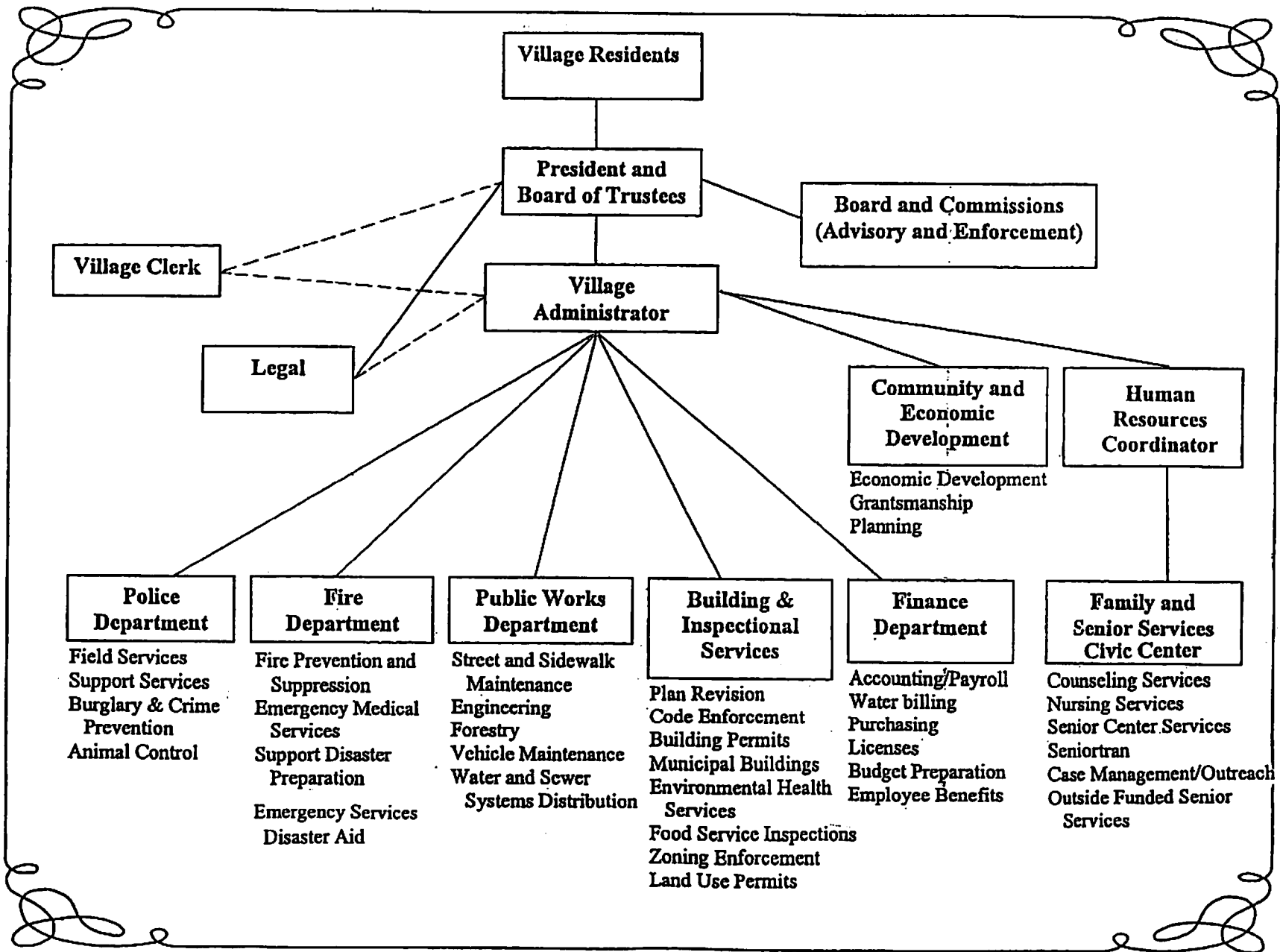
VILLAGE OF MORTON GROVE, ILLINOIS
 PRINCIPAL OFFICIALS AND OFFICERS
 December 31, 2014

| ELECTED | TITLE/POSITION | TERM/APPOINTMENT ENDS |
|----------------|-----------------------|------------------------------|
|----------------|-----------------------|------------------------------|

| | | |
|----------------|---------------|------------|
| Daniel DiMaria | Mayor | April 2017 |
| Bill Gear | Trustee | April 2017 |
| Shel Marcus | Trustee | April 2015 |
| John Pietron | Trustee | April 2017 |
| John Thill | Trustee | April 2015 |
| Maria Toth | Trustee | April 2015 |
| Janine Witko | Trustee | April 2015 |
| Ed Ramos | Village Clerk | April 2017 |

APPOINTED

| | | |
|-----------------------|-------------------------------|-------------------|
| Ryan Horne | Village Administrator | December 31, 2014 |
| Remy Navarrete | Finance Director | December 31, 2014 |
| Nancy Radzevich | Economic Development Director | December 31, 2014 |
| Teresa Hoffman Liston | Corporation Counsel | December 31, 2014 |
| Thomas Friel | Fire Chief | December 31, 2014 |
| Michael Simo | Police Chief | December 31, 2014 |
| Andrew DeMonte | Public Works Director | December 31, 2014 |
| Lauren Plahm | Adjudication Hearing Officer | December 31, 2014 |
| Frank Tennant | Village Prosecutor | December 31, 2014 |





Government Finance Officers Association

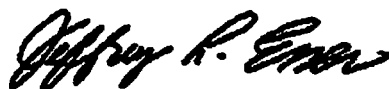
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Village of Morton Grove
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013



Executive Director/CEO



Village of Morton Grove

Finance Department
Direct Fax 847/663-3028

June 18, 2015

The Citizens of the Village of Morton Grove,
Village President Dan Staackmann, 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, 2014, 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, 2014. 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 has risen to 8.9% in 2010 and remained the same until 2012 due to the economic recession with a decrease to 8.7%.

Board of Trustees and
Citizens of the Village of Morton Grove

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

The median income for a household in the village was \$63,511, and the median income for a family was \$72,778. Males had a median income of \$46,489 versus \$34,730 for females. The per capita income for the village was \$26,973. About 1.9% of families and 2.7% of the population were below the poverty line, including 2.3% of those under age 18 and 4.1% 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 and recovery from which is very slow. 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. Additionally, the Federal Reserve has lowered interest rates to a current rate between 0-.25 percent in order to attempt to promote the resumption of sustainable economic growth.

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 stabilized and showed signs of recovery. However building permits and business license revenues still declining and has 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 delay in income tax revenue from the State of Illinois is currently 3 months behind and is jeopardizing the Village's ability to meet its payment obligations. 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.

Board of Trustees and
Citizens of the Village of Morton Grove

A number of infrastructure improvements have been completed throughout the Village in recent years. These improvements are most prominent in the Village's two (3) 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 Lehigh/Ferris tax increment financing district has made significant progress with the development of several new condominiums and town homes. In November, 2007, the Village issued \$9.2Million General Obligation Bonds to finance infrastructure improvements for the district.

Board of Trustees and
Citizens of the Village of Morton Grove

In 2012 Standard and Poor's Rating Services has assigned its 'AA' long-term rating to the Village of Morton Grove, Ill.'s series 2010A and 2010B general obligation bonds, reflecting the Village's:

- Participation in the deep and diverse Chicago metropolitan area economy;
- Very strong income and extremely strong wealth indicators;
- Good management practices that have led to maintenance of very strong general fund reserve levels; and
- Financial flexibility due to village's status as a home rule community.

The Village intends to use the \$9.975 Million in bond proceeds to fund the capital equipment and infrastructure improvements in and for the Village, including but not limited to 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, 2013. This was the twenty-sixth 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.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and the cooperation and assistance rendered by the staffs of other operating departments of the Village. I would like to express my appreciation to all of those employees who assisted and contributed to its preparation.

Finally, appreciation is expressed to the 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,

Remy Navarrete

Remy Navarrete
Finance Director/Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



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Naperville, Illinois 60563

630.566.8400 // www.sikich.com

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, 2014 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, 2014, 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

The Village adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Our opinions are 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

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, 2013, the prior year in the year ended December 31, 2014 (none of which is presented herein), and we expressed unmodified opinions on those financial statements. That audit was conducted for purposes of forming an opinion on the financial statements as a whole.

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.

A handwritten signature in dark ink, appearing to read "Sarah L. P.", is positioned to the right of the main text block.

Naperville, Illinois
June 15, 2015

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

VILLAGE OF MORTON GROVE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2014

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, 2014. 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.

FINANCIAL HIGHLIGHTS

- The Village's total position increased as a result of this year's operations. Net position of governmental activities increased by \$459,704, and the net position of the business-type activities increased by \$1,860,670 resulting in total ending net position for the year of \$46,376,176.
- During the year, government-wide revenues before transfers for the governmental and business-type activities total \$42,197,777, while expenses totaled \$39,877,403, resulting in the increase in net position of \$2,320,374.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. 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 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 liabilities, 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.

(See independent auditor's report.)

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 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

(See independent auditor's report.)

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.

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 20 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 72 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary

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

information. Combining and individual fund statements and schedules for the Village can be found on pages beginning with page 93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Village of Morton Grove, assets exceeded liabilities by \$46,376,176 at December 31, 2014, compared to \$44,055,802 at December 31, 2013:

| Village of Morton Grove Net Position (in thousands) | | | | | | |
|--|--------------------------------|-----------------|---------------------------------|-----------------|-----------------|-----------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| Category | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| Current and other assets | \$33,867 | \$33,073 | \$ 5,344 | \$ 5,201 | \$39,211 | \$38,274 |
| Capital assets | 57,430 | 58,072 | 9,427 | 8,011 | 66,857 | 66,083 |
| Deferred outflows | 43 | 56 | - | 7 | 43 | 63 |
| Total assets and deferred outflows | 91,340 | 91,201 | 14,771 | 13,219 | 106,111 | 104,420 |
| Current and other Liabilities | 1,856 | 2,285 | 1,135 | 939 | 2,991 | 3,224 |
| Long-Term liabilities | 42,613 | 42,704 | 3,995 | 4,499 | 46,608 | 47,203 |
| Deferred inflows | 10,136 | 9,937 | - | - | 10,136 | 9,937 |
| Total liabilities and deferred inflows | 54,605 | 54,926 | 5,130 | 5,438 | 59,735 | 60,364 |
| Net position: | | | | | | |
| Net investment in capital assets | 44,444 | 45,226 | 5,876 | 4,945 | 50,320 | 50,171 |
| Restricted | 15,894 | 14,644 | - | - | 15,894 | 14,644 |
| Unrestricted | (23,603) | (23,595) | 3,765 | 2,836 | (19,838) | (20,759) |
| Total net position | \$36,735 | \$36,275 | \$ 9,641 | \$ 7,781 | \$46,376 | \$44,056 |

A large portion of the Village's net position, \$50,320,194, reflects its investment in capital assets (for example, 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.

An additional portion, \$15,893,795, 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.

(See independent auditor's report.)

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.

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.

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

| Village of Morton Grove Changes in Net Position (in thousands) | | | | | | |
|--|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| Category | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 4,390 | \$ 4,034 | \$ 10,722 | \$ 9,868 | \$ 15,112 | \$ 13,902 |
| Operating Grants | 829 | 759 | - | - | 829 | 759 |
| Capital Grants | 159 | 462 | 58 | 59 | 217 | 521 |
| General revenues | | | | | | |
| Taxes | 25,355 | 25,296 | - | - | 25,355 | 25,296 |
| Investment income | 16 | 12 | 3 | 3 | 19 | 15 |
| Miscellaneous | 363 | 414 | 302 | 350 | 665 | 764 |
| Total revenues | 31,112 | 30,977 | 11,085 | 10,280 | 42,197 | 41,257 |
| Expenses | | | | | | |
| General government | 3,750 | 3,827 | | | 3,750 | 3,827 |
| Public safety | 19,225 | 18,774 | | | 19,225 | 18,774 |
| Streets and sidewalks | 4,044 | 5,823 | | | 4,044 | 5,823 |
| Vehicle maintenance | 793 | 847 | | | 793 | 847 |
| Health and human services | 283 | 270 | | | 283 | 270 |
| Community development | 981 | 467 | | | 981 | 467 |
| Building and inspectional services | 795 | 846 | | | 795 | 846 |
| Interest | 781 | 805 | | | 781 | 805 |
| Water and sewer | | | 7,356 | 6,771 | 7,356 | 6,771 |
| Solid Waste | | | 1,858 | 1,869 | 1,858 | 1,869 |
| Municipal Parking | | | 11 | 12 | 11 | 12 |
| Total expenses | 30,652 | 31,659 | 9,225 | 8,652 | 39,877 | 40,311 |
| Change in net position | 460 | (682) | 1,860 | 1,628 | 2,320 | 946 |
| Prior period adjustment | - | - | - | - | - | - |
| Net position - January 1 | 36,275 | 36,957 | 7,781 | 6,153 | 44,056 | 43,110 |
| Net position - December 31 | \$ 36,735 | \$ 36,275 | \$ 9,641 | \$ 7,781 | \$ 46,376 | \$ 44,056 |

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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 \$31,111,673 at December 31, 2014.

- Property tax (and replacement tax) continues to be the Village's largest revenue source totaling \$12,843,179 representing 41.28% of total governmental activity revenue. Sales tax revenue was \$6,413,855 or 20.62% of total governmental activity revenue. Charges for Services revenue was \$4,390,147 or 14.11% of total governmental activity revenue. State income tax revenue was \$2,227,959 or 7.16% of total governmental activity revenue. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, gasoline tax and others) was \$1,860,128 or 5.98% of total governmental activity revenue. Telecommunication tax was \$781,166 or 2.51% of total governmental activity revenue. A utility tax (Electric & Natural gas tax) was \$1,228,883 or 3.95% of total governmental activity revenue.

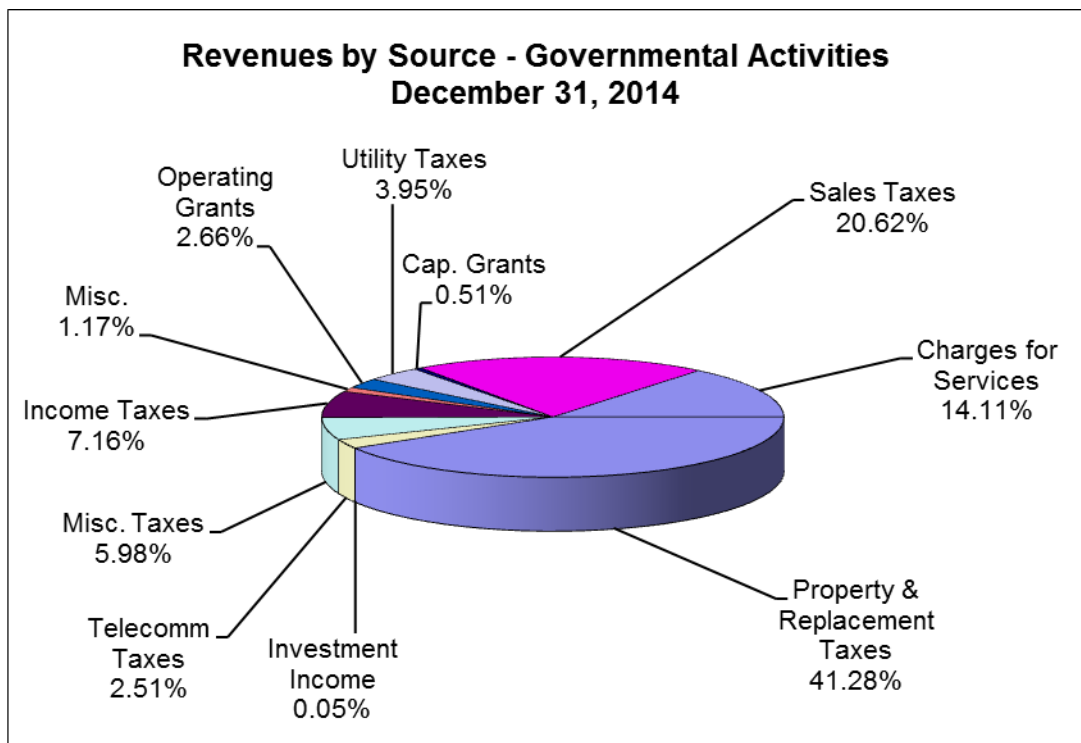
Comparison with Prior Year.

- Property tax and replacement tax revenue decreased by \$103,934 or .80% from prior year. Sales tax revenue increased by \$136,443 or 2.17% from prior year. Charges for Services revenue increased by \$356,064 or 8.83% from prior year. State income tax revenue increased by \$10,785 or .49% from prior year. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, gasoline tax and others) increased by \$56,272 or 3.12% from prior year. Telecommunication decreased by \$102,839 or 11.63% from prior year. A utility tax (Electric & Natural gas tax) increased by \$62,782 or 5.38% from prior year

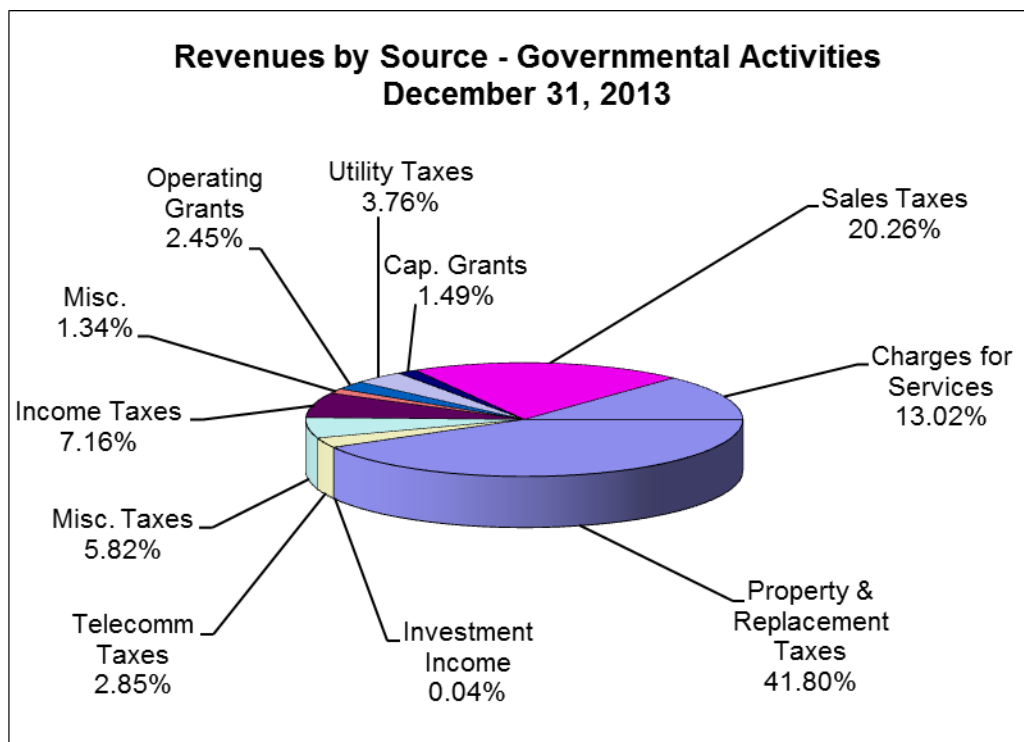
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VILLAGE OF MORTON GROVE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.)

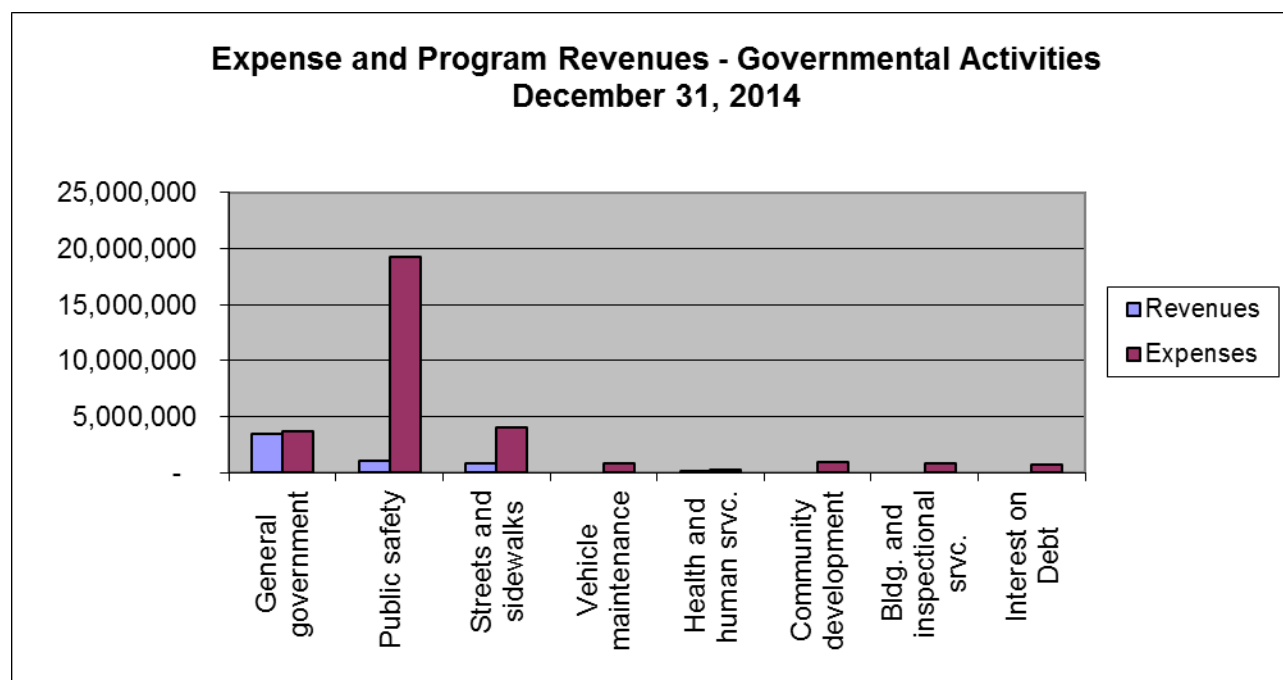
**VILLAGE OF MORTON GROVE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Expenses

For the year ended December 31, 2014, expenses for governmental activities were \$30,651,969 at December 31, 2014 and \$31,659,175 at December 31, 2013, a decrease of \$1,007,206, or 3.18%. The key change during the year for the governmental activity expenses is described below:

- This decrease is due to the Village management's approach to closely supervising expenses in response to projected decreases in several revenue sources. Village wide cost cutting initiatives include a hiring freeze and lower spending in the categories of contractual services and commodities.

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 total revenues of \$11,026,631, while the costs of all business-type activities totaled \$9,225,434. This results in a surplus of \$1,801,197 prior to net capital grant of \$59,473. In 2013, revenues of \$10,220,534 exceed expenses of \$8,651,380, resulting in a surplus of \$1,569,154 prior to net contribution of \$59,024.

(See independent auditor's report.)

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

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 2014 the Village water rate increased by 18% resulting in the current water rate charge of \$10.81 per 1,000 Gallon. Water and Sewer Fund operating revenues increased by \$820,810 or 10.45%, due to rate increases.

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 \$27,151 or 1.39%.

The Village created the Municipal Parking Fund to account for the Village parking lots and monies received from permit sales. The Village staff are responsible for customers who signed a yearly, quarterly or monthly lease for parking spaces near the Metra Station in Morton Grove. Operating revenues for 2014 increased by \$5,542 or 10.25%. The Parking lot opened January 2011 with 112 spaces available.

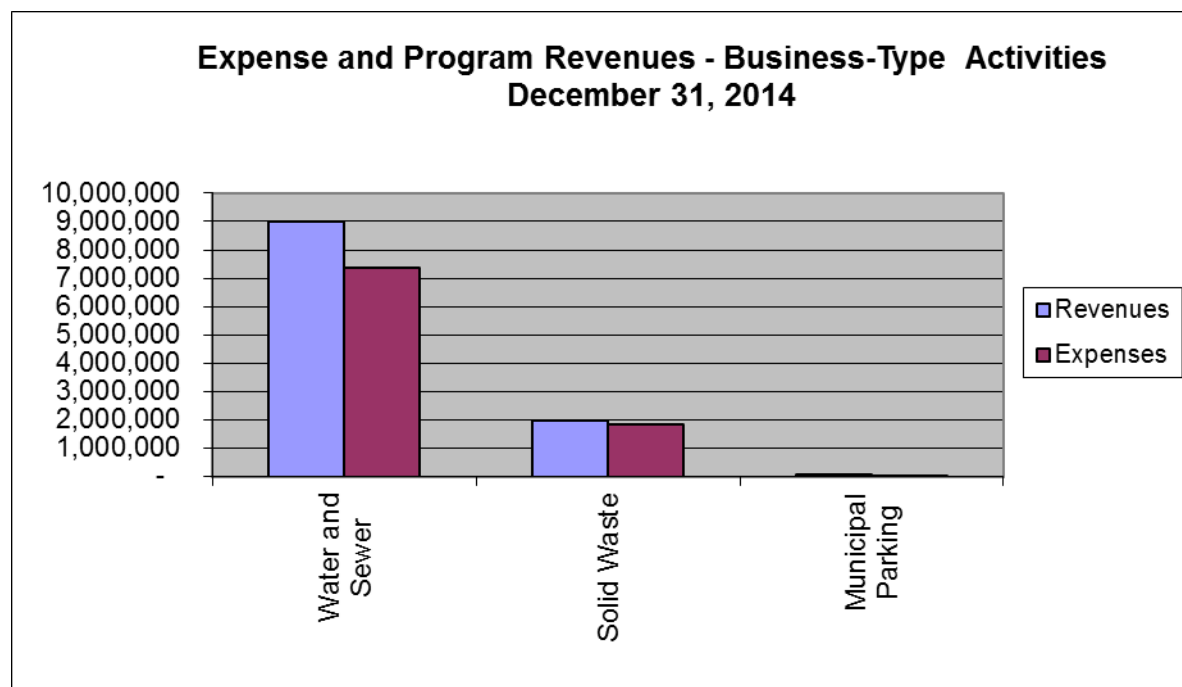
Expenses

Total expenses for water and sewer fund activities totaled \$7,356,131, an increase of \$585,612, or 8.65% from prior year as a result of an increase in cost of water purchases and other commodities.

Total expenses for solid waste fund activities totaled \$1,857,923, a decrease of \$11,217, or .60% from prior year as a result of lower Leaf collection pickup per tons charges.

Total expenses from Municipal Parking Fund activities totaled \$11,380, a decrease of \$341 or 2.91% from prior year no major project on the Village Municipal parking lot.

(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 \$21,942,159, which is \$1,013,920, or 4.84% higher than last year's total of \$20,928,239. Of this \$21,942,159 total, \$3,839,869 or approximately 17.50% of the fund balance constitutes unassigned fund balance.

General Fund: The General Fund reported a surplus for the year of \$584,220. Revenue exceeds budgeted amount due to issuance of 2014 Bond Series for \$1.415M. Without the proceeds, revenues under budget by \$532,952. The increase in expenditures were related to personnel costs and capital outlay purchases.

The General Fund is the chief operating fund of the Village. At December 31, 2014, unassigned fund balance in the General Fund was \$5,745,220, which represents 73.19% of the total fund balance of the General Fund. As a measure of the General Fund's liquidity, it is useful to

(See independent auditor's report.)

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

compare unassigned fund balance to total expenditures. Unassigned fund balance in General Fund represents approximately 22.68% of total General Fund expenditures.

Lehigh Ferris TIF Fund: Reported a fund balance increase of \$778,749 due to incremental property tax revenue exceeding the expenditures for 2014.

Waukegan Road TIF Fund: Reported a fund balance declined of \$317,620 as a result of debt service costs exceeding the incremental property tax revenue.

Debt Service Fund: Reported a fund balance increase of \$132,288 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 decrease of \$324,909 primarily as a result of various Capital Project Programs implemented in 2014.

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 \$3.32 per thousand gallons a 15.00% increase from 2013. Water is then sold to all residential municipal customers at a rate of \$10.81 which covers both water and sewer. 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, 2014 was \$66,877,097 (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.

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

| Capital Assets - Net of Depreciation (in thousands) | | | | | | | |
|---|--|-------------------------|----------|--------------------------|----------|-----------|-----------|
| | | Governmental Activities | | Business-Type Activities | | Total | |
| Type of Debt | | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| Construction in Progress | | \$ - | \$ - | \$ 21 | \$ - | \$ 21 | \$ - |
| Right of Ways | | 43,972 | 43,972 | - | - | 43,972 | 43,972 |
| Infrastructure | | 6,008 | 6,547 | - | - | 6,008 | 6,547 |
| Buildings and Improvements | | 5,688 | 6,276 | 8,555 | 7,042 | 14,243 | 13,318 |
| Machinery, Equipment and Vehicles | | 1,762 | 1,277 | 872 | 969 | 2,634 | 2,246 |
| Total | | \$57,430 | \$58,072 | \$ 9,448 | \$ 8,011 | \$ 66,878 | \$ 66,083 |

Debt Administration

In 2012 Standard and Poor classified the Village's credit profile as 'AA/Stable' and therefore assigned its 'AA' long-term rating to the Village. This rating reflects favorably upon the Village's management practices as the Village was rated AA3 by Moody's Investor services in 2009. As the Village is a home rule community, there is no legal limit for outstanding debt. Additional information on the Village's long-term debt can be found in Note 6 on page 34-42 of this report.

▪ Long-Term Debt

At year-end, the Village had total outstanding debt of \$20,833,626, as compared to \$22,864,121 the previous year, a decrease of \$2,030,495, or 9.75% which coupled with principal retirements that reduced the outstanding liability on the bonds.

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

| Long Term Debt (in thousands) | | | | | | | |
|-------------------------------|--|-------------------------|-----------|--------------------------|----------|-----------|-----------|
| | | Governmental Activities | | Business-Type Activities | | Total | |
| | | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| General Obligation Bonds | | \$ 15,488 | \$ 16,549 | \$ 3,577 | \$ 4,176 | \$ 19,065 | \$ 20,725 |
| Revolving loans | | - | - | - | - | - | - |
| Installment Notes | | 1,769 | 2,139 | - | - | 1,769 | 2,139 |
| Total Long Term Debt | | \$ 17,257 | \$ 18,688 | \$ 3,577 | \$ 4,176 | \$ 20,834 | \$ 22,864 |

(See independent auditor's report.)

▪ **Economic Factors and Future Prospects**

The soft economy and showing little revenues 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 2015 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 2014.

Total operating revenues budgeted for 2015 are \$53,899,809 (excluding transfers), a .02% decrease from the 2014 budget, mostly due to declining property value (EAV). The General fund revenues are budgeted at \$26,264,068 (excluding transfers), a 1,047,901, or 4.16% increase from 2014 due to a projected slight increase from state shared sales, income and utility taxes. The Village's total 2014 property tax levy payable in 2015 is \$9,881,472, a 2% (two) increase over the prior year's tax levy.

Total Village spending for the 2015 budget is \$62,353,471 (excluding transfers), a 6.34% increase from the 2014 budget. The majority of the increase distributed fairly evenly throughout contractual, commodities, and other capital spending with personnel costs being slightly ahead of the other categories due to pension contributions and contractually obligated pay increases.

▪ **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, 2014

| | Primary Government | | |
|--|--------------------|---------------|--------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,363,209 | \$ 3,677,999 | \$ 8,041,208 |
| Investments | 3,007,365 | 498,800 | 3,506,165 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | |
| Property taxes | 10,245,060 | - | 10,245,060 |
| Sales tax | 1,707,549 | - | 1,707,549 |
| State income tax | 260,665 | - | 260,665 |
| Accounts and allotments | 1,039,457 | 1,106,583 | 2,146,040 |
| Loan to developer | 1,700,000 | - | 1,700,000 |
| IRMA excess surplus | 848,115 | - | 848,115 |
| IPBC terminal reserve | 533,663 | - | 533,663 |
| Prepaid expenses | 589,507 | 40,464 | 629,971 |
| Land held for resale | 9,572,376 | - | 9,572,376 |
| Capital assets not being depreciated | 43,972,244 | 20,608 | 43,992,852 |
| Capital assets (net of accumulated depreciation) | 13,457,370 | 9,426,875 | 22,884,245 |
| Total assets | 91,296,580 | 14,771,329 | 106,067,909 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Unamortized loss on refunding | 43,493 | - | 43,493 |
| Total deferred outflows of resources | 43,493 | - | 43,493 |
| Total assets and deferred outflows of resources | 91,340,073 | 14,771,329 | 106,111,402 |

(This statement is continued on the following page.)

VILLAGE OF MORTON GROVE, ILLINOIS**STATEMENT OF NET POSITION (Continued)**

December 31, 2014

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| LIABILITIES | | | |
| Accounts payable | \$ 641,280 | \$ 1,029,402 | \$ 1,670,682 |
| Accrued salaries and wages | 415,707 | 40,021 | 455,728 |
| Other payables | 70,869 | - | 70,869 |
| Accrued interest payable | 67,068 | 7,634 | 74,702 |
| Deposits - refundable | 294,299 | - | 294,299 |
| Unearned revenue | 364,604 | 57,760 | 422,364 |
| Due to fiduciary funds | 2,266 | - | 2,266 |
| Noncurrent liabilities | | | |
| Due within one year | 2,101,548 | 190,743 | 2,292,291 |
| Due in more than one year | 40,511,827 | 3,804,416 | 44,316,243 |
| Total liabilities | 44,469,468 | 5,129,976 | 49,599,444 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue - property taxes | 10,135,782 | - | 10,135,782 |
| Total deferred inflows of resources | 10,135,782 | - | 10,135,782 |
| Total liabilities and deferred inflows of resources | 54,605,250 | 5,129,976 | 59,735,226 |
| NET POSITION | | | |
| Net investment in capital assets | 44,444,400 | 5,875,794 | 50,320,194 |
| Restricted for | | | |
| Public safety | 805,492 | - | 805,492 |
| Community development | 14,228,109 | - | 14,228,109 |
| Highways and streets | 860,194 | - | 860,194 |
| Unrestricted | (23,603,372) | 3,765,559 | (19,837,813) |
| TOTAL NET POSITION | \$ 36,734,823 | \$ 9,641,353 | \$ 46,376,176 |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | |
|------------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General government | \$ 3,749,953 | \$ 3,426,448 | \$ - | \$ - |
| Public safety | 19,225,281 | 961,296 | 151,742 | - |
| Streets and sidewalks | 4,043,649 | 1,558 | 677,309 | 158,042 |
| Vehicle maintenance | 793,103 | - | - | - |
| Health and human services | 282,897 | 845 | - | - |
| Community development | 980,882 | - | - | - |
| Building and inspectional services | 794,883 | - | - | - |
| Interest | 781,321 | - | - | - |
| Total governmental activities | 30,651,969 | 4,390,147 | 829,051 | 158,042 |
| Business-Type Activities | | | | |
| Water and sewer | 7,356,131 | 8,678,471 | - | 59,473 |
| Solid waste | 1,857,923 | 1,983,404 | - | - |
| Municipal parking | 11,380 | 59,633 | - | - |
| Total business-type activities | 9,225,434 | 10,721,508 | - | 59,473 |
| TOTAL PRIMARY GOVERNMENT | \$ 39,877,403 | \$ 15,111,655 | \$ 829,051 | \$ 217,515 |

| Net (Expense) Revenue and Change in Net Position | | | |
|---|------------------------------------|-------------------------------------|----------------------|
| Primary Government | | | |
| | Governmental Activities | Business-Type Activities | Total |
| | \$ (323,505) | \$ - | \$ (323,505) |
| | (18,112,243) | - | (18,112,243) |
| | (3,206,740) | - | (3,206,740) |
| | (793,103) | - | (793,103) |
| | (282,052) | - | (282,052) |
| | (980,882) | - | (980,882) |
| | (794,883) | - | (794,883) |
| | (781,321) | - | (781,321) |
| | (25,274,729) | - | (25,274,729) |
| | - | 1,381,813 | 1,381,813 |
| | - | 125,481 | 125,481 |
| | - | 48,253 | 48,253 |
| | - | 1,555,547 | 1,555,547 |
| | (25,274,729) | 1,555,547 | (23,719,182) |
| General Revenues | | | |
| Taxes | | | |
| Property | 12,444,336 | - | 12,444,336 |
| Sales | 6,413,855 | - | 6,413,855 |
| Utility | 1,228,883 | - | 1,228,883 |
| Telecommunications | 781,166 | - | 781,166 |
| Real estate transfer | 343,209 | - | 343,209 |
| Hotel/motel | 76,008 | - | 76,008 |
| Food and beverage | 413,467 | - | 413,467 |
| Gasoline | 246,038 | - | 246,038 |
| Other | 326,791 | - | 326,791 |
| Intergovernmental | | | |
| Income | 2,227,959 | - | 2,227,959 |
| Local use | 454,615 | - | 454,615 |
| Personal property replacement | 398,843 | - | 398,843 |
| Investment income | 15,843 | 2,966 | 18,809 |
| Gain on sale of capital assets | - | 17,500 | 17,500 |
| Miscellaneous | 363,420 | 284,657 | 648,077 |
| Total | 25,734,433 | 305,123 | 26,039,556 |
| CHANGE IN NET POSITION | 459,704 | 1,860,670 | 2,320,374 |
| NET POSITION, JANUARY 1 | 36,275,119 | 7,780,683 | 44,055,802 |
| NET POSITION, DECEMBER 31 | \$ 36,734,823 | \$ 9,641,353 | \$ 46,376,176 |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2014

| | General | Lehigh/Ferris TIF | Waukegan Road TIF | Debt Service | Capital Projects | Nonmajor | Total |
|---------------------------|----------------------|------------------------------|------------------------------|-------------------------|-----------------------------|---------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 26,763 | \$ 1,649,710 | \$ - | \$ 155,585 | \$ 804,119 | \$ 1,727,032 | \$ 4,363,209 |
| Investments | 1,496,100 | 1,246,829 | - | 169,375 | - | 95,061 | 3,007,365 |
| Receivables | | | | | | | |
| Property taxes | 9,613,885 | 43,908 | 1,059 | 483,395 | 102,813 | - | 10,245,060 |
| Sales tax | 1,426,051 | - | - | 137,500 | 6,250 | 137,748 | 1,707,549 |
| State income tax | 260,665 | - | - | - | - | - | 260,665 |
| Accounts and allotments | 900,592 | 17,000 | - | - | - | 121,865 | 1,039,457 |
| Due from other funds | 1,768,544 | - | - | - | - | - | 1,768,544 |
| Prepays | 589,507 | - | - | - | - | - | 589,507 |
| Loan to developer | - | 1,700,000 | - | - | - | - | 1,700,000 |
| Advances to other funds | 1,514,751 | 44,364 | - | - | - | - | 1,559,115 |
| IRMA excess surplus | 848,115 | - | - | - | - | - | 848,115 |
| IPBC terminal reserve | 533,663 | - | - | - | - | - | 533,663 |
| Land held for resale | - | 9,572,376 | - | - | - | - | 9,572,376 |
| TOTAL ASSETS | \$ 18,978,636 | \$ 14,274,187 | \$ 1,059 | \$ 945,855 | \$ 913,182 | \$ 2,081,706 | \$ 37,194,625 |

| | General | Lehigh/Ferris TIF | Waukegan Road TIF | Debt Service | Capital Projects | Nonmajor | Total |
|---|----------------------|----------------------|----------------------|-------------------|---------------------|---------------------|----------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable and retainage payable | \$ 520,502 | \$ 1,714 | \$ - | \$ - | \$ 10,926 | \$ 108,138 | \$ 641,280 |
| Accrued salaries and wages | 415,707 | - | - | - | - | - | 415,707 |
| Other payables | 70,869 | - | - | - | - | - | 70,869 |
| Unearned revenue | 269,231 | - | - | - | 46,624 | 48,749 | 364,604 |
| Deposits - refundable | 294,299 | - | - | - | - | - | 294,299 |
| Due to other funds | - | - | 696,521 | 422,003 | - | 650,020 | 1,768,544 |
| Due to fiduciary funds | 2,266 | - | - | - | - | - | 2,266 |
| Advances from other funds | - | - | 1,388,930 | - | - | 170,185 | 1,559,115 |
| Total liabilities | 1,572,874 | 1,714 | 2,085,451 | 422,003 | 57,550 | 977,092 | 5,116,684 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 9,556,284 | - | - | 477,013 | 102,485 | - | 10,135,782 |
| Total deferred inflows of resources | 9,556,284 | - | - | 477,013 | 102,485 | - | 10,135,782 |
| Total liabilities and deferred inflows of resources | 11,129,158 | 1,714 | 2,085,451 | 899,016 | 160,035 | 977,092 | 15,252,466 |
| FUND BALANCES (DEFICIT) | | | | | | | |
| Nonspendable | | | | | | | |
| Advance to other funds | 1,514,751 | 44,364 | - | - | - | - | 1,559,115 |
| Prepays | 589,507 | - | - | - | - | - | 589,507 |
| Restricted for | | | | | | | |
| Public safety | - | - | - | - | - | 805,492 | 805,492 |
| Capital improvements - unspent bond proceeds | - | - | - | - | 18 | - | 18 |
| Community development | - | 14,228,109 | - | - | - | - | 14,228,109 |
| Highways and streets | - | - | - | - | - | 860,194 | 860,194 |
| Committed for commuter improvements | - | - | - | - | - | 59,855 | 59,855 |
| Unassigned (deficit) | 5,745,220 | - | (2,084,392) | 46,839 | 753,129 | (620,927) | 3,839,869 |
| Total fund balances (deficit) | 7,849,478 | 14,272,473 | (2,084,392) | 46,839 | 753,147 | 1,104,614 | 21,942,159 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 18,978,636 | \$ 14,274,187 | \$ 1,059 | \$ 945,855 | \$ 913,182 | \$ 2,081,706 | \$ 37,194,625 |

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, 2014

| | |
|---|------------------------------------|
| FUND BALANCES OF GOVERNMENTAL FUNDS | \$ 21,942,159 |
| 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 | 57,429,614 |
| Interest payable is not due and payable in the current period and, therefore, not reported in the governmental funds | (67,068) |
| 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 | (15,487,800) |
| Installment notes payable | (1,768,626) |
| Intergovernmental agreement payable | (2,785,393) |
| Net pension obligation | (17,903,661) |
| Net other postemployment benefits obligation | (4,028,235) |
| Compensated absences | (587,361) |
| The unamortized bond premium is not a current financial resource and, therefore, is not reported in the governmental funds | (57,511) |
| The unamortized bond discount is not a current financial resource and, therefore, is not reported in the governmental funds | 5,212 |
| The unamortized loss on bond refunding is shown as a deferred outflow on the statement of net position | <u>43,493</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 36,734,823</u></u> |

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, 2014

| | General | Lehigh/Ferris TIF | Waukegan Road TIF |
|--|----------------------------|------------------------------|------------------------------|
| REVENUES | | | |
| Taxes | \$ 17,485,841 | \$ 2,077,952 | \$ 544,608 |
| Licenses and permits | 1,741,148 | - | - |
| Intergovernmental | 3,223,029 | - | - |
| Surcharges | - | - | - |
| Charges for services | 814,935 | - | - |
| Fines | 827,515 | - | - |
| Investment income | 9,018 | 3,029 | 24 |
| Cable TV franchise fees | 340,991 | - | - |
| Miscellaneous | 258,667 | 17,000 | - |
| Total revenues | <u>24,701,144</u> | <u>2,097,981</u> | <u>544,632</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 2,845,513 | - | - |
| Public safety | 17,397,217 | - | - |
| Streets and sidewalks | 3,028,264 | - | - |
| Vehicle maintenance | 793,103 | - | - |
| Health and human services | 282,897 | - | - |
| Community development | 189,709 | 254,107 | 1,346 |
| Building and inspectional services | 790,256 | - | - |
| Debt service | | | |
| Principal retirement | - | 510,000 | 702,912 |
| Interest and fiscal charges | - | 287,403 | 157,947 |
| Capital outlay | | | |
| Capital projects | - | 2,522 | 47 |
| Total expenditures | <u>25,326,959</u> | <u>1,054,032</u> | <u>862,252</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(625,815)</u> | <u>1,043,949</u> | <u>(317,620)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 265,200 | - | - |
| Transfers (out) | (492,263) | (265,200) | - |
| Issuance of general obligation bonds | 1,415,000 | - | - |
| Proceeds from sale of capital assets | 22,098 | - | - |
| Total other financing sources (uses) | <u>1,210,035</u> | <u>(265,200)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 584,220 | 778,749 | (317,620) |
| FUND BALANCES (DEFICIT), JANUARY 1 | <u>7,265,258</u> | <u>13,493,724</u> | <u>(1,766,772)</u> |
| FUND BALANCES (DEFICIT), DECEMBER 31 | <u><u>\$ 7,849,478</u></u> | <u><u>\$ 14,272,473</u></u> | <u><u>\$ (2,084,392)</u></u> |

| Debt Service | Capital Projects | Nonmajor | Total |
|-------------------------|-----------------------------|-----------------|---------------|
| \$ 1,535,364 | \$ 75,634 | \$ 554,355 | \$ 22,273,754 |
| - | - | - | 1,741,148 |
| 75,693 | 35,282 | 916,149 | 4,250,153 |
| - | - | 246,727 | 246,727 |
| - | - | 324,940 | 1,139,875 |
| - | - | - | 827,515 |
| 880 | 1,311 | 1,581 | 15,843 |
| - | - | - | 340,991 |
| - | - | - | 275,667 |
| 1,611,937 | 112,227 | 2,043,752 | 31,111,673 |
| - | 124,145 | - | 2,969,658 |
| - | - | 307,951 | 17,705,168 |
| - | - | 704,175 | 3,732,439 |
| - | - | - | 793,103 |
| - | - | - | 282,897 |
| - | - | 877,444 | 1,322,606 |
| - | - | - | 790,256 |
| 1,634,083 | - | - | 2,846,995 |
| 337,829 | - | - | 783,179 |
| - | 312,991 | - | 315,560 |
| 1,971,912 | 437,136 | 1,889,570 | 31,541,861 |
| (359,975) | (324,909) | 154,182 | (430,188) |
| 492,263 | - | - | 757,463 |
| - | - | - | (757,463) |
| - | - | - | 1,415,000 |
| - | - | 7,010 | 29,108 |
| 492,263 | - | 7,010 | 1,444,108 |
| 132,288 | (324,909) | 161,192 | 1,013,920 |
| (85,449) | 1,078,056 | 943,422 | 20,928,239 |
| \$ 46,839 | \$ 753,147 | \$ 1,104,614 | \$ 21,942,159 |

See accompanying notes to financial statements.

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**

For the Year Ended December 31, 2014

| | |
|---|--------------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 1,013,920 |
| 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 | 876,383 |
| Depreciation expense does not require the use of current financial statement resources and, therefore, is not reported as an expenditure in the governmental funds | (1,518,387) |
| Governmental funds do not report compensated absences; however, they are recognized as a reduction to expenses on the statement of activities | 22,539 |
| 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 | (1,415,000) |
| 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 | 2,846,995 |
| 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 | 349,557 |
| The amortization of the refunding loss is not reported in governmental funds, but is reported in the statement of activities | (12,425) |
| The amortization of the bond premium is not reported in governmental funds, but is reported in the statement of activities | 6,450 |
| The amortization of the bond discount is not reported in governmental funds, but is reported in the statement of activities | (1,987) |
| The change in net pension obligation and asset is not reported in governmental funds, but is reported in the statement of activities | (1,110,641) |
| The change in net other postemployment benefits obligations are reported only in the statement of activities | (607,520) |
| The change in the accrued interest payable on long-term debt is reported as interest expense on the statement of activities | 9,820 |
| CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 459,704</u> |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2014

| | Water and Sewer | Nonmajor | Total |
|---|----------------------------|-------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 3,246,283 | \$ 431,716 | \$ 3,677,999 |
| Investments | 498,800 | - | 498,800 |
| Receivables | 1,026,030 | 80,553 | 1,106,583 |
| Prepaid expenses | - | 40,464 | 40,464 |
| Total current assets | 4,771,113 | 552,733 | 5,323,846 |
| NONCURRENT ASSETS | | | |
| Capital assets - not being depreciated | 20,608 | - | 20,608 |
| Capital assets - net of accumulated depreciation | 9,426,875 | - | 9,426,875 |
| Total noncurrent assets | 9,447,483 | - | 9,447,483 |
| Total assets | 14,218,596 | 552,733 | 14,771,329 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| None | - | - | - |
| Total deferred outflows of resources | - | - | - |
| Total assets and deferred outflows of resources | 14,218,596 | 552,733 | 14,771,329 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 833,105 | 196,297 | 1,029,402 |
| Accrued salaries and wages | 40,021 | - | 40,021 |
| Accrued interest payable | 7,634 | - | 7,634 |
| Unearned revenue | - | 57,760 | 57,760 |
| Compensated absences - current maturities | 8,143 | - | 8,143 |
| Bonds payable - current maturities | 182,600 | - | 182,600 |
| Total current liabilities | 1,071,503 | 254,057 | 1,325,560 |
| LONG-TERM LIABILITIES | | | |
| Compensated absences | 73,287 | - | 73,287 |
| Bonds payable, net of discount | 3,389,109 | - | 3,389,109 |
| Net other postemployment benefit obligation | 342,020 | - | 342,020 |
| Total long-term liabilities | 3,804,416 | - | 3,804,416 |
| Total liabilities | 4,875,919 | 254,057 | 5,129,976 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| None | - | - | - |
| Total deferred inflows of resources | - | - | - |
| Total liabilities and deferred inflows of resources | 4,875,919 | 254,057 | 5,129,976 |
| NET POSITION | | | |
| Net investment in capital assets | 5,875,794 | - | 5,875,794 |
| Unrestricted | 3,466,883 | 298,676 | 3,765,559 |
| TOTAL NET POSITION | \$ 9,342,677 | \$ 298,676 | \$ 9,641,353 |

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, 2014

| | Water and Sewer | Nonmajor | Total |
|--|----------------------------|-----------------|--------------|
| OPERATING REVENUES | | | |
| Water sales | \$ 7,879,756 | \$ - | \$ 7,879,756 |
| Sewer charges | 783,173 | - | 783,173 |
| Waste charges | - | 1,983,404 | 1,983,404 |
| Meter and connection fees | 15,542 | - | 15,542 |
| Parking charges | - | 59,633 | 59,633 |
| Miscellaneous | 111,114 | - | 111,114 |
| Total operating revenues | 8,789,585 | 2,043,037 | 10,832,622 |
| OPERATING EXPENSES | | | |
| Personal services | 1,828,662 | - | 1,828,662 |
| Contractual services and other charges | 768,884 | 1,858,936 | 2,627,820 |
| Water purchases | 3,616,594 | - | 3,616,594 |
| Capital outlay | 30,366 | - | 30,366 |
| Commodities | 308,732 | 367 | 309,099 |
| Administrative fees | 139,500 | 10,000 | 149,500 |
| Utilities | 80,806 | - | 80,806 |
| Total operating expenses | 6,773,544 | 1,869,303 | 8,642,847 |
| OPERATING INCOME BEFORE DEPRECIATION | 2,016,041 | 173,734 | 2,189,775 |
| Depreciation | 375,859 | - | 375,859 |
| OPERATING INCOME | 1,640,182 | 173,734 | 1,813,916 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Rental income | 173,543 | - | 173,543 |
| Investment income | 2,237 | 729 | 2,966 |
| Gain on sale of capital assets | 17,500 | - | 17,500 |
| Interest expense and fiscal agent fees | (206,728) | - | (206,728) |
| Total non-operating revenues (expenses) | (13,448) | 729 | (12,719) |
| NET INCOME BEFORE CAPITAL GRANTS | 1,626,734 | 174,463 | 1,801,197 |
| CAPITAL GRANTS | 59,473 | - | 59,473 |
| CHANGE IN NET POSITION | 1,686,207 | 174,463 | 1,860,670 |
| NET POSITION, JANUARY 1 | 7,656,470 | 124,213 | 7,780,683 |
| NET POSITION, DECEMBER 31 | \$ 9,342,677 | \$ 298,676 | \$ 9,641,353 |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2014

| | Water and Sewer | Nonmajor | Total |
|---|----------------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 8,605,374 | \$ 2,037,308 | \$ 10,642,682 |
| Receipts from miscellaneous revenues | 111,114 | - | 111,114 |
| Payments to suppliers | (4,599,133) | (1,888,780) | (6,487,913) |
| Payments to employees | (1,723,877) | - | (1,723,877) |
| Payments to other funds | (139,500) | - | (139,500) |
| Net cash from operating activities | 2,253,978 | 148,528 | 2,402,506 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Rental receipts | 173,543 | - | 173,543 |
| Net cash from noncapital financing activities | 173,543 | - | 173,543 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Intergovernmental | 59,473 | - | 59,473 |
| Purchase of capital assets | (1,812,307) | - | (1,812,307) |
| Proceeds from sale of capital assets | 17,500 | - | 17,500 |
| Bond principal payments | (598,500) | - | (598,500) |
| Interest payments | (209,391) | - | (209,391) |
| Net cash from capital and related financing activities | (2,543,225) | - | (2,543,225) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 2,237 | 729 | 2,966 |
| Purchase of investment | (498,800) | - | (498,800) |
| Net cash from investing activities | (496,563) | 729 | (495,834) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (612,267) | 149,257 | (463,010) |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 3,858,550 | 282,459 | 4,141,009 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u>\$ 3,246,283</u> | <u>\$ 431,716</u> | <u>\$ 3,677,999</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, 2014

| | Water and Sewer | Nonmajor | Total |
|---|----------------------------|-------------------|---------------------|
| <hr/> | | | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 1,640,182 | \$ 173,734 | \$ 1,813,916 |
| Adjustments to reconcile operating income to net cash from operating activities | | | |
| Depreciation | 375,859 | - | 375,859 |
| Changes in operating assets and liabilities | | | |
| Receivables | (67,601) | (15,369) | (82,970) |
| Prepaid expenses | - | (3,994) | (3,994) |
| Refundable deposits | (5,496) | - | (5,496) |
| Accounts payable | 206,249 | (15,483) | 190,766 |
| Accrued salaries and wages | 1,356 | - | 1,356 |
| Compensated absences | 36,970 | - | 36,970 |
| Other postemployment benefit obligation | 66,459 | - | 66,459 |
| Unearned revenues | - | 9,640 | 9,640 |
| | <hr/> | | |
| NET CASH FROM OPERATING ACTIVITIES | \$ 2,253,978 | \$ 148,528 | \$ 2,402,506 |
| | <hr/> | | |
| SCHEDULE OF NONCASH TRANSACTIONS | | | |
| None | \$ - | \$ - | \$ - |
| | <hr/> | | |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2014

ASSETS

| | |
|-----------------------------|-----------------------|
| Cash and cash equivalents | \$ 1,150,172 |
| Investments, at fair value | |
| Equities | 31,147,484 |
| Equity mutual funds | 699,016 |
| Corporate bonds | 6,923,836 |
| Annuity contracts | 9,922,658 |
| U.S. Treasury obligations | 6,455,613 |
| U.S. agency obligations | 15,043,480 |
| Municipal bonds | 574,545 |
| Receivables | |
| Accrued interest | 178,579 |
| Other | 17,149 |
| Due from primary government | 2,266 |
| Prepaid expenses | <u>6,263</u> |
| Total assets | <u>72,121,061</u> |

LIABILITIES

| | |
|-----------------------|-------------------|
| Accounts payable | <u>71,663</u> |
| Total liabilities | <u>71,663</u> |

**NET POSITION HELD IN TRUST FOR
PENSION BENEFITS**

\$ 72,049,398

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, 2014

ADDITIONS

| | |
|--|--------------|
| Contributions | |
| Employer | \$ 4,455,737 |
| Employee | 818,986 |
| | <hr/> |
| Total contributions | 5,274,723 |
| | <hr/> |
| Investment income | |
| Net appreciation in fair value of investments | 2,633,283 |
| Interest | 1,479,183 |
| | <hr/> |
| Total investment income | 4,112,466 |
| | <hr/> |
| Less investment expense | (164,193) |
| | <hr/> |
| Net investment income | 3,948,273 |
| | <hr/> |
| Total additions | 9,222,996 |

DEDUCTIONS

| | |
|----------------------------------|-----------|
| Retirement benefits | 5,132,732 |
| Duty/nonduty disability benefits | 681,243 |
| Surviving spouse benefits | 552,711 |
| Refunds | 208,308 |
| Administrative expenses | 90,119 |
| | <hr/> |
| Total deductions | 6,665,113 |

| | |
|--------------|-----------|
| NET INCREASE | 2,557,883 |
|--------------|-----------|

**NET POSITION HELD IN TRUST
FOR PENSION BENEFITS**

| | |
|-------------|---------------------|
| January 1 | <hr/> 69,491,515 |
| December 31 | <hr/> \$ 72,049,398 |

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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)

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.

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 has elected to report the fund as major.

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)

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 \$522,029 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. Rebatale Arbitrage

The Village reports rebatale 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 assets 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 assets 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)

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, 2014, 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) | \$ 264,436 | \$ - | \$ 264,436 | \$ - | \$ - |
| Negotiable CDs | 3,241,729 | 3,241,729 | - | - | - |
| TOTAL | \$ 3,506,165 | \$ 3,241,729 | \$ 264,436 | \$ - | \$ - |

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, 2014, the Village had 79.6% in negotiable certificate of deposits (CDs) and 6.5% in IMET.

3. RECEIVABLES

a. Property Taxes

Property taxes for 2014 attach as an enforceable lien on January 1, 2014 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, 2014 and August 1, 2014 and are payable in two installments, on or about March 1, 2014 and September 1, 2014. 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 2014 levy is intended to fund the 2015 fiscal year, the levy has been recorded as a receivable and unavailable or unearned 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, 2014 was as follows:

| | Beginning Balances January 1 | Additions | Retirements | Ending Balances December 31 |
|---|------------------------------------|---------------------|-------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land (including right of ways) | \$ 43,972,244 | \$ - | \$ - | \$ 43,972,244 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 43,972,244 | - | - | 43,972,244 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 18,175,872 | - | - | 18,175,872 |
| Vehicles and equipment | 5,862,968 | 876,383 | 177,004 | 6,562,347 |
| Infrastructure | 30,759,292 | - | - | 30,759,292 |
| Total capital assets being depreciated | 54,798,132 | 876,383 | 177,004 | 55,497,511 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 11,900,082 | 587,535 | - | 12,487,617 |
| Vehicles and equipment | 4,586,227 | 390,973 | 177,004 | 4,800,196 |
| Infrastructure | 24,212,449 | 539,879 | - | 24,752,328 |
| Total accumulated depreciation | 40,698,758 | 1,518,387 | 177,004 | 42,040,141 |
| Total capital assets being depreciated, net | 14,099,374 | (642,004) | - | 13,457,370 |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | \$ 58,071,618 | \$ (642,004) | \$ - | \$ 57,429,614 |

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

| | |
|---|---------------------|
| GOVERNMENTAL ACTIVITIES | |
| General government | \$ 448,954 |
| Public safety | 315,370 |
| Streets and sidewalks | 754,063 |
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | \$ 1,518,387 |

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

4. CAPITAL ASSETS (Continued)

| | Beginning Balances January 1 | Additions | Retirements | Ending Balances December 31 |
|---|------------------------------------|---------------------|-------------|-----------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ - | \$ 20,608 | \$ - | \$ 20,608 |
| Total capital assets not being depreciated | - | 20,608 | - | 20,608 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 14,466,610 | 1,791,700 | - | 16,258,310 |
| Equipment | 2,410,075 | - | 94,521 | 2,315,554 |
| Total capital assets being depreciated | 16,876,685 | 1,791,700 | 94,521 | 18,573,864 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 7,424,844 | 278,420 | - | 7,703,264 |
| Equipment | 1,440,807 | 97,439 | 94,521 | 1,443,725 |
| Total accumulated depreciation | 8,865,651 | 375,859 | 94,521 | 9,146,989 |
| Total capital assets being depreciated, net | 8,011,034 | 1,415,841 | - | 9,426,875 |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | \$ 8,011,034 | \$ 1,436,449 | \$ - | \$ 9,447,483 |

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, 2014. The Village has recorded a receivable for the excess surplus balance of \$848,115 in the General Fund as of December 31, 2014.

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, 2014 (most recent available) of \$533,663. 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 | \$ 7,165,000 | \$ - | \$ 510,000 | \$ 6,655,000 | \$ 535,000 |
| \$7,650,000 General Obligation Refunding Bonds, Series 2009 dated April 1, 2009, due in annual installments of \$225,000 to \$1,690,000 plus interest at 1.0% to 2.6%, due on June 1 and December 1 of each year. | Water and Sewer | 422,500 | - | 422,500 | - | - |
| | Debt Service | 1,267,500 | - | 1,267,500 | - | - |
| \$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 | 3,340,000 | - | 475,000 | 2,865,000 | 515,000 |
| \$1,845,000 General Obligation Bonds, Series 2010A dated March 31, 2010, due in annual installments of \$270,000 to \$400,000 plus interest at 2%, due on June 15 and December 15 of each year. | Debt Service | 224,000 | - | 224,000 | - | - |
| | Water and Sewer | 176,000 | - | 176,000 | - | - |

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 |
|---|-------------------------|-----------------------|---------------------|---------------------|-------------------------|------------------------|
| \$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 | \$ - | \$ - | \$ 4,552,800 | \$ 232,400 |
| | Water and Sewer | 3,577,200 | - | - | 3,577,200 | 182,600 |
| \$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 | - |
| TOTAL | | \$ 20,725,000 | \$ 1,415,000 | \$ 3,075,000 | \$ 19,065,000 | \$ 1,465,000 |

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 | \$ 1,079,121 | \$ - | \$ 227,912 | \$ 851,209 | \$ 237,366 |

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

6. LONG-TERM DEBT (Continued)

b. Installment Notes Payable (Continued)

| | Fund Debt Retired By | Balances January 1 | Additions | Reductions | Balances December 31 | Due Within One Year |
|---|-------------------------|-----------------------|-------------|-------------------|-------------------------|------------------------|
| \$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 | \$ 1,060,000 | \$ - | \$ 142,583 | \$ 917,417 | \$ 145,434 |
| TOTAL | | \$ 2,139,121 | \$ - | \$ 370,495 | \$ 1,768,626 | \$ 382,800 |

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, 2014, the Village made total intergovernmental payments of \$220,460 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, 2014, the Village made total intergovernmental payments of \$129,096 from general (non-TIF) revenues. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

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

6. LONG-TERM DEBT (Continued)

d. Intergovernmental Agreement with School District 70 (Continued)

| Year Ending | School District 67 | School District 70 | Total |
|----------------|-----------------------|-----------------------|---------------------|
| 2015 | \$ 236,891 | \$ 140,720 | \$ 377,611 |
| 2016 | 253,938 | 152,722 | 406,660 |
| 2017 | 271,625 | 165,114 | 436,739 |
| 2018 | 289,975 | 177,909 | 467,884 |
| 2019-2023 | - | 1,096,499 | 1,096,499 |
| TOTAL | \$ 1,052,429 | \$ 1,732,964 | \$ 2,785,393 |

e. Debt Service Requirements to Maturity

| Year Ending | General Obligation Bonds | | | | | |
|----------------|--------------------------|---------------------|----------------------|--------------------------|---------------------|---------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 1,282,400 | \$ 633,728 | \$ 1,916,128 | \$ 182,600 | \$ 183,205 | \$ 365,805 |
| 2016 | 1,338,000 | 586,735 | 1,924,735 | 187,000 | 177,362 | 364,362 |
| 2017 | 1,395,800 | 535,292 | 1,931,092 | 189,200 | 170,630 | 359,830 |
| 2018 | 2,103,600 | 479,197 | 2,582,797 | 191,400 | 163,062 | 354,462 |
| 2019 | 1,369,800 | 404,173 | 1,773,973 | 200,200 | 154,066 | 354,266 |
| 2020 | 1,413,800 | 355,141 | 1,768,941 | 211,200 | 144,657 | 355,857 |
| 2021 | 1,465,000 | 304,251 | 1,769,251 | 220,000 | 134,730 | 354,730 |
| 2022 | 1,036,800 | 251,315 | 1,288,115 | 233,200 | 124,390 | 357,590 |
| 2023 | 1,083,000 | 206,133 | 1,289,133 | 242,000 | 112,147 | 354,147 |
| 2024 | 1,129,200 | 158,809 | 1,288,009 | 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 |
| TOTAL | \$ 15,487,800 | \$ 4,262,612 | \$ 19,750,412 | \$ 3,577,200 | \$ 1,736,872 | \$ 5,314,072 |

| Year Ending | Total Installment Notes Payable | | |
|----------------|---------------------------------|-------------------|---------------------|
| | Governmental Activities | | |
| | Principal | Interest | Total |
| 2015 | \$ 382,800 | \$ 50,878 | \$ 433,678 |
| 2016 | 395,501 | 38,177 | 433,678 |
| 2017 | 408,776 | 24,902 | 433,678 |
| 2018 | 263,555 | 11,690 | 275,245 |
| 2019 | 157,423 | 6,360 | 163,783 |
| 2020 | 160,571 | 3,211 | 163,782 |
| TOTAL | \$ 1,768,626 | \$ 135,218 | \$ 1,903,844 |

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 | Additions | Reductions | Balances December 31 | Due Within One Year |
|---|-----------------------|---------------------|---------------------|-------------------------|------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General obligation bonds payable | \$ 16,549,300 | \$ 1,415,000 | \$ 2,476,500 | \$ 15,487,800 | \$ 1,282,400 |
| Unamortized premium on bonds | 63,961 | - | 6,450 | 57,511 | - |
| Unamortized discount on bonds | (7,199) | - | (1,987) | (5,212) | - |
| Installment notes payable | 2,139,121 | - | 370,495 | 1,768,626 | 382,800 |
| Intergovernmental agreement payable | 3,134,950 | - | 349,557 | 2,785,393 | 377,612 |
| Net pension obligation | 16,793,020 | 1,110,641 | - | 17,903,661 | - |
| Net other postemployment benefit obligation | 3,420,715 | 607,520 | - | 4,028,235 | - |
| *Compensated absences payable | 609,900 | 26,892 | 49,431 | 587,361 | 58,736 |
| TOTAL GOVERNMENTAL ACTIVITIES DEBT | \$ 42,703,768 | \$ 3,160,053 | \$ 3,250,446 | \$ 42,613,375 | \$ 2,101,548 |

* Governmental activities' compensated absences, net pension obligation and net other postemployment benefit obligation are liquidated by the General Fund, the fund in which the related salary has been charged.

| | Balances January 1 | Additions | Reductions | Balances December 31 | Due Within One Year |
|--|-----------------------|-------------------|-------------------|-------------------------|------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| General obligation bonds payable | \$ 4,175,700 | \$ - | \$ 598,500 | \$ 3,577,200 | \$ 182,600 |
| Unamortized premium on bonds | 2,887 | - | 8,378 | (5,491) | - |
| *Net other postemployment benefit obligation | 275,561 | 66,459 | - | 342,020 | - |
| *Compensated absences payable | 44,460 | 41,416 | 4,446 | 81,430 | 8,143 |
| TOTAL BUSINESS-TYPE DEBT | \$ 4,498,608 | \$ 107,875 | \$ 611,324 | \$ 3,995,159 | \$ 190,743 |

* 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.

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

6. LONG-TERM DEBT (Continued)

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.

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, 2014, \$3,445,000 of the refunded bonds were outstanding.

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 fiscal year ended December 31, 2014.

6. LONG-TERM DEBT (Continued)

i. Economic Development and Redevelopment Agreements (Continued)

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 fiscal year ended December 31, 2014.

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 fiscal year ended December 31, 2014.

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. Amounts paid under the terms of the agreement were \$57,027 for fiscal year ended December 31, 2014.

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

6. LONG-TERM DEBT (Continued)

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.

7. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

| Receivable Fund | Payable Fund | Amount |
|--------------------|----------------------|---------------------|
| GOVERNMENTAL FUNDS | | |
| General | Waukegan Road TIF | \$ 696,521 |
| General | Economic Development | 650,020 |
| General | Debt Service | <u>422,003</u> |
| TOTAL | | <u>\$ 1,768,544</u> |

Significant amounts due from/to other funds at December 31, 2014 are as follows:

- \$422,003 due from the Debt Service Fund to the General Fund. This balance is three months of sale tax overdue from the State Comptroller. The balance will be paid in the first quarter of 2015.
- \$650,020 due from the Economic Development Fund to the General Fund. This balance is three months of sale tax overdue from the State Comptroller. The balance will be paid in the first quarter of 2015.
- \$696,521 due from the Waukegan Road TIF Fund to the General Fund. This balance is from a loan from the General Fund to fund debt service payments. The balance will be paid in 2015.

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

7. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Due From/To Fiduciary Funds

| Receivable Fund | Payable Fund | Amount |
|--------------------------------|--------------|-----------------|
| PENSION TRUST FUNDS | | |
| Municipal Employees Retirement | General | \$ 2,266 |
| TOTAL | | <u>\$ 2,266</u> |

Significant amounts due from/to fiduciary funds at December 31, 2014 are as follows:

- \$2,266 due from General Fund to the Municipal Employees Retirement Pension Trust Fund for contributions due at year end.

c. Advances

As of December 31, 2014, individual fund advances between funds were as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------|-----------------------|---------------------|
| General | Waukegan Road TIF | \$ 1,388,930 |
| General | Dempster/Waukegan TIF | 125,821 |
| Lehigh/Ferris TIF | Dempster/Waukegan TIF | 44,364 |
| TOTAL | | <u>\$ 1,559,115</u> |

Significant amounts of advances at December 31, 2014 are as follows:

- \$1,388,930 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, 2014, individual fund transfers between funds were as follows:

| Transferred to | Transferred from | Amount |
|----------------|-------------------|-------------------|
| General | Lehigh/Ferris TIF | \$ 265,200 |
| Debt Service | General | 492,263 |
| TOTAL | | <u>\$ 757,463</u> |

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

7. INDIVIDUAL FUND DISCLOSURES (Continued)

d. Transfers (Continued)

Significant amounts of transfers during the year ended December 31, 2014 are as follows:

- \$265,200 was transferred from the Lehigh/Ferris TIF Fund to the General Fund for administrative costs. This amount will not be repaid.
- \$492,263 was transferred from the General Fund to the Debt Service Fund to fund a deficit. This amount will not be repaid.

e. Deficit Fund Balances

As of December 31, 2014, individual funds with deficit fund balances were as follows:

| Fund | Deficit |
|-----------------------|--------------|
| Major Governmental | |
| Waukegan Road TIF | \$ 2,084,392 |
| Nonmajor Governmental | |
| Economic Development | 424,261 |
| Dempster/Waukegan TIF | 196,666 |

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.

8. CONTINGENT LIABILITIES (Continued)

b. Grants (Continued)

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.

9. JOINT VENTURES (Continued)

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

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 \$430,346 to SWANCC in 2014, which includes payment for debt contribution. The Village does not have an equity interest in SWANCC at December 31, 2014.

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 \$35,507 a month or \$426,084 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.

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, 2013 (most recent available), membership consisted of:

| | |
|--|---------------------|
| Retirees and beneficiaries currently receiving benefits | 42 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>143</u> |
| TOTAL | <u><u>185</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, 2012 | \$ 1,173,358 | \$ 623,335 | 53.1% | \$ 2,941,381 |
| 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 |

The net OPEB obligation as of December 31, 2014 was calculated as follows:

| | |
|--|---------------------|
| Annual required contribution | \$ 1,447,500 |
| Interest on net OPEB obligation | 147,851 |
| Adjustment to annual required contribution | <u>(113,488)</u> |
| Annual OPEB cost | 1,481,863 |
| Contributions made | <u>807,884</u> |
| Increase in net OPEB obligation | 673,979 |
| Net OPEB obligation, beginning of year | <u>3,696,276</u> |
| NET OPEB OBLIGATION, END OF YEAR | <u>\$ 4,370,255</u> |

Funded Status and Funding Progress: The projected funded status and funding progress of the Plan as of December 31, 2013 (most recent available) was as follows:

| | |
|---|---------------|
| Actuarial accrued liability (AAL) | \$ 20,464,527 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | 20,464,527 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 12,048,653 |
| UAAL as a percentage of covered payroll | 169.85% |

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, 2013 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 8.03% 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 December 31, 2013 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 multiple-employer plan consisting of the Village and the Morton Grove Public Library; the

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

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 each plan relates to the library.

Illinois Municipal Retirement Fund (IMRF)

IMRF provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school villages in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF effective January 1, 2005, as participating members. 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. Participating members are required to contribute 4.50% 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 for the year ended December 31, 2014 was 9.73% of covered payroll.

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

For December 31, 2014, the Village's annual pension cost of \$365,000 was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases of 4% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit; and (d) postretirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2012 was 29 years.

Sheriff's Law Enforcement Personnel (SLEP)

Sheriff's Law Enforcement Personnel (SLEP) having accumulated at least 30 years of SLEP service and terminating IMRF participation on or after July 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final rate of earnings, for each year of credited service up to 20 years, 2% of their final earnings rate for the next ten years of credited service and 1% for each year thereafter. For those SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by state statutes. SLEP members are required to contribute 7.5% of their annual salary to SLEP. The Village is required to contribute the remaining amounts necessary to fund it as specified by statute. The employer contribution rate for the calendar year ended 2014 was 13.75% of covered payroll.

Municipal Employees' Retirement Fund (MERF)

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

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (MERF) (Continued)

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, 2014 was 30.61% of covered payroll.

At December 31, 2014, MERF membership consisted of:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits | 21 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | 28 |
| Inactive employees | 21 |
| TOTAL | 70 |

Investment Policy

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

| Asset Class | Target | Long-Term Expected Real Rate of Return |
|-------------------|--------|--|
| Domestic Equities | 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, 2014 are listed in the table above.

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Municipal Employees' Retirement Fund (MERF) (Continued)

Investment Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on MERF plan investments, net of pension plan investment expense, was 2.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date.

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 - Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund. At December 31, 2014, the Police Pension Plan membership consisted of:

| | |
|--|-------|
| Retirees and beneficiaries currently receiving benefits | 52 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Inactive members | 10 |
| Current employees | |
| Vested | 24 |
| Nonvested | 23 |
| | <hr/> |
| TOTAL | 109 |

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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 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 1st 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, 2014, the Village's contribution was 45.63% of covered payroll.

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

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 | 50.0% | 2.5% | 2.5% | 0.0% |
| Large Cap Domestic Equities | 32.5% | 7.5% | 2.5% | 5.0% |
| Mid Cap Domestic Equities | 5.0% | 7.8% | 2.5% | 5.3% |
| Small Cap Domestic Equities | 2.5% | 8.0% | 2.5% | 5.5% |
| International Equities | 10.0% | 7.3% | 2.5% | 4.8% |

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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.12%. 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, 2014:

| | Investment Maturities (in Years) | | | | |
|---------------------------|----------------------------------|------------------|---------------------|---------------------|---------------------|
| | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| Municipal bonds | \$ 462,135 | \$ - | \$ - | \$ 462,135 | \$ - |
| U.S. Treasury obligations | 3,872,675 | - | 3,281,164 | 488,259 | 103,252 |
| U.S agency obligations | 3,074,792 | - | 1,379,486 | 543,488 | 1,151,818 |
| Corporate bonds | 6,923,836 | 56,580 | 1,856,842 | 4,212,098 | 798,316 |
| TOTAL | \$ 14,333,438 | \$ 56,580 | \$ 6,517,492 | \$ 5,705,980 | \$ 2,053,386 |

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 AA-BBB.

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 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 in the Fund's name. The money market mutual funds and equity 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)

Police Pension Plan (Continued)

Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of December 31, 2014 calculated in accordance with GASB Statement No. 67 were as follows:

| | |
|---|---------------|
| Total pension liability | \$ 59,527,590 |
| Plan fiduciary net position | 32,165,054 |
| Village's net pension liability | 27,362,536 |
| Plan fiduciary net position as a percentage of the total pension liability | 54% |

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions.

| | |
|----------------------------|----------------------|
| Actuarial valuation date | December 31, 2014 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 3.000% |
| Salary increases | 4.500% |
| Interest rate | 7.125% |
| Cost of living adjustments | 3.000% |
| Asset valuation method | Market |

The RP-2000 Mortality Table with Blue Collar Adjustment, projected to 2014, was used for retirement and survivor pensioners. For disability pensioners, the RP-2000 Mortality Table for Disabled Retirees, projected to 2014, was used.

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

The discount rate used to measure the total pension liability was 7.125%. 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 Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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 7.125% 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 (6.125%) or 1 percentage point higher (8.125%) than the current rate:

| | 1% Decrease (6.125%) | Current Discount Rate (7.125%) | 1% Increase (8.125%) |
|-----------------------|----------------------------|--------------------------------------|----------------------------|
| Net pension liability | \$ 35,243,494 | \$ 27,362,536 | \$ 20,878,141 |

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 are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Plan Membership

At December 31, 2014, the measurement date, membership consisted of:

| | |
|--|----------------|
| Inactive plan members currently receiving benefits | 42 |
| Inactive plan members entitled to but not yet receiving benefits | 3 |
| Employees | |
| Vested | 31 |
| Nonvested | 10 |
| | <hr/> |
| TOTAL | <hr/> <hr/> 86 |

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.

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.

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

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy (Continued)

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 | 26% | 10.1% | 3.25% | 6.9% |
| Small Cap Domestic Equities | 9% | 11.7% | 3.25% | 8.5% |
| International Equities | 10% | 10.8% | 3.25% | 7.6% |
| Fixed Income | 55% | 5.3% | 3.25% | 2.1% |

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

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy (Continued)

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, 2014 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6%. 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.

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2014:

| | Investment Maturities (in Years) | | | | |
|---------------------------|----------------------------------|-------------------|---------------------|---------------------|-------------------|
| | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| Municipal bonds | \$ 112,410 | \$ - | \$ - | \$ 112,410 | \$ - |
| U.S. Treasury obligations | 2,582,938 | 152,695 | 2,103,149 | 327,094 | - |
| U.S. agency obligations | 11,968,688 | 725,193 | 4,706,529 | 6,375,851 | 161,115 |
| TOTAL | \$ 14,664,036 | \$ 877,888 | \$ 6,809,678 | \$ 6,815,355 | \$ 161,115 |

12. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Interest Rate Risk (Continued)

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 and the U.S. Treasury obligations are not rated by Standard and Poor's. 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)

Net Pension Liability

The components of the net pension liability of the Firefighters' Pension Plan as of December 31, 2014 were as follows:

| | | |
|---|----|------------|
| Total pension liability | \$ | 54,645,387 |
| Plan fiduciary net position | | 29,959,420 |
| Village's net pension liability | | 24,685,967 |
| Plan fiduciary net position as a percentage of the total pension liability | | 54.8% |

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions.

| | |
|----------------------------|----------------------|
| Actuarial valuation date | December 31, 2014 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 3.00% |
| Salary increases | 5.50% |
| Interest rate | 6.75% |
| Cost of living adjustments | 3.00% |
| Asset valuation method | Market |

The RP-2000 Mortality Table with Blue Collar Adjustment, projected to 2014, was used for retirement and survivor pensioners. For disability pensioners, the RP-2000 Mortality Table for Disabled Retirees, projected to 2014, was used.

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 7.125%. 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 Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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 7.125% 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 (6.125%) or 1 percentage point higher (8.125%) than the current rate:

| | 1% Decrease (6.125%) | Current Discount Rate (7.125%) | 1% Increase (8.125%) |
|-----------------------|----------------------------|--------------------------------------|----------------------------|
| Net pension liability | \$ 31,740,227 | \$ 24,685,967 | \$ 18,824,249 |

b. Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of plan net assets for the Municipal Employees' Retirement Fund, Police Pension Fund and the Firefighters' Pension Plan. Information for IMRF is not available.

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

| | Illinois Municipal Retirement | Sheriff's Law Enforcement Personnel |
|---|-------------------------------------|---|
| Actuarial valuation date | December 31, 2012 | December 31, 2012 |
| Actuarial cost method | Entry-age Normal | Entry-age Normal |
| Asset valuation method | 5 Year Smoothed Market | 5 Year Smoothed Market |
| Amortization method | Level Percentage of Payroll | Level Percentage of Payroll |
| Amortization period | 29 Years, Open | 30 Years, Open |
| Significant actuarial assumptions | | |
| a) Rate of return on present and future assets | 7.50% Compounded Annually | 7.50% Compounded Annually |
| b) Projected salary increase attributable to inflation | 4.00% Compounded Annually | 4.00% Compounded Annually |
| c) Additional projected salary increases - seniority/merit | 0.40% to 10.00% | 0.40% to 10.00% |
| d) Postretirement benefit increases | 3.00% | 3.00% |

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Cost (Continued)

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension |
|---|--|-----------------------------------|-----------------------------------|
| Actuarial valuation date | December 31, 2013 | December 31, 2013 | December 31, 2013 |
| Actuarial cost method | Projected Unit Credit | Entry-age Normal | Entry-age Normal |
| Asset valuation method | Market | Smoothed Market | Smoothed Market |
| Amortization method | Level Percentage of Payroll | Level Percentage of Payroll | Level Percentage of Payroll |
| Amortization period | 27 Years, Closed | 27 Years, Closed | 27 Years, Closed |
| Significant actuarial assumptions | | | |
| a) Rate of return on present and future assets | 7.00% to 7.50% Pre/Postretirement Compounded Annually | 7.125% Compounded Annually | 7.125% Compounded Annually |
| b) Projected salary increase - attributable to inflation | 3.50% to 4.50% Compounded Annually | 4.50% Compounded Annually | 4.50% Compounded Annually |
| c) Additional projected salary increases - seniority/merit | 1.00% | 1.00% | 1.00% |
| d) Postretirement benefit increases | None | 3.00% | 3.00% |

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Cost (Continued)

The Village's annual pension cost and net pension obligation (asset) for the current year ended December 31, 2014 were as follows:

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension |
|--|---------------------------------------|-------------------|--------------------------|
| Annual required contributions | \$ 919,720 | \$ 2,114,444 | \$ 2,180,622 |
| Interest on net pension obligation | 72,596 | 537,754 | 584,856 |
| Adjustment to annual required contribution | (83,390) | (435,417) | (473,556) |
| Annual pension cost | 908,926 | 2,216,781 | 2,291,922 |
| Contributions made | 646,269 | 1,746,014 | 1,914,705 |
| Change in net pension obligation | 262,657 | 470,767 | 377,217 |
| Net pension obligation, beginning of year | 1,037,083 | 7,547,426 | 8,208,511 |
| NET PENSION OBLIGATION, END OF YEAR | \$ 1,299,740 | \$ 8,018,193 | \$ 8,585,728 |

d. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

| | Fiscal Year | Illinois Municipal Retirement | Sheriff's Law Enforcement Personnel | Municipal Employees' Retirement | Police Pension | Firefighters' Pension |
|-----------------------------------|----------------|-------------------------------------|---|---------------------------------------|-------------------|--------------------------|
| Annual pension cost (APC) | 2012 | \$ 282,054 | \$ 3,258 | \$ 667,127 | \$ 1,986,779 | \$ 2,174,011 |
| | 2013 | 327,895 | 2,323 | 712,771 | 2,066,963 | 2,257,271 |
| | 2014 | 365,000 | 1,536 | 908,926 | 2,216,781 | 2,291,922 |
| Actual contribution | 2012 | \$ 282,054 | \$ 3,258 | \$ 572,810 | \$ 1,568,911 | \$ 1,775,057 |
| | 2013 | 327,895 | 2,323 | 450,010 | 1,513,592 | 1,712,014 |
| | 2014 | 365,000 | 1,536 | 646,269 | 1,746,014 | 1,914,705 |
| Percentage of APC contributed | 2012 | 100.00% | 100.00% | 85.86% | 78.97% | 81.65% |
| | 2013 | 100.00% | 100.00% | 63.14% | 73.23% | 75.84% |
| | 2014 | 100.00% | 100.00% | 71.10% | 78.76% | 83.54% |
| Net pension obligation (asset) | 2012 | \$ - | \$ - | \$ 774,322 | \$ 6,994,055 | \$ 7,663,254 |
| | 2013 | - | - | 1,037,083 | 7,547,426 | 8,208,511 |
| | 2014 | - | - | 1,299,740 | 8,018,193 | 8,585,728 |

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

e. Funded Status and Funding Progress

The funded status and funding progress of the plans as of December 31, 2014 were as follows:

| | Illinois Municipal Retirement | Sheriff's Law Enforcement Personnel | Municipal Employees' Retirement | Police Pension | Firefighters' Pension |
|---|-------------------------------------|---|---------------------------------------|-------------------|--------------------------|
| Actuarial accrued liability (AAL) | \$ 4,914,441 | \$ - | \$ 18,959,198 | \$ 59,527,590 | \$ 54,645,387 |
| Actuarial value of plan assets | 3,593,104 | (8,068)* | 8,338,149 | 32,165,054 | 29,959,420 |
| Unfunded actuarial accrued liability (UAAL) | 1,321,337 | 8,068 | 10,621,049 | 27,362,536 | 24,685,967 |
| Funded ratio (actuarial value of plan assets/AAL) | 73.11% | 0.00% | 44.00% | 54.03% | 54.83% |
| Covered payroll (active plan members) | \$ 3,751,280 | \$ - | \$ 2,155,042 | \$ 4,017,422 | \$ 3,707,686 |
| UAAL as a percentage of covered payroll | 35.22% | 0.00% | 492.80% | 681.10% | 665.81% |

* The actuarial value of assets is negative as member benefits paid have exceeded employer contributions; the amount relates to a former employee whose retirement benefits were set by Sheriff's Law Enforcement Personnel and had not been adequately funded by a prior employer before employment with the Village.

f. Pension Fund Disclosures

Plan Net Position

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total |
|---------------------------|---------------------------------------|-------------------|--------------------------|--------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 584,811 | \$ 565,361 | \$ 1,150,172 |
| Investments | | | | |
| Equities | - | 17,145,182 | 14,002,302 | 31,147,484 |
| Equity mutual funds | - | - | 699,016 | 699,016 |
| Corporate bonds | - | 6,923,836 | - | 6,923,836 |
| Annuity contracts | 9,922,658 | - | - | 9,922,658 |
| U.S. Treasury obligations | - | 3,872,675 | 2,582,938 | 6,455,613 |
| U.S. agency obligations | - | 3,074,792 | 11,968,688 | 15,043,480 |
| Municipal bonds | - | 462,135 | 112,410 | 574,545 |

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

f. Pension Fund Disclosures (Continued)

Plan Net Position (Continued)

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total |
|--|---------------------------------------|-------------------|--------------------------|---------------|
| ASSETS (Continued) | | | | |
| Receivables | \$ - | \$ - | \$ - | \$ - |
| Accrued interest | - | 108,939 | 69,640 | 178,579 |
| Other | - | 3,278 | 13,871 | 17,149 |
| Due from primary government | 2,266 | - | - | 2,266 |
| Prepaid Items | - | 4,129 | 2,134 | 6,263 |
| Total assets | 9,924,924 | 32,179,777 | 30,016,360 | 72,121,061 |
| LIABILITIES | | | | |
| Accounts payable | - | 14,723 | 56,940 | 71,663 |
| Total liabilities | - | 14,723 | 56,940 | 71,663 |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | | | | |
| | \$ 9,924,924 | \$ 32,165,054 | \$ 29,959,420 | \$ 72,049,398 |

Changes in Plan Net Position

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total |
|--|---------------------------------------|-------------------|--------------------------|--------------|
| ADDITIONS | | | | |
| Contributions | | | | |
| Employer | \$ 795,018 | \$ 1,746,014 | \$ 1,914,705 | \$ 4,455,737 |
| Employee | 43,117 | 399,590 | 376,279 | 818,986 |
| Total contributions | 838,135 | 2,145,604 | 2,290,984 | 5,274,723 |
| Investment income | | | | |
| Net appreciation in fair value of investments | - | 1,912,369 | 720,914 | 2,633,283 |
| Interest | 303,004 | 109,453 | 1,066,726 | 1,479,183 |
| Total investment income | 303,004 | 2,021,772 | 1,787,640 | 4,112,466 |
| Less investment expense | (22,747) | (49,641) | (91,805) | (164,193) |
| Net investment income | 280,257 | 1,972,181 | 1,695,835 | 3,948,273 |
| Total additions | 1,118,392 | 4,117,785 | 3,986,819 | 9,222,996 |

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

f. Pension Fund Disclosures (Continued)

Changes in Plan Net Position (Continued)

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total |
|--|---------------------------------------|----------------------|--------------------------|----------------------|
| DEDUCTIONS | | | | |
| Retirement benefits | \$ 849,568 | \$ 2,662,038 | \$ 1,621,126 | \$ 5,132,732 |
| Duty/nonduty disability benefits | - | 140,768 | 540,475 | 681,243 |
| Surviving spouse benefits | - | 273,059 | 279,652 | 552,711 |
| Refunds | - | 208,308 | - | 208,308 |
| Administrative expenses | - | 47,891 | 42,228 | 90,119 |
| Total deductions | 849,568 | 3,332,064 | 2,483,481 | 6,665,113 |
| NET INCREASE | 268,824 | 785,721 | 1,503,338 | 2,557,883 |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | | | | |
| January 1 | 9,656,100 | 31,379,333 | 28,456,082 | 69,491,515 |
| December 31 | <u>\$ 9,924,924</u> | <u>\$ 32,165,054</u> | <u>\$ 29,959,420</u> | <u>\$ 72,049,398</u> |

13. SUBSEQUENT EVENTS

The Village issued \$10,010,000 of General Obligation Bonds, Series 2015. These bonds are dated March 18, 2015 due in annual installments of \$555,000 to \$1,840,000 plus interest at 4% to 5% due on June 15 and December 15 of each year. These bonds were issued for general municipal improvements, equipment purchases and to refund \$6,120,000 of the Village's General Obligation Bonds, Series 2007.

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, 2014

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------|
| REVENUES | | | |
| Sales taxes | \$ 5,600,000 | \$ 5,600,000 | \$ 5,284,500 |
| Property taxes | 8,674,373 | 8,674,373 | 8,785,779 |
| Telecommunications taxes | 900,000 | 900,000 | 781,166 |
| Utility taxes | 1,240,000 | 1,240,000 | 1,228,883 |
| Other taxes | 1,366,524 | 1,366,524 | 1,405,513 |
| Licenses and permits | 1,672,500 | 1,672,500 | 1,741,148 |
| Intergovernmental | | | |
| State income taxes | 2,400,000 | 2,400,000 | 2,227,959 |
| Local use taxes | 390,000 | 390,000 | 454,615 |
| Personal property replacement tax | 377,900 | 377,900 | 363,561 |
| Grants | 145,000 | 145,000 | 176,894 |
| Charges for services | 900,350 | 900,350 | 814,935 |
| Fines | 788,000 | 788,000 | 827,515 |
| Investment income | 5,000 | 5,000 | 9,018 |
| Cable TV franchise fees | 330,000 | 330,000 | 340,991 |
| Miscellaneous | 356,550 | 356,550 | 258,667 |
| Total revenues | 25,146,197 | 25,146,197 | 24,701,144 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 3,515,074 | 3,515,074 | 2,845,513 |
| Public safety | 17,006,163 | 17,006,163 | 17,397,217 |
| Streets and sidewalks | 2,397,875 | 2,397,875 | 3,028,264 |
| Vehicle maintenance | 745,735 | 745,735 | 793,103 |
| Health and human services | 318,050 | 318,050 | 282,897 |
| Community development | 183,200 | 183,200 | 189,709 |
| Buildings and inspection services | 862,990 | 862,990 | 790,256 |
| Total expenditures | 25,029,087 | 25,029,087 | 25,326,959 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 117,110 | 117,110 | (625,815) |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of general obligation bonds | - | - | 1,415,000 |
| Proceeds from sale of capital assets | 70,000 | 70,000 | 22,098 |
| Transfers in | 305,200 | 305,200 | 265,200 |
| Transfers (out) | (492,263) | (492,263) | (492,263) |
| Total other financing sources (uses) | (117,063) | (117,063) | 1,210,035 |
| NET CHANGE IN FUND BALANCE | \$ 47 | \$ 47 | 584,220 |
| FUND BALANCE, JANUARY 1 | | | 7,265,258 |
| FUND BALANCE, DECEMBER 31 | | | \$ 7,849,478 |

(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, 2014

| | Original and Final Budget | Actual |
|--|--------------------------------------|---------------|
| REVENUES | | |
| Property taxes | \$ 2,400,000 | \$ 2,077,952 |
| Investment income | 3,500 | 3,029 |
| Miscellaneous | - | 17,000 |
| Total revenues | 2,403,500 | 2,097,981 |
| EXPENDITURES | | |
| Current | | |
| Community development | | |
| Personal services | 49,900 | 55,112 |
| Commodities | 6,450 | 3,248 |
| Contractual services | 208,810 | 195,747 |
| Debt service | | |
| Principal retirement | 510,000 | 510,000 |
| Interest and fiscal charges | 286,600 | 287,403 |
| Capital outlay | 4,702,500 | 2,522 |
| Total expenditures | 5,764,260 | 1,054,032 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (3,360,760) | 1,043,949 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer (out) | (265,200) | (265,200) |
| Proceeds from sale of capital assets | 1,000,000 | - |
| Total other financing sources (uses) | 734,800 | (265,200) |
| NET CHANGE IN FUND BALANCE | \$ (2,625,960) | 778,749 |
| FUND BALANCE, JANUARY 1 | | 13,493,724 |
| FUND BALANCE, DECEMBER 31 | | \$ 14,272,473 |

(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, 2014

| | Original and Final Budget | Actual |
|--|--------------------------------------|-----------------------|
| REVENUES | | |
| Property taxes | \$ 600,000 | \$ 544,608 |
| Investment income | 200 | 24 |
| Total revenues | 600,200 | 544,632 |
| EXPENDITURES | | |
| Current | | |
| Community development | | |
| Professional services | 20,950 | 1,346 |
| Commodities | 900,000 | - |
| Debt service | | |
| Principal | 702,912 | 702,912 |
| Interest and fiscal charges | 157,947 | 157,947 |
| Capital outlay | 350,000 | 47 |
| Total expenditures | 2,131,809 | 862,252 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,531,609) | (317,620) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer (out) | (40,000) | - |
| Total other financing sources (uses) | (40,000) | - |
| NET CHANGE IN FUND BALANCE | <u>\$ (1,571,609)</u> | (317,620) |
| FUND BALANCE (DEFICIT), JANUARY 1 | | <u>(1,766,772)</u> |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | <u>\$ (2,084,392)</u> |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2014

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.

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 |
|----------------------------------|------------|
| General | \$ 297,872 |
| Debt Service | 14,024 |
| Commuter Parking | 7,651 |
| 9-1-1 Emergency Telephone System | 839 |
| Economic Development | 272,846 |

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND**

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (OAAL) (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|---|--|------------------------------------|--|
| 2009 | \$ 1,263,960 | \$ 1,928,193 | 65.55% | \$ 664,233 | \$ 2,536,985 | 26.18% |
| 2010 | 1,587,107 | 2,412,574 | 65.78% | 825,467 | 2,676,109 | 30.85% |
| 2011 | 1,918,661 | 2,717,120 | 70.61% | 798,459 | 2,732,396 | 29.22% |
| 2012 | 2,414,956 | 3,164,935 | 76.30% | 749,979 | 2,765,233 | 27.12% |
| 2013 | 2,938,288 | 3,904,677 | 75.25% | 966,389 | 3,195,858 | 30.24% |
| 2014 | 3,593,104 | 4,914,441 | 73.11% | 1,321,337 | 3,751,280 | 35.22% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
SHERIFF'S LAW ENFORCEMENT PERSONNEL PLAN**

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Plan Assets* | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Percentage Funded (1) / (2) | (4) Unfunded Actuarial Accrued Liability (2) - (1) | (5) Annual Covered Payroll | (6) Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|--|---|---|---|
| 2009 | \$ (21,320) | \$ - | 0.00% | \$ 21,320 | \$ 69,944 | 30.48% |
| 2010 | (17,389) | - | 0.00% | 17,389 | - | 0.00% |
| 2011 | (21,917) | - | 0.00% | 21,917 | - | 0.00% |
| 2012 | (14,488) | - | 0.00% | 14,488 | - | 0.00% |
| 2013 | (9,485) | - | 0.00% | 9,485 | - | 0.00% |
| 2014 | (8,068) | - | 0.00% | 8,068 | - | 0.00% |

* The actuarial value of assets is negative as member benefits paid have exceeded employer contributions; the amount relates to a former employee whose retirement benefits were set by Sheriff's Law Enforcement Personnel and had not been adequately funded by a prior employer before employment with the Village.

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
MUNICIPAL EMPLOYEES' RETIREMENT FUND**

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|---|---|------------------------------------|--|
| 2009 | \$ 7,614,569 | \$ 12,319,256 | 61.81% | \$ 4,704,687 | \$ 2,736,665 | 171.91% |
| 2010 | 7,202,765 | 12,556,212 | 57.36% | 5,353,447 | 2,376,163 | 225.30% |
| 2011 | 7,603,852 | 12,792,874 | 59.44% | 5,189,022 | 2,324,422 | 223.24% |
| 2012 | 7,715,639 | 13,582,078 | 56.81% | 5,866,439 | 2,268,195 | 258.64% |
| 2013 | 7,980,917 | 16,461,225 | 48.48% | 8,480,308 | 2,111,339 | 401.66% |
| 2014 | 8,338,149 | 18,959,198 | 43.98% | 10,621,049 | 2,155,042 | 492.85% |

Note: The projected unit credit actuarial cost method used for 2010 - 2013. The entry-age normal actual cost method was used for 2009 and 2014.

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND**

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|---|---|------------------------------------|--|
| 2009 | \$ 25,154,010 | \$ 44,566,626 | 56.44% | \$ 19,412,616 | \$ 3,682,297 | 527.19% |
| 2010 | 25,808,040 | 46,546,759 | 55.45% | 20,738,719 | 3,716,797 | 557.97% |
| 2011 | 27,846,504 | 48,844,200 | 57.01% | 20,997,696 | 3,731,707 | 562.68% |
| 2012 | 28,644,151 | 53,120,258 | 53.92% | 24,476,107 | 3,721,308 | 657.73% |
| 2013 | 30,071,140 | 55,964,162 | 53.73% | 25,893,022 | 3,826,781 | 676.63% |
| 2014 | 32,165,054 | 59,527,590 | 54.03% | 27,362,536 | 4,017,422 | 681.10% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND**

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|---|---|------------------------------------|--|
| 2009 | \$ 22,359,358 | \$ 42,331,261 | 52.82% | \$ 19,971,903 | \$ 3,390,072 | 589.13% |
| 2010 | 22,797,325 | 46,237,636 | 49.30% | 23,440,311 | 3,331,623 | 703.57% |
| 2011 | 24,618,965 | 48,531,925 | 50.73% | 23,912,960 | 3,358,576 | 712.00% |
| 2012 | 25,997,209 | 50,222,856 | 51.76% | 24,225,647 | 3,564,271 | 679.68% |
| 2013 | 27,567,617 | 52,834,148 | 52.18% | 25,266,531 | 3,648,645 | 692.49% |
| 2014 | 29,959,420 | 54,645,387 | 54.83% | 24,685,967 | 3,707,686 | 665.81% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2014

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Plan Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Percentage Funded (1) / (2) | (4) Unfunded Actuarial Accrued Liability (2) - (1) | (5) Annual Covered Payroll | (6) Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5) |
|--|---|--|--|---|---|---|
| 2009 | \$ - | \$ 13,755,977 | 0.00% | \$ 13,755,977 | \$ 11,478,161 | 119.84% |
| 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 |

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, 2014

| Calendar Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|--------------------------|-----------------------------------|---|-----------------------------------|
| 2009 | \$ 239,238 | \$ 239,238 | 100.00% |
| 2010 | 245,399 | 245,399 | 100.00% |
| 2011 | 271,600 | 271,600 | 100.00% |
| 2012 | 282,054 | 282,054 | 100.00% |
| 2013 | 327,895 | 327,895 | 100.00% |
| 2014 | 365,000 | 365,000 | 100.00% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2014

| Calendar Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|--------------------------|-----------------------------------|---|-----------------------------------|
| 2009 | \$ 8,736 | \$ 8,736 | 100.00% |
| 2010 | - | - | N/A |
| 2011 | - | - | N/A |
| 2012 | 3,258 | 3,258 | 100.00% |
| 2013 | 2,323 | 2,323 | 100.00% |
| 2014 | 1,536 | 1,536 | 100.00% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS
MUNICIPAL EMPLOYERS' RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

| Fiscal Year Ended December 31, | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|---|-----------------------------------|---|-----------------------------------|
| 2009 | \$ 375,843 | \$ 539,462 | 69.67% |
| 2010 | 585,079 | 575,138 | 101.73% |
| 2011 | 490,743 | 650,624 | 75.43% |
| 2012 | 572,810 | 661,804 | 86.55% |
| 2013 | 450,010 | 727,445 | 61.86% |
| 2014 | 646,269 | 919,720 | 70.27% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

| | |
|--|--------------------------|
| | <u>2014</u> |
| Actuarially determined contribution | \$ 2,114,444 |
| Contribution in relation to the actuarially determined contribution | <u>1,746,014</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u>\$ 368,430</u> |
| Covered-employee payroll | \$ 4,017,422 |
| Contributions as a percentage of covered-employee payroll | 43.46% |

The information directly above is formatted to comply with the requirements of GASB Statement No. 67.

| <u>Fiscal Year Ended December 31,</u> | <u>Employer Contributions</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|--|--|--|--|
| 2009 | \$ 1,390,415 | \$ 1,644,689 | 84.54% |
| 2010 | 1,488,481 | 1,819,161 | 81.82% |
| 2011 | 1,845,746 | 2,008,262 | 91.91% |
| 2012 | 1,568,911 | 1,862,314 | 84.25% |
| 2013 | 1,513,592 | 1,942,614 | 77.92% |
| 2014 | 1,746,014 | 2,114,444 | 82.58% |

Notes to the Required Supplementary Information:

This information directly above is presented in accordance with GASB Statement No. 25. 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 26 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.125% annually, projected salary increase assumption of 4.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

| | |
|--|--------------------------|
| | <u>2014</u> |
| Actuarially determined contribution | \$ 2,180,622 |
| Contribution in relation to the actuarially determined contribution | <u>1,914,705</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u>\$ 265,917</u> |
| Covered-employee payroll | \$ 3,707,686 |
| Contributions as a percentage of covered-employee payroll | 51.64% |

The information directly above is formatted to comply with the requirements of GASB Statement No. 67.

| <u>Fiscal Year Ended December 31,</u> | <u>Employer Contributions</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|--|--|--|--|
| 2009 | \$ 1,582,849 | \$ 1,794,274 | 88.22% |
| 2010 | 1,646,123 | 1,931,791 | 85.21% |
| 2011 | 2,047,228 | 2,216,735 | 92.35% |
| 2012 | 1,775,057 | 2,054,683 | 86.39% |
| 2013 | 1,712,014 | 2,140,182 | 79.99% |
| 2014 | 1,914,705 | 2,180,622 | 87.81% |

Notes to the Required Supplementary Information:

This information directly above is presented in accordance with GASB Statement No. 25. 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 26 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return of 7.125% annually, projected salary increase assumption of 4.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2014

| Calendar Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|--------------------------|-----------------------------------|---|-----------------------------------|
| 2009 | \$ 423,787 | \$ 1,013,494 | 41.81% |
| 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% |

(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, 2014

| | <u>2014</u> |
|---|-----------------------------|
| TOTAL PENSION LIABILITY | |
| Service cost | \$ 999,888 |
| Interest | 4,067,424 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 1,780,289 |
| Changes of assumptions | - |
| Benefit payments, including refunds of member contributions | <u>(3,284,173)</u> |
| Net change in total pension liability | 3,563,428 |
| Total pension liability - beginning | <u>55,964,162</u> |
| TOTAL PENSION LIABILITY - ENDING | <u><u>\$ 59,527,590</u></u> |
| PLAN FIDUCIARY NET POSITION | |
| Contributions - employer | \$ 1,746,014 |
| Contributions - member | 399,590 |
| Net investment income | 1,972,181 |
| Benefit payments, including refunds of member contributions | (3,284,173) |
| Administrative expense | <u>(47,891)</u> |
| Net change in plan fiduciary net position | 785,721 |
| Plan net fiduciary position - beginning | <u>31,379,333</u> |
| PLAN NET FIDUCIARY POSITION - ENDING | <u><u>\$ 32,165,054</u></u> |
| EMPLOYER'S NET PENSION LIABILITY | <u><u>\$ 27,362,536</u></u> |
| Plan fiduciary net position | |
| as a percentage of the total pension liability | 54.00% |
| Covered-employee payroll | \$ 4,017,422 |
| Employer's net pension liability | |
| as a percentage of covered-employee payroll | 681.10% |

(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, 2014

| | <u>2014</u> |
|---|-----------------------------|
| TOTAL PENSION LIABILITY | |
| Service cost | \$ 1,067,954 |
| Interest | 3,811,312 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (661,128) |
| Changes of assumptions | - |
| Benefit payments, including refunds of member contributions | <u>(2,406,899)</u> |
| Net change in total pension liability | 1,811,239 |
| Total pension liability - beginning | <u>52,834,148</u> |
| TOTAL PENSION LIABILITY - ENDING | <u><u>\$ 54,645,387</u></u> |
| PLAN FIDUCIARY NET POSITION | |
| Contributions - employer | \$ 1,914,705 |
| Contributions - member | 376,279 |
| Net investment income | 1,695,835 |
| Benefit payments, including refunds of member contributions | (2,441,253) |
| Administrative expense | <u>(42,228)</u> |
| Net change in plan fiduciary net position | 1,503,338 |
| Plan net fiduciary position - beginning | <u>28,456,082</u> |
| PLAN NET FIDUCIARY POSITION - ENDING | <u><u>\$ 29,959,420</u></u> |
| EMPLOYER'S NET PENSION LIABILITY | <u><u>\$ 24,685,967</u></u> |
| Plan fiduciary net position | |
| as a percentage of the total pension liability | 54.80% |
| Covered-employee payroll | \$ 3,707,686 |
| Employer's net pension liability | |
| as a percentage of covered-employee payroll | 665.80% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS
SCHEDULE OF INVESTMENT RETURNS
MUNICIPAL EMPLOYERS' RETIREMENT FUND

December 31, 2014

| | <u>2014</u> |
|--|--------------------|
| Annual money-weighted rate of return, net of investment expense | 2.80% |

VILLAGE OF MORTON GROVE, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND**

December 31, 2014

| | <u>2014</u> |
|--|--------------------|
| Annual money-weighted rate of return, net of investment expense | 6.12% |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2014

| | <u>2014</u> |
|--|--------------------|
| Annual money-weighted rate of return, net of investment expense | 6.00% |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | | 2013 |
|---------------------------------------|----------------------------|-------------------------|---------------|---------------|
| | Original Budget | Final Budget | Actual | Actual |
| GENERAL GOVERNMENT | | | | |
| Legislative | | | | |
| Personal services | \$ 66,700 | \$ 66,700 | \$ 56,004 | \$ 56,857 |
| Contractual services | 47,150 | 47,150 | 36,457 | 31,645 |
| Commodities | 13,500 | 13,500 | 698 | 4,376 |
| Total legislative | 127,350 | 127,350 | 93,159 | 92,878 |
| Administrative | | | | |
| Personal services | 609,400 | 609,400 | 638,862 | 592,692 |
| Contractual services | 51,475 | 51,475 | 53,222 | 34,095 |
| Commodities | 3,000 | 3,000 | 2,599 | 4,402 |
| Total administrative | 663,875 | 663,875 | 694,683 | 631,189 |
| Finance | | | | |
| Personal services | 1,033,900 | 1,033,900 | 948,633 | 842,010 |
| Contractual services | 817,330 | 817,330 | 520,388 | 533,645 |
| Commodities | 9,000 | 9,000 | 4,132 | 7,281 |
| Less administrative fees | | | | |
| Municipal Parking Fund | (10,000) | (10,000) | (10,000) | - |
| Water and Sewer Fund | (150,000) | (150,000) | (150,000) | (120,000) |
| Total finance | 1,700,230 | 1,700,230 | 1,313,153 | 1,262,936 |
| Management information services | | | | |
| Professional services | 141,500 | 141,500 | 150,324 | 138,087 |
| Contractual services | 420,169 | 420,169 | 310,404 | 300,955 |
| Capital outlay | 60,100 | 60,100 | 27,832 | 55,124 |
| Total management information services | 621,769 | 621,769 | 488,560 | 494,166 |
| Legal | | | | |
| Contractual services | 202,850 | 202,850 | 114,808 | 124,887 |
| Other expenditures | | | | |
| Other | 199,000 | 199,000 | 141,150 | 377,861 |
| Total other expenditures | 199,000 | 199,000 | 141,150 | 377,861 |
| Total general government | 3,515,074 | 3,515,074 | 2,845,513 | 2,983,917 |
| PUBLIC SAFETY | | | | |
| Police | | | | |
| Personal services | 8,076,938 | 8,076,938 | 8,149,053 | 7,545,732 |
| Contractual services | 845,065 | 845,065 | 865,296 | 861,425 |
| Commodities | 136,265 | 136,265 | 132,471 | 124,720 |
| Capital outlay | 181,300 | 181,300 | 177,467 | 183,341 |
| Total police | 9,239,568 | 9,239,568 | 9,324,287 | 8,715,218 |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | | 2013 |
|----------------------------------|--------------------|-----------------|--------------|--------------|
| | Original Budget | Final Budget | Actual | Actual |
| PUBLIC SAFETY (Continued) | | | | |
| Fire | | | | |
| Personal services | \$ 7,313,182 | \$ 7,313,182 | \$ 7,556,399 | \$ 7,091,707 |
| Contractual services | 336,070 | 336,070 | 327,205 | 352,036 |
| Commodities | 102,728 | 102,728 | 102,531 | 110,623 |
| Capital outlay | - | - | 83,942 | 32,713 |
| Total fire | 7,751,980 | 7,751,980 | 8,070,077 | 7,587,079 |
| Civil preparedness | | | | |
| Personal services | 5,000 | 5,000 | 108 | 1,292 |
| Contractual services | 6,615 | 6,615 | 2,745 | 25,010 |
| Commodities | 3,000 | 3,000 | - | 752 |
| Capital outlay | - | - | - | 2,498 |
| Total civil preparedness | 14,615 | 14,615 | 2,853 | 29,552 |
| Total public safety | 17,006,163 | 17,006,163 | 17,397,217 | 16,331,849 |
| STREETS AND SIDEWALKS | | | | |
| Streets and sidewalks | | | | |
| Personal services | 1,703,900 | 1,703,900 | 1,727,596 | 1,642,237 |
| Contractual services | 451,650 | 451,650 | 445,227 | 302,883 |
| Commodities | 154,875 | 154,875 | 146,691 | 107,878 |
| Capital outlay | - | - | 607,503 | 330,983 |
| Less administrative fees | | | | |
| Motor Fuel Tax Fund | (191,700) | (191,700) | (191,700) | (180,000) |
| Commuter Parking Facility Fund | (116,800) | (116,800) | (116,800) | (105,000) |
| Total streets and sidewalks | 2,001,925 | 2,001,925 | 2,618,517 | 2,098,981 |
| Engineering | | | | |
| Personal services | 362,200 | 362,200 | 400,177 | 333,112 |
| Contractual services | 29,400 | 29,400 | 6,354 | 11,687 |
| Commodities | 4,350 | 4,350 | 3,216 | 1,237 |
| Total engineering | 395,950 | 395,950 | 409,747 | 346,036 |
| Total streets and sidewalks | 2,397,875 | 2,397,875 | 3,028,264 | 2,445,017 |
| VEHICLE MAINTENANCE | | | | |
| Personal services | 304,200 | 304,200 | 307,211 | 297,719 |
| Contractual services | 77,500 | 77,500 | 80,169 | 191,231 |
| Commodities | 364,035 | 364,035 | 405,723 | 357,736 |
| Total vehicle maintenance | 745,735 | 745,735 | 793,103 | 846,686 |
| HEALTH AND HUMAN SERVICES | | | | |
| Family and senior services | | | | |
| Personal services | 133,600 | 133,600 | 121,522 | 124,411 |
| Contractual services | 167,850 | 167,850 | 147,965 | 152,432 |
| Commodities | 16,600 | 16,600 | 13,410 | 7,446 |
| Total health and human services | 318,050 | 318,050 | 282,897 | 284,289 |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | | 2013 |
|--|----------------------------|-------------------------|----------------------|----------------------|
| | Original Budget | Final Budget | Actual | Actual |
| COMMUNITY DEVELOPMENT | | | | |
| Personal services | \$ 155,400 | \$ 155,400 | \$ 177,415 | \$ 131,818 |
| Contractual services | 25,300 | 25,300 | 11,670 | 11,577 |
| Commodities | 2,500 | 2,500 | 624 | 176 |
| Total community development | 183,200 | 183,200 | 189,709 | 143,571 |
| BUILDING AND INSPECTION SERVICES | | | | |
| Building and inspectional services | | | | |
| Personal services | 456,100 | 456,100 | 429,659 | 263,668 |
| Contractual services | 71,320 | 71,320 | 32,467 | 79,374 |
| Commodities | 4,200 | 4,200 | 1,546 | 2,664 |
| Capital outlay | - | - | 26,480 | - |
| Total building and inspectional services | 531,620 | 531,620 | 490,152 | 345,706 |
| Municipal buildings | | | | |
| Personal services | 12,900 | 12,900 | 22,355 | 11,756 |
| Contractual services | 189,800 | 189,800 | 184,711 | 155,892 |
| Commodities | 6,500 | 6,500 | 5,540 | 1,654 |
| Capital outlay | 122,170 | 122,170 | 87,498 | 343,699 |
| Total municipal buildings | 331,370 | 331,370 | 300,104 | 513,001 |
| Total building and inspection services | 862,990 | 862,990 | 790,256 | 858,707 |
| TOTAL EXPENDITURES | \$ 25,029,087 | \$ 25,029,087 | \$ 25,326,959 | \$ 23,894,036 |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 Actual |
|--|--------------------------------------|------------------|------------------------------|
| | Original and Final Budget | Actual | |
| REVENUES | | | |
| Property taxes | \$ 953,534 | \$ 985,364 | \$ 1,097,222 |
| Sales taxes | 550,000 | 550,000 | 590,000 |
| Intergovernmental | 74,510 | 75,693 | 75,122 |
| Investment income | 500 | 880 | 450 |
| Total revenues | 1,578,544 | 1,611,937 | 1,762,794 |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal retirement | 1,634,083 | 1,634,083 | 1,469,000 |
| Interest and fiscal charges | 323,805 | 337,829 | 305,031 |
| Total expenditures | 1,957,888 | 1,971,912 | 1,774,031 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (379,344) | (359,975) | (11,237) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 492,263 | 492,263 | 300,000 |
| Total other financing sources (uses) | 492,263 | 492,263 | 300,000 |
| NET CHANGE IN FUND BALANCE | <u>\$ 112,919</u> | 132,288 | 288,763 |
| FUND BALANCE (DEFICIT), JANUARY 1 | | (85,449) | (374,212) |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | <u>\$ 46,839</u> | <u>\$ (85,449)</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|--|--------------------------------------|-------------------|---------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Property taxes | \$ 50,000 | \$ 50,634 | \$ 50,478 |
| Sales taxes | 25,000 | 25,000 | 25,000 |
| Intergovernmental | | | |
| Personal property replacement tax | 514,100 | 35,282 | 275,789 |
| Investment income | 5,000 | 1,311 | 3,852 |
| Miscellaneous revenue | - | - | 6,168 |
| Total revenues | 594,100 | 112,227 | 361,287 |
| EXPENDITURES | | | |
| General government | | | |
| Contractual services | - | 124,145 | - |
| Debt service | | | |
| Interest and fiscal charges | - | - | 900 |
| Capital outlay | | | |
| Capital projects | | | |
| Capital acquisitions | - | - | 1,050,830 |
| Construction | 1,212,500 | 296,422 | 2,254,719 |
| Engineering | 35,000 | 16,569 | 61,852 |
| Total expenditures | 1,247,500 | 437,136 | 3,368,301 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (653,400) | (324,909) | (3,007,014) |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of installment note | - | - | 1,060,000 |
| Total other financing sources (uses) | - | - | 1,060,000 |
| NET CHANGE IN FUND BALANCE | <u>\$ (653,400)</u> | (324,909) | (1,947,014) |
| FUND BALANCE, JANUARY 1 | | <u>1,078,056</u> | <u>3,025,070</u> |
| FUND BALANCE, DECEMBER 31 | | <u>\$ 753,147</u> | <u>\$ 1,078,056</u> |

(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, 2014

| | Special Revenue Funds | | |
|--|------------------------------|--|---|
| | Motor Fuel Tax | Commuter Parking Facility | 9-1-1 Emergency Telephone System |
| ASSETS | | | |
| Cash and cash equivalents | \$ 868,891 | \$ 60,576 | \$ 15,077 |
| Investments | - | - | - |
| Sales tax receivable | - | - | - |
| Accounts, miscellaneous and allotments receivable | 58,599 | - | 63,266 |
| TOTAL ASSETS | \$ 927,490 | \$ 60,576 | \$ 78,343 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and retainage payable | \$ 18,547 | \$ 721 | \$ 2,283 |
| Unearned revenue | 48,749 | - | - |
| Due to other funds | - | - | - |
| Advances from other funds | - | - | - |
| Total liabilities | 67,296 | 721 | 2,283 |
| FUND BALANCES | | | |
| Restricted for | | | |
| Public safety | - | - | 76,060 |
| Highways and streets | 860,194 | - | - |
| Committed for commuter improvements | - | 59,855 | - |
| Unassigned (deficit) | - | - | - |
| Total fund balances (deficit) | 860,194 | 59,855 | 76,060 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 927,490 | \$ 60,576 | \$ 78,343 |

| Special Revenue Funds | | | | | |
|---------------------------------|-----------------------|----------------|-----------------------------------|--------------|--|
| Economic Development | Fire Alarm | Seizure | Dempster/ Waukegan TIF | Total | |
| \$ 48,773 | \$ 179,615 | \$ 554,100 | \$ - | \$ 1,727,032 | |
| 95,061 | - | - | - | 95,061 | |
| 137,748 | - | - | - | 137,748 | |
| - | - | - | - | 121,865 | |
| \$ 281,582 | \$ 179,615 | \$ 554,100 | \$ - | \$ 2,081,706 | |
| \$ 55,823 | \$ 4,283 | \$ - | \$ 26,481 | \$ 108,138 | |
| - | - | - | - | 48,749 | |
| 650,020 | - | - | - | 650,020 | |
| - | - | - | 170,185 | 170,185 | |
| 705,843 | 4,283 | - | 196,666 | 977,092 | |
| - | 175,332 | 554,100 | - | 805,492 | |
| - | - | - | - | 860,194 | |
| - | - | - | - | 59,855 | |
| (424,261) | - | - | (196,666) | (620,927) | |
| (424,261) | 175,332 | 554,100 | (196,666) | 1,104,614 | |
| \$ 281,582 | \$ 179,615 | \$ 554,100 | \$ - | \$ 2,081,706 | |

(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, 2014

| | Special Revenue Funds | | |
|--|------------------------------|--|---|
| | Motor Fuel Tax | Commuter Parking Facility | 9-1-1 Emergency Telephone System |
| REVENUES | | | |
| Sales taxes | \$ - | \$ - | \$ - |
| Intergovernmental | 734,506 | - | - |
| Surcharge fees | - | - | 246,727 |
| Charges for services | - | 145,953 | - |
| Investment income | 85 | 105 | 26 |
| Total revenues | 734,591 | 146,058 | 246,753 |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | - | - | 250,839 |
| Streets and sidewalks | 512,324 | 191,851 | - |
| Community development | - | - | - |
| Total expenditures | 512,324 | 191,851 | 250,839 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 222,267 | (45,793) | (4,086) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | - | - | 7,010 |
| Total other financing sources (uses) | - | - | 7,010 |
| NET CHANGE IN FUND BALANCES | 222,267 | (45,793) | 2,924 |
| FUND BALANCES (DEFICIT), JANUARY 1 | 637,927 | 105,648 | 73,136 |
| FUND BALANCES (DEFICIT), DECEMBER 31 | \$ 860,194 | \$ 59,855 | \$ 76,060 |

| Special Revenue Funds | | | | |
|-------------------------|---------------|------------|---------------------------|--------------|
| Economic Development | Fire Alarm | Seizure | Dempster/ Waukegan TIF | Total |
| \$ 554,355 | \$ - | \$ - | \$ - | \$ 554,355 |
| - | - | 181,643 | - | 916,149 |
| - | - | - | - | 246,727 |
| - | 178,987 | - | - | 324,940 |
| 490 | 311 | 564 | - | 1,581 |
| 554,845 | 179,298 | 182,207 | - | 2,043,752 |
| - | 47,841 | 9,271 | - | 307,951 |
| - | - | - | - | 704,175 |
| 802,402 | - | - | 75,042 | 877,444 |
| 802,402 | 47,841 | 9,271 | 75,042 | 1,889,570 |
| (247,557) | 131,457 | 172,936 | (75,042) | 154,182 |
| - | - | - | - | 7,010 |
| - | - | - | - | 7,010 |
| (247,557) | 131,457 | 172,936 | (75,042) | 161,192 |
| (176,704) | 43,875 | 381,164 | (121,624) | 943,422 |
| \$ (424,261) | \$ 175,332 | \$ 554,100 | \$ (196,666) | \$ 1,104,614 |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | |
|----------------------------|------------------------------|------------|----------------|
| | Original and Final Budget | Actual | 2013 Actual |
| REVENUES | | | |
| Intergovernmental | | | |
| Motor fuel taxes | \$ 546,845 | \$ 576,464 | \$ 569,363 |
| Miscellaneous | 97,000 | 158,042 | 113,246 |
| Investment income | 50 | 85 | 142 |
| | | | |
| Total revenues | 643,895 | 734,591 | 682,751 |
| EXPENDITURES | | | |
| Streets and sidewalks | | | |
| Materials | 263,000 | 252,653 | 243,985 |
| Lighting | 80,000 | 67,971 | 69,440 |
| Administrative fees | | | |
| General Fund | 191,700 | 191,700 | 180,000 |
| | | | |
| Total expenditures | 534,700 | 512,324 | 493,425 |
| | | | |
| NET CHANGE IN FUND BALANCE | <u>\$ 109,195</u> | 222,267 | 189,326 |
| | | | |
| FUND BALANCE, JANUARY 1 | | 637,927 | 448,601 |
| | | | |
| FUND BALANCE, DECEMBER 31 | | \$ 860,194 | \$ 637,927 |

(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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|---|--------------------------------------|------------------|-------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Charges for services | \$ 140,000 | \$ 145,953 | \$ 133,892 |
| Investment income | 250 | 105 | 365 |
| Total revenues | 140,250 | 146,058 | 134,257 |
| EXPENDITURES | | | |
| Streets and sidewalks | | | |
| Utilities and maintenance of street lighting | 39,200 | 45,866 | 76,624 |
| Commodities | 17,700 | 18,685 | 16,925 |
| Administrative fees | | | |
| General Fund | 116,800 | 116,800 | 105,000 |
| Water and Sewer Fund | 10,500 | 10,500 | 10,500 |
| Total expenditures | 184,200 | 191,851 | 209,049 |
| NET CHANGE IN FUND BALANCE | <u>\$ (43,950)</u> | (45,793) | (74,792) |
| FUND BALANCE, JANUARY 1 | | 105,648 | 180,440 |
| FUND BALANCE, DECEMBER 31 | | <u>\$ 59,855</u> | <u>\$ 105,648</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|--|--------------------------------------|------------------|------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Telecommunications surcharges | \$ 250,000 | \$ 246,727 | \$ 249,121 |
| Investment income | 100 | 26 | 46 |
| Miscellaneous income | - | - | 145,421 |
| Total revenues | 250,100 | 246,753 | 394,588 |
| EXPENDITURES | | | |
| Public safety | | | |
| Contractual services | 250,000 | 250,839 | 495,354 |
| Total expenditures | 250,000 | 250,839 | 495,354 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 100 | (4,086) | (100,766) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | - | 7,010 | 8,388 |
| Total other financing sources (uses) | - | 7,010 | 8,388 |
| NET CHANGE IN FUND BALANCE | <u>\$ 100</u> | 2,924 | (92,378) |
| FUND BALANCE, JANUARY 1 | | 73,136 | 165,514 |
| FUND BALANCE, DECEMBER 31 | | <u>\$ 76,060</u> | <u>\$ 73,136</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|-------------------------------------|------------------------------|---------------------|---------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Sales taxes | \$ 565,000 | \$ 554,355 | \$ 376,337 |
| Investment income | 200 | 490 | 181 |
| Total revenues | 565,200 | 554,845 | 376,518 |
| EXPENDITURES | | | |
| Community development | | | |
| Contractual services | 479,556 | 802,402 | 486,543 |
| Capital outlay | 50,000 | - | - |
| Total expenditures | 529,556 | 802,402 | 486,543 |
| NET CHANGE IN FUND BALANCE | <u>\$ 35,644</u> | (247,557) | (110,025) |
| FUND BALANCE (DEFICIT), JANUARY 1 | | <u>(176,704)</u> | <u>(66,679)</u> |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | <u>\$ (424,261)</u> | <u>\$ (176,704)</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|-----------------------------------|--------------------------------------|-------------------|------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Charges for services | \$ 124,000 | \$ 178,987 | \$ 140,661 |
| Investment income | 100 | 311 | 131 |
| Total revenues | 124,100 | 179,298 | 140,792 |
| EXPENDITURES | | | |
| Public safety | | | |
| Personal services | 19,800 | 18,938 | 18,347 |
| Contractual services | 36,400 | 28,903 | 25,790 |
| Capital outlay | 22,000 | - | 40,074 |
| Total expenditures | 78,200 | 47,841 | 84,211 |
| NET CHANGE IN FUND BALANCE | <u>\$ 45,900</u> | 131,457 | 56,581 |
| FUND BALANCE (DEFICIT), JANUARY 1 | | <u>43,875</u> | (12,706) |
| FUND BALANCE, DECEMBER 31 | | <u>\$ 175,332</u> | <u>\$ 43,875</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|----------------------------|--------------------------------------|-------------------|-------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Intergovernmental | \$ 41,000 | \$ 181,643 | \$ 63,765 |
| Investment income | 350 | 564 | 470 |
| Total revenues | 41,350 | 182,207 | 64,235 |
| EXPENDITURES | | | |
| Public safety | | | |
| Contractual services | 78,050 | 9,271 | - |
| Total expenditures | 78,050 | 9,271 | - |
| NET CHANGE IN FUND BALANCE | <u>\$ (36,700)</u> | 172,936 | 64,235 |
| FUND BALANCE, JANUARY 1 | | 381,164 | 316,929 |
| FUND BALANCE, DECEMBER 31 | | <u>\$ 554,100</u> | <u>\$ 381,164</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, 2014
(with prior year actual for 2013)

| | 2014 | | 2013 |
|--|--------------------------------------|---------------------|---------------------|
| | Original and Final Budget | Actual | Actual |
| REVENUES | | | |
| Property taxes | \$ 1,992,519 | \$ - | \$ - |
| Investment income | 100 | - | - |
| Total revenues | 1,992,619 | - | - |
| EXPENDITURES | | | |
| Community development | | | |
| Personnel services | 18,500 | 18,162 | - |
| Contractual services | 96,400 | 56,880 | 8,650 |
| Capital outlay | 1,750,000 | - | - |
| Total expenditures | 1,864,900 | 75,042 | 8,650 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 127,719 | (75,042) | (8,650) |
| NET CHANGE IN FUND BALANCE | <u>\$ 127,719</u> | (75,042) | (8,650) |
| FUND BALANCE (DEFICIT), JANUARY 1 | | <u>(121,624)</u> | <u>(112,974)</u> |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | <u>\$ (196,666)</u> | <u>\$ (121,624)</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, 2014

| | Solid Waste | Municipal Parking | Total |
|----------------------------|------------------------|------------------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 244,455 | \$ 187,261 | \$ 431,716 |
| Receivables | 60,358 | 20,195 | 80,553 |
| Prepaid expenses | 40,464 | - | 40,464 |
| Total current assets | 345,277 | 207,456 | 552,733 |
| Total assets | 345,277 | 207,456 | 552,733 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 195,797 | 500 | 196,297 |
| Unearned revenue | - | 57,760 | 57,760 |
| Total current liabilities | 195,797 | 58,260 | 254,057 |
| Total liabilities | 195,797 | 58,260 | 254,057 |
| NET POSITION | | | |
| Unrestricted | 149,480 | 149,196 | 298,676 |
| TOTAL NET POSITION | \$ 149,480 | \$ 149,196 | \$ 298,676 |

(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, 2014

| | Solid Waste | Municipal Parking | Total Nonmajor Enterprise |
|--|------------------------|------------------------------|--|
| OPERATING REVENUES | | | |
| Waste charges | \$ 1,983,404 | \$ - | \$ 1,983,404 |
| Parking charges | - | 59,633 | 59,633 |
| Total operating revenues | 1,983,404 | 59,633 | 2,043,037 |
| OPERATING EXPENSES | | | |
| Contractual services and other charges | 1,857,923 | 1,013 | 1,858,936 |
| Commodities | - | 367 | 367 |
| Administrative fees | - | 10,000 | 10,000 |
| Total operating expenses | 1,857,923 | 11,380 | 1,869,303 |
| OPERATING INCOME | 125,481 | 48,253 | 173,734 |
| NON-OPERATING REVENUES | | | |
| Interest income | 325 | 404 | 729 |
| CHANGE IN NET POSITION | 125,806 | 48,657 | 174,463 |
| NET POSITION, JANUARY 1 | 23,674 | 100,539 | 124,213 |
| NET POSITION, DECEMBER 31 | \$ 149,480 | \$ 149,196 | \$ 298,676 |

(See independent auditor's report.)

VILLAGE OF MORTON GROVE, ILLINOIS

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

For the Year Ended December 31, 2014

| | Solid Waste | Municipal Parking | Total |
|---|------------------------|------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 1,968,760 | \$ 68,548 | \$ 2,037,308 |
| Payments to suppliers | (1,877,900) | (10,880) | (1,888,780) |
| Net cash from operating activities | 90,860 | 57,668 | 148,528 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| None | - | - | - |
| Net cash from noncapital financing activities | - | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| None | - | - | - |
| Net cash from capital and related financing activities | - | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 325 | 404 | 729 |
| Net cash from investing activities | 325 | 404 | 729 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 91,185 | 58,072 | 149,257 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 153,270 | 129,189 | 282,459 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 244,455 | \$ 187,261 | \$ 431,716 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 125,481 | \$ 48,253 | \$ 173,734 |
| Adjustments to reconcile operating income to net cash from operating activities | | | |
| Changes in operating assets and liabilities | | | |
| Receivables | (14,644) | (725) | (15,369) |
| Prepaid expenses | (3,994) | - | (3,994) |
| Payables | (15,983) | 500 | (15,483) |
| Unearned revenues | - | 9,640 | 9,640 |
| NET CASH FROM OPERATING ACTIVITIES | \$ 90,860 | \$ 57,668 | \$ 148,528 |
| SCHEDULE OF NONCASH TRANSACTIONS | | | |
| 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, 2014

| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total |
|--|--|---------------------------|----------------------------------|----------------------|
| <hr/> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 584,811 | \$ 565,361 | \$ 1,150,172 |
| Investments, at fair value | | | | |
| Equities | - | 17,145,182 | 14,002,302 | 31,147,484 |
| Equity mutual funds | - | - | 699,016 | 699,016 |
| Corporate bonds | - | 6,923,836 | - | 6,923,836 |
| Annuity contracts | 9,922,658 | - | - | 9,922,658 |
| U.S. Treasury obligations | - | 3,872,675 | 2,582,938 | 6,455,613 |
| U.S. agency obligations | - | 3,074,792 | 11,968,688 | 15,043,480 |
| Municipal bonds | - | 462,135 | 112,410 | 574,545 |
| Receivables | | | | |
| Accrued interest | - | 108,939 | 69,640 | 178,579 |
| Other | - | 3,278 | 13,871 | 17,149 |
| Due from primary government | 2,266 | - | - | 2,266 |
| Prepaid expenses | - | 4,129 | 2,134 | 6,263 |
| | <hr/> | | | |
| Total assets | 9,924,924 | 32,179,777 | 30,016,360 | 72,121,061 |
| | <hr/> | | | |
| LIABILITIES | | | | |
| Accounts payable | - | 14,723 | 56,940 | 71,663 |
| | <hr/> | | | |
| Total liabilities | - | 14,723 | 56,940 | 71,663 |
| | <hr/> | | | |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | \$ 9,924,924 | \$ 32,165,054 | \$ 29,959,420 | \$ 72,049,398 |
| | <hr/> <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, 2014
(with prior year actual for 2013)

| | 2014 | | | | |
|--|--|---------------------------|----------------------------------|---------------|------------------------|
| | Municipal Employees' Retirement | Police Pension | Firefighters' Pension | Total | 2013 Actual |
| ADDITIONS | | | | | |
| Contributions | | | | | |
| Employer | \$ 795,018 | \$ 1,746,014 | \$ 1,914,705 | \$ 4,455,737 | \$ 3,792,981 |
| Employee | 43,117 | 399,590 | 376,279 | 818,986 | 855,775 |
| Total contributions | 838,135 | 2,145,604 | 2,290,984 | 5,274,723 | 4,648,756 |
| Investment income | | | | | |
| Net appreciation in fair value of investments | - | 1,912,369 | 720,914 | 2,633,283 | 5,913,299 |
| Interest | 303,004 | 109,453 | 1,066,726 | 1,479,183 | 999,715 |
| Total investment income | 303,004 | 2,021,822 | 1,787,640 | 4,112,466 | 6,913,014 |
| Less investment expense | (22,747) | (49,641) | (91,805) | (164,193) | (121,931) |
| Net investment income | 280,257 | 1,972,181 | 1,695,835 | 3,948,273 | 6,791,083 |
| Total additions | 1,118,392 | 4,117,785 | 3,986,819 | 9,222,996 | 11,439,839 |
| DEDUCTIONS | | | | | |
| Retirement benefits | 849,568 | 2,662,038 | 1,621,126 | 5,132,732 | 4,426,142 |
| Duty/nonduty disability benefits | - | 140,768 | 540,475 | 681,243 | 685,367 |
| Surviving spouse benefits | - | 273,059 | 279,652 | 552,711 | 541,179 |
| Refunds | - | 208,308 | - | 208,308 | 3,608 |
| Administrative expenses | - | 47,891 | 42,228 | 90,119 | 91,967 |
| Total deductions | 849,568 | 3,332,064 | 2,483,481 | 6,665,113 | 5,748,263 |
| NET INCREASE | 268,824 | 785,721 | 1,503,338 | 2,557,883 | 5,691,576 |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | | | | | |
| January 1 | 9,656,100 | 31,379,333 | 28,456,082 | 69,491,515 | 63,799,939 |
| December 31 | \$ 9,924,924 | \$ 32,165,054 | \$ 29,959,420 | \$ 72,049,398 | \$ 69,491,515 |

(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.

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|---|----------------|
| 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. | 114-123 |
| Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax. | 124-127 |
| 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. | 128-131 |
| 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. | 132-133 |
| 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. | 134-136 |

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

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Net investment in capital assets | \$ 46,920,287 | \$ 49,824,312 | \$ 50,519,769 | \$ 46,369,992 |
| Restricted | 2,758,495 | 1,618,149 | 1,320,956 | 1,490,542 |
| Unrestricted | (18,915,303) | (16,684,584) | (15,865,423) | (12,451,299) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 30,763,479 | \$ 34,757,877 | \$ 35,975,302 | \$ 35,409,235 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Net investment in capital assets | \$ 291,090 | \$ 431,305 | \$ 779,852 | \$ 1,194,967 |
| Restricted | - | - | - | - |
| Unrestricted | 1,298,434 | 1,518,474 | 1,557,185 | 1,396,375 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ 1,589,524 | \$ 1,949,779 | \$ 2,337,037 | \$ 2,591,342 |
| PRIMARY GOVERNMENT | | | | |
| Net investment in capital assets | \$ 47,211,377 | \$ 50,255,617 | \$ 51,299,621 | \$ 47,564,959 |
| Restricted | 2,758,495 | 1,618,149 | 1,320,956 | 1,490,542 |
| Unrestricted | (17,616,869) | (15,166,110) | (14,308,238) | (11,054,924) |
| TOTAL PRIMARY GOVERNMENT | \$ 32,353,003 | \$ 36,707,656 | \$ 38,312,339 | \$ 38,000,577 |

Data Source

Audited Financial Statements

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 43,660,888 | \$ 40,455,570 | \$ 44,804,287 | \$ 44,017,021 | \$ 45,225,759 | \$ 44,444,400 |
| 15,697,500 | 19,784,173 | 11,645,390 | 13,415,241 | 14,644,385 | 15,893,795 |
| (24,936,412) | (23,196,704) | (18,379,105) | (20,475,242) | (23,595,025) | (23,603,372) |
| \$ 34,421,976 | \$ 37,043,039 | \$ 38,070,572 | \$ 36,957,020 | \$ 36,275,119 | \$ 36,734,823 |
| \$ 1,918,346 | \$ 3,844,337 | \$ 4,490,571 | \$ 4,108,087 | \$ 4,945,237 | \$ 5,875,794 |
| - | - | - | - | - | - |
| 928,429 | 177,104 | 409,939 | 2,044,418 | 2,835,446 | 3,765,559 |
| \$ 2,846,775 | \$ 4,021,441 | \$ 4,900,510 | \$ 6,152,505 | \$ 7,780,683 | \$ 9,641,353 |
| \$ 45,579,234 | \$ 44,299,907 | \$ 45,414,747 | \$ 48,125,108 | \$ 50,170,996 | \$ 50,320,194 |
| 15,697,500 | 19,784,173 | 11,645,390 | 13,415,241 | 14,644,385 | 15,893,795 |
| (24,007,983) | (23,019,600) | (14,089,055) | (18,430,824) | (20,759,579) | (19,837,813) |
| \$ 37,268,751 | \$ 41,064,480 | \$ 42,971,082 | \$ 43,109,525 | \$ 44,055,802 | \$ 46,376,176 |

VILLAGE OF MORTON GROVE, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|---|------------------------|------------------------|------------------------|------------------------|
| EXPENSES | | | | |
| Governmental activities | | | | |
| General government | \$ 3,246,565 | \$ 3,556,886 | \$ 4,390,997 | \$ 4,587,340 |
| Public safety | 13,301,334 | 13,752,166 | 14,558,399 | 15,324,442 |
| Streets and highways | 3,349,491 | 3,205,566 | 3,187,348 | 4,196,379 |
| Sanitation | 455,792 | 411,845 | 627,214 | 632,928 |
| Vehicle maintenance | 700,854 | 752,462 | 872,991 | 932,625 |
| Health and human services | 525,788 | 557,683 | 669,564 | 679,218 |
| Community development | 1,278,214 | 2,023,898 | 2,433,222 | 2,047,185 |
| Building and inspectional services | 683,868 | 710,282 | 718,784 | 693,218 |
| Interest | 905,773 | 745,013 | 1,180,450 | 1,254,168 |
| Total governmental activities expenses | 24,447,679 | 25,715,801 | 28,638,969 | 30,347,503 |
| Business-type activities | | | | |
| Water and sewer | 3,779,714 | 4,026,028 | 4,047,889 | 4,550,240 |
| Solid waste | - | - | - | - |
| Municipal parking | - | - | - | - |
| Total business-type activities expenses | 3,779,714 | 4,026,028 | 4,047,889 | 4,550,240 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | \$ 28,227,393 | \$ 29,741,829 | \$ 32,686,858 | \$ 34,897,743 |
| PROGRAM REVENUES | | | | |
| Governmental activities | | | | |
| Charges for services | | | | |
| General government | \$ 2,255,978 | \$ 2,202,037 | \$ 2,289,270 | \$ 2,151,555 |
| Public safety | 309,786 | 314,940 | 469,729 | 439,602 |
| Other activities | 270,090 | 135,589 | 88,338 | 83,477 |
| Operating grants and contributions | 747,462 | 1,099,295 | 826,813 | 699,862 |
| Capital grants and contributions | 109,983 | 216,256 | 339,372 | 55,729 |
| Total governmental activities program revenues | 3,693,299 | 3,968,117 | 4,013,522 | 3,430,225 |
| Business-type activities | | | | |
| Charges for services | | | | |
| Water and sewer | 4,580,331 | 4,174,016 | 4,239,458 | 4,596,060 |
| Solid waste | - | - | - | - |
| Municipal parking | - | - | - | - |
| Capital grants and contributions | - | - | - | - |
| Total business-type activities program revenues | 4,580,331 | 4,174,016 | 4,239,458 | 4,596,060 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUE | \$ 8,273,630 | \$ 8,142,133 | \$ 8,252,980 | \$ 8,026,285 |
| NET (EXPENSE) REVENUE | | | | |
| Governmental activities | \$ (20,754,380) | \$ (21,747,684) | \$ (24,625,447) | \$ (26,917,278) |
| Business-type activities | 800,617 | 147,988 | 191,569 | 45,820 |
| TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE | \$ (19,953,763) | \$ (21,599,696) | \$ (24,433,878) | \$ (26,871,458) |

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 3,987,630 | \$ 3,394,369 | \$ 2,989,799 | \$ 5,634,828 | \$ 3,826,691 | \$ 3,749,953 |
| 16,452,967 | 16,785,158 | 18,359,859 | 18,526,759 | 18,773,860 | 19,225,281 |
| 3,815,984 | 4,312,475 | 4,685,104 | 3,547,591 | 5,823,268 | 4,043,649 |
| 646,686 | 74,942 | - | - | - | - |
| 752,089 | 720,434 | 738,039 | 816,073 | 846,686 | 793,103 |
| 717,693 | 383,133 | 254,522 | 266,405 | 270,450 | 282,897 |
| 778,130 | 695,599 | 331,224 | 470,695 | 467,393 | 980,882 |
| 812,585 | 511,905 | 533,941 | 699,282 | 845,669 | 794,883 |
| 879,876 | 1,018,423 | 1,043,389 | 862,272 | 805,158 | 781,321 |
| 28,843,640 | 27,896,438 | 28,935,877 | 30,823,905 | 31,659,175 | 30,651,969 |
| 4,995,861 | 5,204,329 | 5,371,031 | 6,286,120 | 6,770,519 | 7,356,131 |
| - | 1,352,270 | 1,818,505 | 1,820,057 | 1,869,140 | 1,857,923 |
| - | - | - | 370 | 11,721 | 11,380 |
| 4,995,861 | 6,556,599 | 7,189,536 | 8,106,547 | 8,651,380 | 9,225,434 |
| \$ 33,839,501 | \$ 34,453,037 | \$ 36,125,413 | \$ 38,930,452 | \$ 40,310,555 | \$ 39,877,403 |
| \$ 2,068,374 | \$ 2,928,022 | \$ 2,889,549 | \$ 2,870,140 | \$ 3,120,247 | \$ 3,426,448 |
| 478,189 | 522,603 | 722,977 | 668,063 | 905,530 | 961,296 |
| 77,835 | 98,009 | 7,981 | 3,657 | 8,306 | 2,403 |
| 804,094 | 978,467 | 882,240 | 1,002,278 | 758,925 | 829,051 |
| 1,244 | 216,450 | 278,738 | 157,618 | 462,298 | 158,042 |
| 3,429,736 | 4,743,551 | 4,781,485 | 4,701,756 | 5,255,306 | 5,377,240 |
| 4,990,281 | 5,451,711 | 5,773,298 | 7,106,948 | 7,857,661 | 8,678,471 |
| - | 1,207,409 | 1,830,623 | 1,888,288 | 1,956,253 | 1,983,404 |
| - | - | 13,660 | 44,325 | 54,091 | 59,633 |
| - | 811,519 | 64,122 | 64,122 | 59,024 | 59,473 |
| 4,990,281 | 7,470,639 | 7,681,703 | 9,103,683 | 9,927,029 | 10,780,981 |
| \$ 8,420,017 | \$ 12,214,190 | \$ 12,463,188 | \$ 13,805,439 | \$ 15,182,335 | \$ 16,158,221 |
| \$ (25,413,904) | \$ (23,152,887) | \$ (24,154,392) | \$ (26,122,149) | \$ (26,403,869) | \$ (25,274,729) |
| (5,580) | 914,040 | 492,167 | 997,136 | 1,275,649 | 1,555,547 |
| \$ (25,419,484) | \$ (22,238,847) | \$ (23,662,225) | \$ (25,125,013) | \$ (25,128,220) | \$ (23,719,182) |

VILLAGE OF MORTON GROVE, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| GENERAL REVENUES AND OTHER | | | | |
| CHANGES IN NET POSITION | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property | \$ 9,358,810 | \$ 11,485,489 | \$ 11,677,488 | \$ 12,737,951 |
| Sales | 6,798,236 | 7,788,874 | 7,061,621 | 6,370,839 |
| Utility | 1,267,383 | 1,185,594 | 1,213,165 | 1,206,890 |
| Other | 2,321,640 | 2,222,985 | 2,497,113 | 2,401,921 |
| Intergovernmental | | | | |
| Income | 1,702,521 | 1,839,485 | 1,987,153 | 2,125,301 |
| Local use | 262,846 | 293,618 | 297,200 | 331,713 |
| Personal property replacement | 340,114 | 363,585 | 441,693 | 434,614 |
| Investment earnings | 147,518 | 467,427 | 630,288 | 394,088 |
| Miscellaneous | 35,713 | 95,025 | 138,578 | 574,371 |
| Gain on disposal of capital assets | - | - | - | - |
| Transfers | 106,600 | - | - | - |
| Total governmental activities | 22,341,381 | 25,742,082 | 25,944,299 | 26,577,688 |
| Business-type activities | | | | |
| Investment earnings | 9,286 | 11,993 | 3,652 | 12,188 |
| Contributions | - | - | - | - |
| Miscellaneous | 146,429 | 200,274 | 192,037 | 196,297 |
| Gain on disposal of capital assets | - | - | - | - |
| Transfers | (106,600) | - | - | - |
| Total business-type activities | 49,115 | 212,267 | 195,689 | 208,485 |
| TOTAL PRIMARY GOVERNMENT | \$ 22,390,496 | \$ 25,954,349 | \$ 26,139,988 | \$ 26,786,173 |
| CHANGE IN NET POSITION | | | | |
| Governmental activities | \$ 1,587,001 | \$ 3,994,398 | \$ 1,318,852 | \$ (339,590) |
| Business-type activities | 849,732 | 360,255 | 387,258 | 254,305 |
| TOTAL PRIMARY GOVERNMENT | | | | |
| CHANGE IN NET POSITION | \$ 2,436,733 | \$ 4,354,653 | \$ 1,706,110 | \$ (85,285) |

Data Source

Audited Financial Statements

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 12,799,051 | \$ 13,005,988 | \$ 12,796,737 | \$ 12,620,923 | \$ 12,559,743 | \$ 12,444,336 |
| | 5,604,221 | 5,576,524 | 5,602,819 | 5,940,931 | 6,277,412 | 6,413,855 |
| | 1,144,676 | 1,159,513 | 1,154,124 | 1,119,227 | 1,166,101 | 1,228,883 |
| | 2,308,750 | 2,280,628 | 2,231,857 | 2,471,292 | 2,287,247 | 2,186,679 |
| | 1,824,794 | 1,766,942 | 1,797,158 | 2,044,675 | 2,217,174 | 2,227,959 |
| | 272,041 | 303,687 | 338,416 | 366,352 | 400,868 | 454,615 |
| | 368,208 | 395,543 | 348,557 | 349,197 | 387,116 | 398,843 |
| | 304,129 | 114,990 | 73,661 | 26,846 | 12,248 | 15,843 |
| | 295,348 | 1,170,135 | 813,078 | 262,112 | 414,059 | 363,420 |
| | - | - | 25,518 | - | - | - |
| | - | - | - | - | - | - |
| | 24,921,218 | 25,773,950 | 25,181,925 | 25,201,555 | 25,721,968 | 25,734,433 |
| | 3,469 | 6,296 | 15,454 | 13,740 | 2,665 | 2,966 |
| | 108,134 | 8,100 | - | - | - | - |
| | 250,925 | 246,230 | 297,636 | 296,582 | 300,864 | 284,657 |
| | - | - | - | - | 49,000 | 17,500 |
| | - | - | - | - | - | - |
| | 362,528 | 260,626 | 313,090 | 310,322 | 352,529 | 305,123 |
| \$ | 25,283,746 | \$ 26,034,576 | \$ 25,495,015 | \$ 25,511,877 | \$ 26,074,497 | \$ 26,039,556 |
| \$ | (492,686) | \$ 2,621,063 | \$ 1,027,533 | \$ (920,594) | \$ (681,901) | \$ 459,704 |
| | 356,948 | 1,174,666 | 805,257 | 1,307,458 | 1,628,178 | 1,860,670 |
| \$ | (135,738) | \$ 3,795,729 | \$ 1,832,790 | \$ 386,864 | \$ 946,277 | \$ 2,320,374 |

VILLAGE OF MORTON GROVE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|---------------------|----------------------|----------------------|
| GENERAL FUND | | | | |
| Nonspendable | | | | |
| Advance to other funds | \$ 72,073 | \$ 55,457 | \$ 1,667,406 | \$ 1,614,804 |
| Prepaid items | - | - | - | - |
| Restricted for | | | | |
| Public safety | - | - | - | - |
| Specific property tax levies | - | - | - | - |
| Unrestricted/unassigned | 6,399,102 | 9,492,148 | 8,890,161 | 8,477,050 |
| TOTAL GENERAL FUND | \$ 6,471,175 | \$ 9,547,605 | \$ 10,557,567 | \$ 10,091,854 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | |
| Nonspendable | | | | |
| Prepaid items | \$ - | \$ - | \$ - | \$ - |
| Advance to other funds | - | - | - | - |
| Restricted for | | | | |
| Public safety | - | - | - | 180,400 |
| Capital improvements - unspent bond proceeds | - | - | - | 550,497 |
| Community development | 2,961,673 | 5,495,470 | 5,003,627 | 6,003,872 |
| Economic development | - | - | - | 7,282,950 |
| Highways and streets | - | - | - | 35,727 |
| Debt service | - | - | - | 468,461 |
| Unrestricted | | | | |
| Committed for community development | - | - | - | - |
| Assigned for commuter improvements | - | - | - | 133,254 |
| Assigned for capital improvements | (1,011,770) | - | - | - |
| Special Revenue Funds | - | 197,035 | 9,264,692 | - |
| Unassigned | - | - | - | (1,103,419) |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | \$ 1,949,903 | \$ 5,692,505 | \$ 14,268,319 | \$ 13,551,742 |

Data Source

Audited Financial Statements

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|-------------------|-------------------|-------------------------|-------------------|-------------------------|
| \$ 1,588,930 6,626 | \$ 1,549,007 - | \$ 1,508,930 - | \$ 1,546,190 103,495 | \$ 1,506,190 - | \$ 1,514,751 589,507 |
| - | - | 116,805 | 116,805 | 14,559 | - |
| - | - | - | 7,357 | - | - |
| 5,794,060 | 5,931,760 | 5,684,663 | 5,093,952 | 5,744,509 | 5,745,220 |
| \$ 7,389,616 | \$ 7,480,767 | \$ 7,310,398 | \$ 6,867,799 | \$ 7,265,258 | \$ 7,849,478 |
| \$ 22,336 - | \$ - - | \$ - - | \$ - 35,714 | \$ - - | \$ - 44,364 |
| 196,590 | 191,843 | 459,385 | 482,443 | 498,175 | 805,492 |
| 488,113 | 6,483,518 | 4,284,205 | 2,481,828 | 1,078,056 | 18 |
| 14,452,122 | 12,671,491 | 10,771,232 | 12,360,035 | 13,493,724 | 14,228,109 |
| - | - | - | - | - | - |
| 46,069 | 204,343 | 297,968 | 448,601 | 637,927 | 860,194 |
| 492,270 | 232,978 | - | - | - | - |
| - | - | 133,110 | - | - | - |
| 164,233 | 167,904 | 189,114 | 180,440 | 105,648 | 59,855 |
| - | - | 683,421 | 543,242 | - | - |
| - | - | - | - | - | - |
| (975,505) | (1,079,187) | (1,494,055) | (1,956,874) | (2,150,549) | (1,905,351) |
| \$ 14,886,228 | \$ 18,872,890 | \$ 15,324,380 | \$ 14,575,429 | \$ 13,662,981 | \$ 14,092,681 |

VILLAGE OF MORTON GROVE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 19,525,436 | \$ 22,455,761 | \$ 22,209,713 | \$ 22,424,327 |
| Licenses and permits | 1,473,641 | 1,375,358 | 1,194,285 | 1,115,215 |
| Intergovernmental | 3,162,925 | 3,812,238 | 3,902,475 | 3,647,439 |
| Surcharge fees | 220,634 | 227,181 | 239,671 | 293,273 |
| Charges for services | 683,943 | 700,674 | 983,358 | 982,042 |
| Fines and forfeitures | 282,892 | 273,543 | 327,835 | 281,457 |
| Lease and rental income | 30,832 | - | - | - |
| Investment income | 147,520 | 467,426 | 620,046 | 393,869 |
| Cable TV | 184,424 | 197,272 | 215,606 | 224,026 |
| Miscellaneous | 222,516 | 200,746 | 264,832 | 628,427 |
| Total revenues | 25,934,763 | 29,710,199 | 29,957,821 | 29,990,075 |
| EXPENDITURES | | | | |
| General government | 2,807,443 | 3,099,624 | 3,176,009 | 3,829,837 |
| Public safety | 11,627,607 | 12,918,063 | 14,809,880 | 14,878,141 |
| Streets and sidewalks | 2,322,281 | 2,268,649 | 3,027,875 | 3,236,324 |
| Sanitation | 455,792 | 405,715 | 627,214 | 632,928 |
| Vehicle maintenance | 700,854 | 752,462 | 872,991 | 932,625 |
| Health and human services | 503,762 | 560,598 | 669,564 | 679,218 |
| Community development | 943,973 | 1,582,343 | 605,286 | 2,047,185 |
| Building and inspection services | 682,764 | 719,296 | 718,083 | 687,918 |
| Debt service | | | | |
| Principal | 1,986,557 | 1,766,127 | 1,940,203 | 1,701,086 |
| Interest | 943,342 | 690,343 | 999,340 | 1,304,359 |
| Other charges | - | - | 101,800 | - |
| Capital outlay | 906,404 | 958,947 | 2,025,571 | 1,034,105 |
| Total expenditures | 23,880,779 | 25,722,167 | 29,573,816 | 30,963,726 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,053,984 | 3,988,032 | 384,005 | (973,651) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 714,669 | 83,829 | 2,496,092 | 137,162 |
| Transfers (out) | (608,069) | (83,829) | (2,496,092) | (137,162) |
| Issuance of bonds | 283,198 | 2,831,000 | 9,200,000 | - |
| Issuance of refunding bonds | - | - | - | - |
| Discount on debt issuance | - | - | - | - |
| Issuance of refunding installment note | - | - | - | - |
| Issuance of installment note | - | - | - | - |
| Payment to bond escrow | - | - | - | - |
| Other | - | - | 103,198 | - |
| Proceeds from sale of capital assets | 23,225 | - | - | 17,838 |
| Total other financing sources (uses) | 413,023 | 2,831,000 | 9,303,198 | 17,838 |
| NET CHANGE IN FUND BALANCES | \$ 2,467,007 | \$ 6,819,032 | \$ 9,687,203 | \$ (955,813) |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | | | | |
| | 12.75% | 9.92% | 10.47% | 9.96% |

Data Source

Audited Financial Statements

| | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | | 2014 |
|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|------------|
| \$ | 21,586,089 | \$ | 21,775,843 | \$ | 21,551,420 | \$ | 21,879,247 | \$ | 22,290,504 | \$ | 22,273,754 |
| | 1,029,669 | | 1,569,517 | | 1,587,662 | | 1,472,977 | | 1,498,507 | | 1,741,148 |
| | 3,270,381 | | 3,661,090 | | 3,645,110 | | 4,010,271 | | 4,290,145 | | 4,250,153 |
| | 270,610 | | 246,812 | | 234,115 | | 273,226 | | 249,121 | | 246,727 |
| | 873,261 | | 1,014,532 | | 1,152,456 | | 1,067,979 | | 1,061,973 | | 1,139,875 |
| | 346,754 | | 561,349 | | 531,010 | | 609,450 | | 835,461 | | 827,515 |
| | - | | - | | - | | - | | - | | - |
| | 304,129 | | 114,990 | | 73,661 | | 26,846 | | 12,248 | | 15,843 |
| | 233,278 | | 260,205 | | 259,862 | | 322,937 | | 322,822 | | 340,991 |
| | 436,783 | | 1,313,163 | | 902,535 | | 240,378 | | 416,493 | | 275,667 |
| | 28,350,954 | | 30,517,501 | | 29,937,831 | | 29,903,311 | | 30,977,274 | | 31,111,673 |
| | 3,235,134 | | 2,941,777 | | 2,299,975 | | 2,960,966 | | 2,983,917 | | 2,969,658 |
| | 15,393,475 | | 15,899,654 | | 16,948,038 | | 16,841,291 | | 16,871,340 | | 17,705,168 |
| | 3,029,454 | | 2,754,279 | | 2,752,341 | | 2,974,086 | | 3,147,491 | | 3,732,439 |
| | 644,771 | | 74,942 | | - | | - | | - | | - |
| | 752,089 | | 720,434 | | 738,039 | | 816,073 | | 846,686 | | 793,103 |
| | 718,045 | | 395,984 | | 255,880 | | 263,187 | | 284,289 | | 282,897 |
| | 529,407 | | 557,192 | | 545,904 | | 766,988 | | 765,500 | | 1,322,606 |
| | 807,146 | | 514,832 | | 555,482 | | 698,263 | | 858,707 | | 790,256 |
| | 10,144,327 | | 2,434,899 | | 5,390,149 | | 2,649,987 | | 2,627,833 | | 2,846,995 |
| | 1,084,892 | | 1,081,772 | | 1,026,638 | | 859,489 | | 793,459 | | 783,179 |
| | 94,346 | | - | | - | | - | | - | | - |
| | 975,791 | | 4,680,419 | | 3,173,842 | | 2,342,331 | | 3,431,829 | | 315,560 |
| | 37,408,877 | | 32,056,184 | | 33,686,288 | | 31,172,661 | | 32,611,051 | | 31,541,861 |
| | (9,057,923) | | (1,538,683) | | (3,748,457) | | (1,269,350) | | (1,633,777) | | (430,188) |
| | 136,945 | | 62,630 | | - | | - | | - | | - |
| | (136,945) | | (62,630) | | - | | - | | - | | - |
| | - | | 5,586,000 | | - | | - | | - | | - |
| | 10,657,500 | | - | | - | | - | | - | | - |
| | (11,975) | | (3,371) | | - | | - | | - | | - |
| | 2,685,000 | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | 1,060,000 | | 1,415,000 |
| | (5,661,824) | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | 21,470 | | 33,867 | | 29,578 | | 77,800 | | 58,788 | | 29,108 |
| | 7,690,171 | | 5,616,496 | | 29,578 | | 77,800 | | 1,118,788 | | 1,444,108 |
| \$ | (1,367,752) | \$ | 4,077,813 | \$ | (3,718,879) | \$ | (1,191,550) | \$ | (514,989) | \$ | 1,013,920 |
| | 30.68% | | 12.21% | | 19.95% | | 11.36% | | 11.02% | | 11.84% |

VILLAGE OF MORTON GROVE, ILLINOIS

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

| Levy Year | Residential Property | Farm Property | Commercial Property | Industrial Property | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Estimated Actual Taxable Value |
|----------------------|---------------------------------|--------------------------|--------------------------------|--------------------------------|--|---|--|---|---|
| 2004 | \$ 488,573,518 | \$ - | \$ 102,814,670 | \$ 157,782,189 | \$ - | \$ 749,170,377 | 0.995 | \$ 2,247,511,131 | 33.333% |
| 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% |

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

| Tax Levy Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| VILLAGE DIRECT RATES | | | | | | | | | | |
| General | 0.778 | 0.940 | 0.660 | 0.559 | 0.486 | 0.465 | 0.528 | 0.597 | 0.658 | 0.725 |
| Police pension | - | - | 0.142 | 0.132 | 0.138 | 0.162 | 0.179 | 0.182 | 0.191 | 0.258 |
| Fire pension | - | - | 0.176 | 0.151 | 0.157 | 0.179 | 0.199 | 0.205 | 0.216 | 0.284 |
| Bonds and interest | 0.075 | 0.070 | 0.068 | 0.058 | 0.053 | 0.049 | 0.075 | 0.126 | 0.136 | 0.143 |
| IMRF | 0.024 | - | - | - | - | - | - | 0.021 | 0.022 | 0.030 |
| Purchase agreement | 0.071 | 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 | 0.046 | 0.045 | 0.047 | 0.040 | 0.029 | 0.030 | 0.011 | 0.006 | 0.006 | 0.008 |
| Total direct rates | 0.995 | 1.122 | 1.159 | 0.995 | 0.914 | 0.937 | 1.021 | 1.139 | 1.231 | 1.449 |
| OVERLAPPING RATES | | | | | | | | | | |
| Morton Grove Library | 0.299 | 0.288 | 0.307 | 0.266 | 0.259 | 0.269 | 0.335 | 0.349 | 0.377 | 0.444 |
| School District #68 | 2.178 | 2.149 | 2.258 | 1.931 | 1.882 | 1.999 | 2.133 | 2.452 | 2.723 | 3.144 |
| School District #69 | 2.794 | 3.335 | 3.527 | 3.124 | 3.247 | 3.768 | 4.357 | 4.866 | 5.481 | 6.214 |
| School District #67 | 2.129 | 2.041 | 2.094 | 1.859 | 1.807 | 1.943 | 2.203 | 2.449 | 2.961 | 3.497 |
| School District #63 | 2.624 | 2.542 | 2.617 | 2.276 | 2.233 | 2.235 | 2.499 | 2.775 | 3.100 | 3.864 |
| School District #70 | 2.792 | 2.729 | 2.846 | 2.506 | 2.484 | 2.574 | 2.890 | 3.261 | 3.669 | 4.351 |
| High School District #207 | 1.795 | 1.757 | 1.826 | 1.602 | 1.577 | 1.617 | 1.782 | 1.995 | 2.215 | 2.722 |
| High School District #219 | 2.013 | 2.007 | 2.374 | 2.114 | 2.120 | 2.267 | 2.538 | 2.904 | 3.256 | 3.707 |
| Community College District #535 | 0.161 | 0.158 | 0.166 | 0.141 | 0.140 | 0.140 | 0.160 | 0.196 | 0.219 | 0.256 |
| Cook County | 0.593 | 0.533 | 0.500 | 0.446 | 0.415 | 0.394 | 0.423 | 0.462 | 0.531 | 0.560 |
| Cook County Forest Preserve | 0.060 | 0.060 | 0.057 | 0.053 | 0.051 | 0.049 | 0.051 | 0.058 | 0.063 | 0.069 |
| Consolidated Elections | - | - | - | 0.012 | - | 0.021 | - | 0.025 | 0.531 | 0.031 |
| Metro Water Reclamation District | 0.347 | 0.315 | 0.028 | 0.263 | 0.252 | 0.261 | 0.274 | 0.320 | 0.370 | 0.417 |
| Morton Grove Park District | 0.337 | 0.325 | 0.328 | 0.289 | 0.272 | 0.284 | 0.311 | 0.365 | 0.382 | 0.468 |
| Skokie Park District | 0.437 | 0.407 | 0.436 | 0.375 | 0.386 | 0.383 | 0.423 | 0.476 | 0.518 | 0.581 |
| Glenview Park District | 0.505 | 0.490 | 0.511 | 0.429 | 0.429 | 0.422 | 0.483 | 0.538 | 0.579 | 0.662 |
| Maine Township | 0.122 | 0.121 | 0.127 | 0.114 | 0.112 | 0.117 | 0.131 | 0.149 | 0.168 | 0.210 |
| Niles Township | 0.033 | 0.031 | 0.034 | 0.030 | 0.030 | 0.032 | 0.036 | 0.042 | 0.048 | 0.056 |
| Suburban T.B. Sanitary District | 0.001 | 0.005 | 0.005 | - | - | - | - | - | - | - |
| North Shore Mosquito Abatement | 0.008 | 0.008 | 0.009 | 0.008 | 0.008 | 0.008 | 0.009 | 0.010 | 0.010 | 0.007 |

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 | \$ 14,084,820 | 1 | 2.04% | \$ 19,124,549 | 2 | 2.39% |
| Schwinge Family Ltd. | 11,247,373 | 2 | 1.63% | 11,565,995 | 5 | 1.44% |
| Tower Real Estate | 9,407,063 | 3 | 1.36% | 20,572,986 | 1 | 2.57% |
| 9000 Waukegan LLC | 8,617,665 | 4 | 1.25% | 12,402,547 | 3 | 1.55% |
| Menards | 7,271,883 | 5 | 1.06% | 12,300,304 | 4 | 1.54% |
| Bell & Gossett (Fluid Handling LLC) | 7,121,101 | 6 | 1.03% | 10,142,254 | 6 | 1.27% |
| Avon Products Inc. | 7,097,511 | 7 | 1.03% | 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. | 6,029,821 | 8 | 0.87% | - | | 0.00% |
| Public Storage | 5,468,640 | 9 | 0.79% | 8,008,438 | 9 | 1.00% |
| Kraft | 5,031,679 | 10 | 0.73% | - | | 0.00% |
| | <u>\$ 81,377,556</u> | | <u>11.79%</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 |
| 2004 | \$ 7,450,559 | \$ 7,257,511 | 97.41% | \$ - | \$ 7,257,511 | 97.41% |
| 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% |

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 | | | |
| 2005 | \$ 8,306,250 | \$ 2,809,212 | \$ 12,375,858 | \$ 5,016,627 | \$ 2,768,750 | \$ 361,529 | \$ 621,191 | \$ 32,259,417 | 5.15% | \$ 1,436.88 |
| 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 |

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

* See the schedule of Demographic and Economic Information on page 132 for personal income and population data.

VILLAGE OF MORTON GROVE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Business Type General Obligation Bonds | Less: Amounts Available In Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value of Property* | Per Capita |
|--------------------|---|---|---|---------------|--|-----------------------|
| 2005 | \$ 8,306,250 | \$ 2,768,750 | \$ 574,321 | \$ 10,500,679 | 1.40% | \$ 467.72 |
| 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 |

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.

* See the schedule of Assessed and Actual Value of Taxable Property on page 124 for property value data.

VILLAGE OF MORTON GROVE, ILLINOIS

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

December 31, 2014

| Governmental Unit | Gross Bonded Debt | (1) (2) Percentage of Debt Applicable to Government | Government's Share of Debt |
|---|-------------------------|---|-------------------------------|
| Village of Morton Grove | \$ 20,041,819 | 100% | \$ 20,041,819 |
| Total direct debt | 20,041,819 | | 20,041,819 |
| SCHOOLS | | | |
| School District #63 | 7,325,000 | 15.68% | 1,148,305 |
| School District #67 | 120,020,470 | 77.46% | 92,963,050 |
| School District #68 | 2,085,000 | 0.52% | 10,761 |
| School District #69 | 9,665,000 | 17.77% | 1,717,171 |
| School District #70 | 3,630,000 | 98.68% | 3,582,227 |
| Community College District #535 | 35,370,000 | 3.64% | 1,289,234 |
| High School District #207 | 12,120,000 | 3.69% | 447,461 |
| High School District #219 | 144,154,263 | 15.61% | 22,506,175 |
| Total schools | 334,369,733 | | 123,664,384 |
| OTHERS | | | |
| Cook County | 3,491,226,750 | 0.55% | 19,109,851 |
| Cook County Forest Preserve | 118,610,000 | 0.55% | 649,233 |
| Metropolitan Metro Water Reclamation District of Greater Chicago | 2,394,960,000 | 0.56% | 13,374,283 |
| Glenview Park District | 11,090,000 | 0.14% | 15,399 |
| Morton Grove Park District | - | 0.00% | - |
| Skokie Park District | 2,250,000 | 0.53% | 11,911 |
| Total others | 6,018,136,750 | | 33,160,677 |
| Total overlapping debt | 6,352,506,483 | | 156,825,061 |
| TOTAL DIRECT AND OVERLAPPING DEBT | \$ 6,372,548,302 | | \$ 176,866,880 |

(1) Overlapping debt percentages based on 2013 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, 2014

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

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
|------------------------|-------------------|----------------------------|---|------------------------------|
| 2005 | 22,451 | \$ 626,360,449 | \$ 27,899 | 3.8% |
| 2006 | 22,451 | 626,360,449 | 27,899 | 3.8% |
| 2007 | 22,451 | 626,360,449 | 27,899 | 3.9% |
| 2008 | 22,451 | 626,360,449 | 27,899 | 6.5% |
| 2009 | 22,451 | 626,360,449 | 27,899 | 8.1% |
| 2010 | 23,270 | 626,358,590 | 26,917 | 8.9% |
| 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 | 8.7% |
| 2014 | 23,270 | 762,278,660 | 32,758 | 5.6% |

Data Source

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

VILLAGE OF MORTON GROVE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago

| 2014 | | | | 2006 | | |
|------------------------------------|------|-----------|-------------------------------------|----------------------------------|------|-------------------------------------|
| 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: 2005 number of employees is unavailable.

Data Source

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

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GENERAL GOVERNMENT | | | | | | | | | | |
| Administrative | 4.5 | 5.0 | 4.5 | 4.5 | 3.5 | 3.0 | 3.0 | 4.0 | 4.0 | 4.5 |
| Community development | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.0 | 1.0 | 1.0 | 1.0 | 2.5 |
| 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 | 7.0 | 7.5 | 6.5 | 6.0 | 5.5 | 5.5 | 5.5 | 5.0 | 6.0 | 6.0 |
| Health and human services | - | - | - | - | - | - | - | | | 0.5 |
| Family services | 12.0 | 12.0 | 12.0 | 9.5 | 11.5 | 4.5 | 4.5 | 4.5 | 3.5 | 2.5 |
| Building/code enforcement | 10.0 | 9.0 | 8.5 | 8.0 | 7.0 | 4.0 | 4.0 | 2.5 | 4.0 | 5.0 |
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 46.0 | 46.0 | 46.0 | 46.0 | 45.0 | 45.0 | 46.0 | 45.0 | 45.0 | 46.0 |
| Civilians | 25.5 | 23.5 | 23.5 | 23.0 | 22.0 | 20.0 | 18.5 | 18.5 | 21.0 | 17.0 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 43.0 | 44.0 | 44.0 | 42.0 | 40.0 | 41.0 | 41.0 | 40.0 | 42.0 | 41.0 |
| Civilians | 3.5 | 3.0 | 3.0 | 3.0 | 30.0 | 2.5 | 2.5 | 1.5 | 3.5 | 3.0 |
| PUBLIC WORKS | | | | | | | | | | |
| Street maintenance | 16.5 | 16.5 | 16.5 | 16.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 20.0 |
| Engineering | 3.2 | 3.2 | 3.2 | 3.2 | 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 | 13.3 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| TOTAL | 191.5 | 190.0 | 188.0 | 182.0 | 177.0 | 164.5 | 164.0 | 160.0 | 168.0 | 168.5 |

Data Source

Village budget office

VILLAGE OF MORTON GROVE, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | 596 | 710 | 635 | 550 | 651 | 647 | 574 | 580 | 513 | 551 |
| Parking violations | 4,164 | 3,866 | 5,210 | 5,171 | 6,075 | 8,331 | 8,933 | 6,751 | 6,465 | 4,530 |
| Traffic violations | 6,215 | 7,681 | 4,598 | 4,367 | 5,092 | 4,587 | 4,440 | 3,686 | 3,849 | 3,072 |
| Fire | | | | | | | | | | |
| Emergency responses | 3,255 | 3,246 | 3,384 | 3,594 | 3,249 | 3,265 | 3,419 | 3,360 | 3,470 | 3,631 |
| Fires extinguished | 45 | 36 | 38 | 22 | 70 | 59 | 60 | 48 | 63 | 69 |
| PUBLIC WORKS | | | | | | | | | | |
| Street resurfacing (miles) | 0.66 | 1.41 | 1.81 | 0.63 | 1.33 | 3.03 | 4.90 | 6.65 | 5.70 | 1.50 |
| Pothole repairs (in tons) | 93.74 | 71.50 | 121.50 | 120.00 | 180.00 | 189.00 | 170.75 | 12.50 | 132.00 | 160.00 |
| WATER | | | | | | | | | | |
| New connections | 5 | 27 | 70 | 23 | 1 | 27 | 8 | 9 | 7 | 9 |
| Water main breaks | 117 | 55 | 85 | 67 | 91 | 81 | 64 | 70 | 122 | 80 |
| Average daily consumption | 3,416,000 | 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 |
| Peak daily consumption | 6,736,000 | 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 |
| WASTEWATER | | | | | | | | | | |
| 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 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PUBLIC SAFETY | | | | | | | | | | |
| 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 |
| PUBLIC WORKS | | | | | | | | | | |
| 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 | 372 | 357 | 357 | 357 | 357 | 357 | 357 | 357 |
| Traffic signals | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| WATER | | | | | | | | | | |
| 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 |
| WASTEWATER | | | | | | | | | | |
| 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



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

630.566.8400 // www.sikich.com

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 June 15, 2015 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, 2014. 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, 2014 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.

A handwritten signature in cursive script that reads 'Sikich LLP'.

Naperville, Illinois
June 15, 2015