

Village of Morton Grove

Morton Grove, Illinois



Incredibly Close  Amazingly Open

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016

VILLAGE OF MORTON GROVE, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Prepared by:

Finance Department
Hanna Sullivan, Finance Director

VILLAGE OF MORTON GROVE, ILLINOIS

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INTRODUCTORY SECTION

This section includes miscellaneous data regarding the Village of Morton Grove including:

- List of Principal Officials
- Organization Chart
- Letter of Transmittal
- GFOA Certificate of Achievement for Excellence in Financial Reporting

VILLGE OF MORTON GROVE, ILLINOIS

List of Principal Officials December 31, 2016

LEGISLATIVE

Daniel DiMaria, Village President
(Term Ends April 2017)

Connie Travis, Village Clerk
(Term Ends April 2017)

TRUSTEES

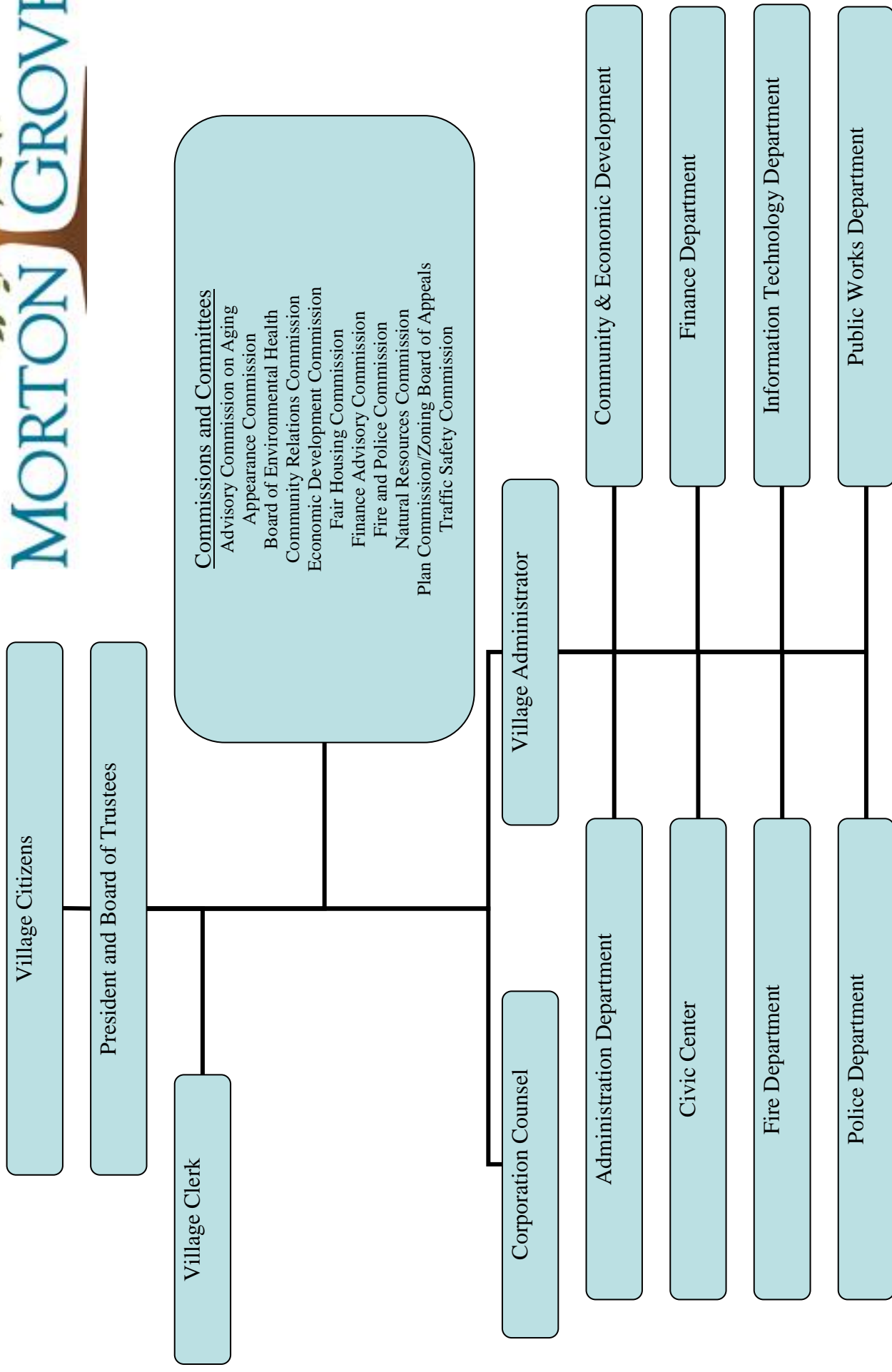
Bill Gear, Term Ends April 2017
Rita Minx, Term Ends April 2019
John Pietron, Term Ends April 2017
John Thill, Term Ends April 2019
Janine Witko, Term Ends April 2019
Ed Ramos, Term Ends April 2017

ADMINISTRATIVE

(Appointments End December 31, 2016)

Ralph Czerwinski, Village Administrator
Hanna Sullivan, Finance Director
Nancy Radzevich, Economic Development Director
Teresa Hoffman Liston, corporation counsel
Thomas Friel, Fire Chief
Michael Simo, Police Chief
Andrew DeMonte, Public Works Director
Lauren Piahm, Adjudication Hearing Officer
Frank Tennant, Village Prosecutor

**Village of Morton Grove
Organization Chart
2016**



July 21, 2017

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

The Comprehensive Annual Financial Report of the Village of Morton Grove, Illinois for the year ended December 31, 2016, 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 Lauterbach & Amen 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, 2016. 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.

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

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

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

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

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

Local Economy

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

Although the Village's population has stabilized several years ago, it remains a vibrant economic community and is a desirable place to live. The unemployment rate remained relatively stable over the years: however, it had risen to 8.9% in 2010 and remained the same until 2012 due to the economic recession. Unemployment has decreased to 5.2% as of 2016.

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 \$75,166, and the median income for a family was \$84,121. Males had a median income of \$59,395 versus \$51,875 for females. The per capita income for the village was \$31,472. About 5.6% of families and 6.8% of the population were below the poverty line, including 9.0% of those families with children under age 18 and 4.5% of those ages 65 or over.

Like other communities, the Village of Morton Grove was affected by the prolonged national and regional recession 2008 through 2012. Economists have declared this downturn to be a recession as there has been a deterioration of the labor market, and declines in consumer spending, business investments and industrial production. The economy is showing signs of improvement however the recovery has been slow.

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

The Village is impacted at the local level by regional, state, and national economic conditions as well as governance of the State of Illinois and weather conditions. Several important revenue sources are affected by economic conditions beyond the Village's control. The State has passed a State budget for the first time in 2 years, which will impact the local share of State revenues. Additionally, property tax receipts collected by the Cook County are in flux as the billing and payment deadline dates are often delayed further making it difficult to anticipate the cash flow and plan for the outstanding debt service.

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

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

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

Long-Term Financial Planning

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

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

Major Initiatives and Accomplishments

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

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

The Village issued \$10 million in bonds in 2015, partially to refund 6.4 million in bonds from 2007, with the rest of the proceeds to fund the capital equipment and infrastructure improvements in and for the Village, including waterworks and sewerage system improvements, street improvements and the purchase of a new ambulance.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2015. This was the twenty-eighth 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 could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and the cooperation and assistance of the staffs of the other departments of the Village.

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

Sincerely,

A handwritten signature in cursive script, appearing to read 'Hanna Sullivan', followed by a period.

Hanna Sullivan
Finance Director



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, 2015

Executive Director/CEO

FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules
- Supplemental Schedules

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

July 21, 2017

The Honorable Village President
Members of the Board of Trustees
Village of 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, as of and for the year ended December 31, 2016, and the related notes to the 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 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, 2016, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Morton Grove, Illinois' basic financial statements. The introductory section, combining and individual fund financial statements and budgetary comparison schedules, supplemental 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 budgetary comparison schedules and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 and budgetary comparison schedules and supplemental schedules 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.


LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MORTON GROVE, ILLINOIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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, 2016.

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 iii-viii of this report.

USING THIS ANNUAL REPORT

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

(See independent auditor’s report.)

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

(See independent auditor's report.)

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. These notes can be found beginning with page 19 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 77 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules for the Village can be found on pages beginning with page 94 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis and subsequent financial statements show a radically different net position for the Village than in previous years. It is important to recognize that this change is attributable to the Village of Morton Grove implementing GASB pronouncement 68 in 2015, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for defined-benefit pension plans. While this information was previously in the Notes to Financial Statements, GASB 68 requires they be recognized as part of the entity wide financial statements. This pronouncement has had a significant impact not only on the Village of Morton Grove but every government agency that issues financial statements in accordance with GAAP.

The following tables show the net position of the Village of Morton Grove, December 31, 2016, compared to December 31, 2015:

Village of Morton Grove Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Current and other assets	\$ 39,573	\$ 40,573	\$ 7,274	\$ 6,914	\$ 46,847	\$ 47,487
Capital assets	57,650	58,635	9,163	9,167	66,813	67,802
Total assets	97,223	99,208	16,437	16,081	113,660	115,289
Deferred outflows	25,816	25,339	1,579	1,545	27,395	26,884
Total assets and deferred outflows	123,039	124,547	18,016	17,626	141,055	142,173
Current and other Liabilities	5,592	3,073	1,680	1,399	7,272	4,472
Long-Term liabilities	123,182	120,020	8,959	8,363	132,141	128,383
Total liabilities	128,774	123,093	10,639	9,762	139,413	132,855
Deferred inflows	11,150	11,029	234	160	11,384	11,189
Total liabilities and deferred inflows	139,924	134,122	10,873	9,922	150,797	144,044
Net position:						
Net investment in capital assets	39,217	44,953	5,960	5,778	45,177	50,731
Restricted	19,745	17,293	-	-	19,745	17,293
Unrestricted	(75,847)	(71,822)	1,183	1,925	(74,664)	(69,897)
Total net position	\$ (16,885)	\$ (9,575)	\$ 7,143	\$ 7,704	\$ (9,742)	\$ (1,871)

To record the liabilities for the Village's Police, Fire, MERF, SLEP, and IMRF pensions, a change in accounting principle was required in 2015. Additionally, there continues to be recognition of additional liabilities and expenses related to the pension funds. A reconciliation between the governmental funds at the fund level and the entity wide governmental activities is on page 12.

The Village's net position, investment in capital assets of \$45,177,636, reflects infrastructure, land, buildings and improvements, machinery, and equipment less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must provide from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

(See independent auditor's report.)

An additional portion, \$19,744,965, of the Village's net assets represents resources that are subject to external restrictions on how they may be used, including restrictions for future street improvements, debt service payments, public safety, and future capital development.

NORMAL IMPACTS

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

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

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

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

Village of Morton Grove Changes in Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Revenues						
Program revenues						
Charges for services	\$ 4,160	\$ 4,369	\$ 10,486	\$ 10,764	\$ 14,646	\$ 15,133
Operating Grants	606	1,078	-	-	606	1,078
Capital Grants	64	141	59	60	122	201
General revenues						
Taxes	28,209	26,995	-	-	28,209	26,995
Investment income	60	18	11	2	71	20
Miscellaneous	329	236	174	321	503	557
Total revenues	33,427	32,836	10,730	11,147	44,158	43,984
Expenses						
General government	4,953	5,122			4,953	5,122
Public safety	26,284	25,760			26,284	25,760
Streets and sidewalks	6,570	7,364			6,570	7,364
Vehicle maintenance	687	701			687	701
Health and human services	16	221			16	221
Community development	688	1,118			688	1,118
Building and inspectional services	896	714			896	714
Interest	643	943			643	943
Water and sewer			9,500	10,268	9,500	10,268
Solid Waste			1,778	1,869	1,778	1,869
Municipal Parking			13	11	13	11
Total expenses	40,737	41,943	11,291	12,148	52,028	54,091
Change in net position	(7,310)	(9,107)	(560)	(1,000)	(7,870)	(10,107)
Net position - January 1	(9,575)	36,735	7,703	9,640	(1,872)	46,375
Change In Accounting Principle	-	(37,203)	-	(936)	-	(38,139)
Restated Net Position Jan 1	(9,575)	(468)	7,703	8,704	(1,872)	8,236
Net position - December 31	\$ (16,885)	\$ (9,575)	\$ 7,143	\$ 7,704	\$ (9,742)	\$ (1,871)

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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 \$33,427,429 at December 31, 2016.

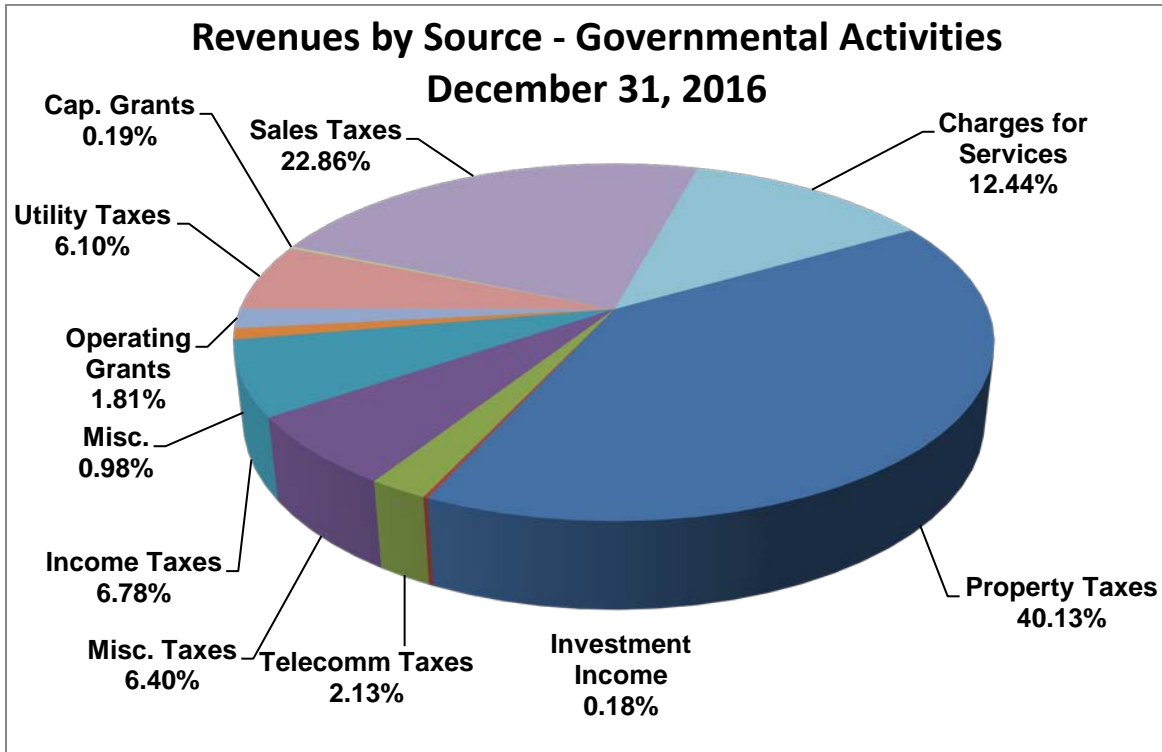
- Property tax (and replacement tax) continues to be the Village's largest revenue source totaling \$13,413,101 representing 40.13% of total governmental activity revenue. Sales tax revenue was \$7,642,127 or 22.86% of total governmental activity revenue. Charges for Services revenue was \$4,159,685 or 12.44% of total governmental activity revenue. State income tax revenue was \$2,265,196 or 6.78% of total governmental activity revenue. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, and others) was \$2,137,947 or 6.40% of total governmental activity revenue. Telecommunication tax was \$710,946 or 2.13% of total governmental activity revenue. A utility tax (Electric, Gasoline & Natural gas tax) was \$2,039,489 or 6.10% of total governmental activity revenue.

Comparison with Prior Year.

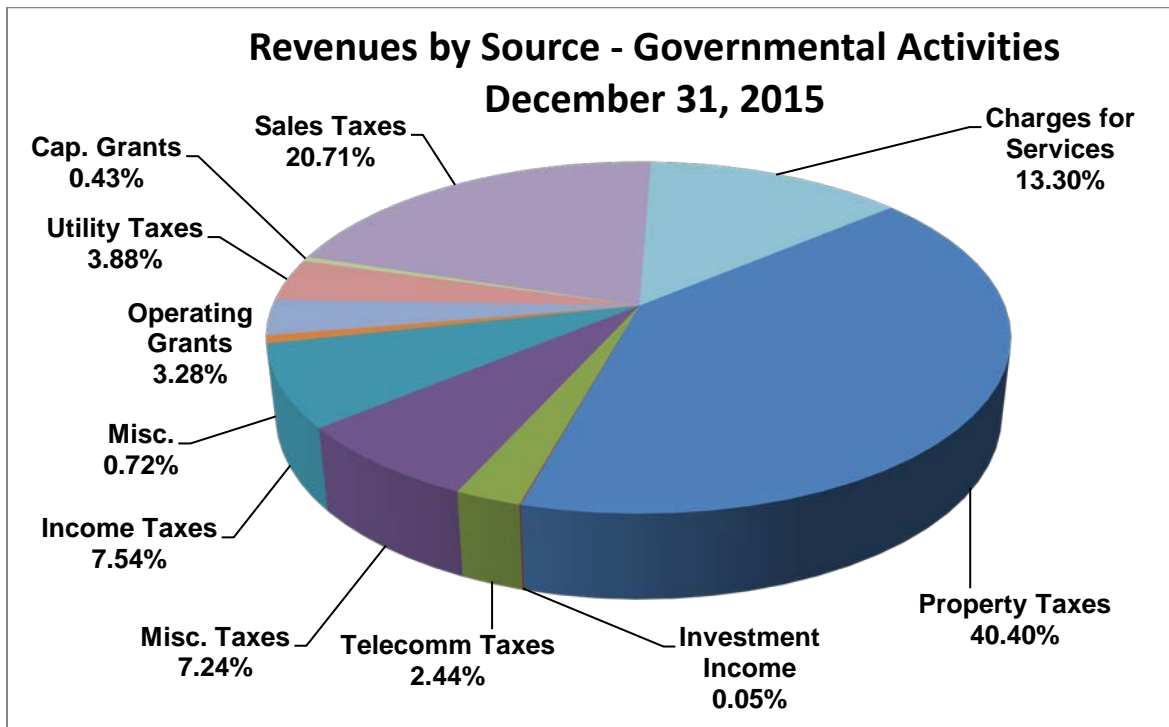
- Property tax and replacement tax revenue increased by \$145,691 or 1.10% from prior year. Sales tax revenue increased by \$841,058 or 12.37% from prior year. Charges for Services revenue decreased by \$209,000 or 4.78% from prior year. State income tax revenue decreased by \$210,807 or 8.51% from prior year. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, and others) increased by \$101,286 or 4.97% from prior year. Telecommunication decreased by \$89,656 or 2.13% from prior year. A utility tax (Electric, Gasoline & Natural gas tax) increased by \$426,387 or 26.43% from prior year.

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



Prior Year Revenue by Source – Governmental Activities – For Comparison



(See independent auditor's report.)

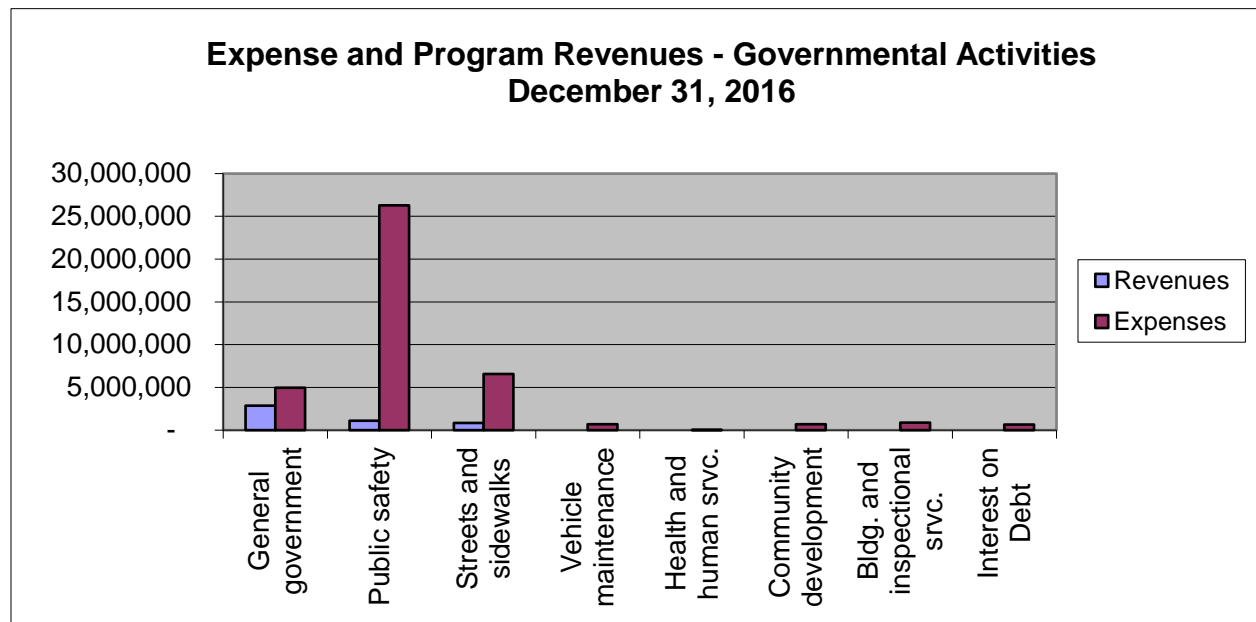
VILLAGE OF MORTON GROVE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Expenses

Expenses for governmental activities were \$40,737,300 at December 31, 2016 and \$41,943,737 at December 31, 2015, a decrease of \$1,206,437, or 2.87%.

The decrease in expense for governmental activities is because of the differences in changes to Net Pension Liability.

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



BUSINESS-TYPE ACTIVITIES

Business-Type activities posted program revenues of \$10,544,789, while the costs of all business-type activities totaled \$11,290,633. Expenses exceeded revenues by \$745,844 (prior to miscellaneous income and investment income) primarily due to the implementation of GASB 68 as discussed above. The cash flow statement shows the proprietary funds activities generated \$964,025 in net cash from operating activities.

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

Revenues

In 2016 the Village water rate charged to customers of \$10.81 per 1,000 Gallon remained unchanged. Water and Sewer Fund charges for services decreased by \$250,753 or 2.87%.

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 2016 Solid Waste operating revenues decreased by \$28,873 or 1.43%.

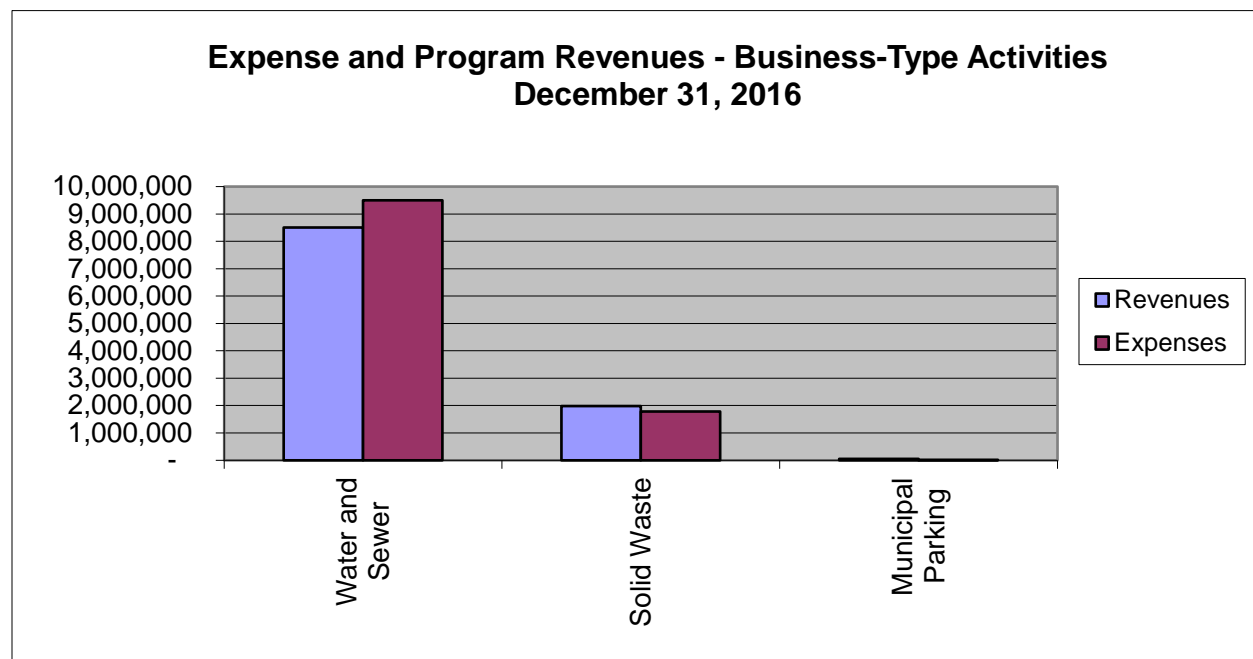
The Village created the Municipal Parking Fund to account for the Village parking lots and monies received from permit sales. The Village staff is responsible for customers who signed a yearly or quarterly lease for parking spaces near the Metra Station in Morton Grove. Operating revenues for 2016 decreased by \$572 or 1.0%. The Parking lot opened January 2011 with 112 spaces available.

Expenses

Total expenses for water and sewer fund activities totaled \$11,290,633, a decrease of \$858,990, or 7.07% from prior year primarily as a result of the decrease in the amount of pension expense and a reduction in the amount of water purchased from the City of Chicago.

Total expenses for solid waste fund activities totaled \$1,778,287, a decrease of \$90,912, or less than one percent, from prior year.

Total expenses from Municipal Parking Fund activities increased \$1,237 or less than one percent from the prior year, at \$12,585.



(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 \$26,487,323, which is a decrease of \$576,710, from last year's total of \$27,064,033. Of this \$26,487,323 total, \$3,307,140 or 12.49% of the fund balance constitutes unassigned fund balance.

General Fund: The General Fund reported a surplus for the year of \$1,276,619. Revenue exceeded the budgeted amount due to increased tax revenues. The increase in expenditures was related to personnel costs and capital outlay purchases.

The General Fund is the chief operating fund of the Village. At December 31, 2016, unassigned fund balance in the General Fund was \$6,678,041, which represents 67.09% of the total fund balance of the General Fund. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance in General Fund represents approximately 25.28% of total General Fund expenditures.

Lehigh Ferris TIF Fund: Reported a fund balance increase of \$856,867 due to incremental property tax revenue exceeding the expenditures for 2016.

Waukegan Road TIF Fund: Reported a fund balance declined of \$433,355 as a result of debt service costs exceeding the incremental property tax revenue.

Debt Service Fund: Reported a fund balance decrease of \$237,177 as a result of debt service payments exceeding home rule sales tax allocation and property tax revenue.

Capital Projects Fund: Reported a fund balance decrease of \$2,142,312 as a result of the completion of capital projects funded by the issuance of General Obligation bonds in 2015.

PROPRIETARY FUNDS

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

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

CAPITAL ASSETS

The Village's investment in net capital assets for its governmental and business type activities as of December 31, 2016 was \$66,813,527 (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 3 of this CAFR.

Capital Assets - Net of Depreciation (in thousands)

	Governmental Activities		Business-Type Activities		Total	
Type of Debt	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Construction in Progress	\$ 313	\$ 1,073	\$ 13	\$ 13	\$ 326	\$ 1,086
Right of Ways	43,972	43,972	-	-	43,972	43,972
Infrastructure	6,146	5,730	-	-	6,146	5,730
Buildings and Improvements	4,932	5,534	8,038	8,285	12,970	13,819
Machinery, Equipment and Vehicles	2,288	2,325	1,111	870	3,399	3,195
Total	\$ 57,650	\$ 58,633	\$ 9,163	\$ 9,169	\$ 66,813	\$ 67,802

LONG-TERM DEBT

At year-end, the Village had total outstanding debt of \$20,530,325, as compared to \$22,875,826 the previous year, a decrease of \$2,345,501, or 10.25% which is due to the retirement of outstanding debt in the current year.

(See independent auditor's report.)

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

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

Long Term Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
General Obligation Bonds	\$ 16,332	\$ 18,095	\$ 3,208	\$ 3,395	\$ 19,540	\$ 21,490
Revolving loans	-	-	-	-	-	-
Installment Notes	990	1,386	-	-	990	1,386
Total Long Term Debt	\$ 17,323	\$ 19,482	\$ 3,208	\$ 3,395	\$ 20,530	\$ 22,876

For information related to the Village's long-term debt, please refer to Note 3 of this CAFR.

▪ **Economic Factors and Future Prospects**

Although the Village is seeing some recovery of the economy and some revenue growth, both 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 will be considered during the development of 2017 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 .10% Illinois and .08% National. Housing foreclosures, declining tax bases, and reduced state pass-through revenues have negatively impacted the fiscal condition of the local economy.
- *Pension liabilities:* Recent changes in pension legislation allowed the municipalities some relief in funding the pension obligation at 90% by 2040. The Village continues to fund the pension based on actuarial results from the Department of Insurance report or the independent actuary the Village and Pensions hired. Additionally, the Village adjusted its actuarial rate for Police and Fire pension return on investment from 7.25% in 2012 to 7.125% in 2013 and future years.

(See independent auditor's report.)

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.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

Proprietary Funds

Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

**Statement of Net Position
December 31, 2016**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Net Position December 31, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 13,137,508	6,236,765	19,374,273
Receivables - Net of Allowances	15,432,853	1,010,271	16,443,124
Prepays/Land Held for Resale	11,002,245	26,314	11,028,559
Total Current Assets	39,572,606	7,273,350	46,845,956
Capital Assets			
Nondepreciable	44,285,569	12,889	44,298,458
Depreciable	58,211,887	19,047,368	77,259,255
Accumulated Depreciation	(44,846,967)	(9,897,219)	(54,744,186)
Total Capital Assets	57,650,489	9,163,038	66,813,527
Total Assets	97,223,095	16,436,388	113,659,483
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	241,153	60,384	301,537
Deferred Items - SLEP	5,154	-	5,154
Deferred Items - MERF	3,988,364	1,519,377	5,507,741
Deferred Items - Police Pension	9,848,081	-	9,848,081
Deferred Items - Firefighters' Pension	11,555,480	-	11,555,480
Unamortized Loss on Refunding	177,902	-	177,902
Total Deferred Outflows of Resources	25,816,134	1,579,761	27,395,895
Total Assets and Deferred Outflows of Resources	123,039,229	18,016,149	141,055,378

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 901,328	1,365,339	2,266,667
Accrued Payroll	519,423	56,693	576,116
Accrued Interest Payable	47,972	7,110	55,082
Due to Fiduciary Funds	555,845	-	555,845
Deposits Payable	469,046	1,550	470,596
Other Liabilities	228,945	35,465	264,410
Current Portion of Long-Term Debt	2,869,750	213,950	3,083,700
Total Current Liabilities	5,592,309	1,680,107	7,272,416
Noncurrent Liabilities			
Compensated Absences Payable	693,740	98,998	792,738
Net Pension Liability - IMRF	813,973	203,818	1,017,791
Net Pension Liability - SLEP	3,717	-	3,717
Net Pension Liability - MERF	13,567,907	5,168,727	18,736,634
Net Pension Liability - Police Pension	42,160,800	-	42,160,800
Net Pension Liability - Firefighters' Pension	42,823,442	-	42,823,442
Net Other Post-Employment Benefit Obligation	5,202,744	473,392	5,676,136
General Obligations Bonds Payable - Net	15,769,827	3,013,641	18,783,468
Installment Notes Payable	581,549	-	581,549
Intergovernmental Agreement Payable	1,564,381	-	1,564,381
Total Noncurrent Liabilities	123,182,080	8,958,576	132,140,656
Total Liabilities	128,774,389	10,638,683	139,413,072
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	79,408	19,883	99,291
Deferred Items - MERF	563,259	214,575	777,834
Deferred Items - Police Pension	96,719	-	96,719
Property Taxes	10,410,696	-	10,410,696
Total Deferred Inflows of Resources	11,150,082	234,458	11,384,540
Total Liabilities and Deferred Inflows of Resources	139,924,471	10,873,141	150,797,612
NET POSITION			
Net Investment in Capital Assets	39,217,439	5,960,197	45,177,636
Restricted - Public Safety	1,266,779	-	1,266,779
Restricted - Streets and Sidewalks	841,869	-	841,869
Restricted - Community Development	15,830,847	-	15,830,847
Restricted - Capital Improvements	1,753,252	-	1,753,252
Restricted - Debt Service	52,218	-	52,218
Unrestricted	(75,847,646)	1,182,811	(74,664,835)
Total Net Position	(16,885,242)	7,143,008	(9,742,234)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Activities

For the Fiscal Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities				
General Government	\$ 4,952,670	2,864,038	-	-
Public Safety	26,283,790	1,118,677	-	-
Streets and Sidewalks	6,569,693	176,970	606,115	63,670
Vehicle and Maintenance	687,317	-	-	-
Health and Human Services	16,446	-	-	-
Community Development	688,354	-	-	-
Building and Inspection Services	896,333	-	-	-
Interest on Long-Term Debt	642,697	-	-	-
Total Governmental Activities	40,737,300	4,159,685	606,115	63,670
Business-Type Activities				
Water and Sewer	9,499,761	8,441,426	-	59,112
Solid Waste	1,778,287	1,985,744	-	-
Municipal Parking	12,585	58,507	-	-
Total Business-Type Activities	11,290,633	10,485,677	-	59,112
Total Primary Government	52,027,933	14,645,362	606,115	122,782

General Revenues

Taxes

Property Taxes

Telecommunications Taxes

Personal Property Replacement Taxes

Utility Taxes

Home Rule Sales Taxes

Other Taxes

Intergovernmental - Unrestricted

Sales Taxes

State Income Taxes

Local Use Taxes

Interest Income

Miscellaneous

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses)/Revenues		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
(2,088,632)	-	(2,088,632)
(25,165,113)	-	(25,165,113)
(5,722,938)	-	(5,722,938)
(687,317)	-	(687,317)
(16,446)	-	(16,446)
(688,354)	-	(688,354)
(896,333)	-	(896,333)
(642,697)	-	(642,697)
(35,907,830)	-	(35,907,830)
-	(999,223)	(999,223)
-	207,457	207,457
-	45,922	45,922
-	(745,844)	(745,844)
(35,907,830)	(745,844)	(36,653,674)
13,010,453	-	13,010,453
710,946	-	710,946
402,648	-	402,648
2,039,489	-	2,039,489
2,434,318	-	2,434,318
1,572,756	-	1,572,756
5,207,809	-	5,207,809
2,265,196	-	2,265,196
565,191	-	565,191
60,078	11,330	71,408
329,075	173,804	502,879
28,597,959	185,134	28,783,093
(7,309,871)	(560,710)	(7,870,581)
(9,575,371)	7,703,718	(1,871,653)
(16,885,242)	7,143,008	(9,742,234)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Balance Sheet - Governmental Funds December 31, 2016

	General	Special Lehigh/ Ferris Tax Increment Financing
ASSETS		
Cash and Investments	\$ 4,457,606	4,564,924
Receivables - Net of Allowances		
Property Taxes	9,486,168	1,024
Other Taxes	2,021,496	-
Accounts	956,034	-
Loan to Developer	-	1,700,000
IRMA Excess Surplus	804,353	-
IPBC Terminal Reserve	625,324	-
Due from Other Funds	263,231	-
Advances to Other Funds	3,276,359	44,364
Prepays	192	-
Land Held for Resale	-	9,572,376
Total Assets	21,890,763	15,882,688
LIABILITIES		
Accounts Payable	674,649	7,477
Accrued Payroll	519,423	-
Deposits Payable	469,046	-
Other Liabilities	228,945	-
Due to Other Funds	557,940	-
Advances from Other Funds	-	-
Total Liabilities	2,450,003	7,477
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	9,486,168	-
Total Liabilities and Deferred Inflows of Resources	11,936,171	7,477
FUND BALANCES		
Nonspendable	3,276,551	44,364
Restricted	-	15,830,847
Committed	-	-
Unassigned	6,678,041	-
Total Fund Balances	9,954,592	15,875,211
Total Liabilities, Deferred Inflows of Resources and Fund Balances	21,890,763	15,882,688

The notes to the financial statements are an integral part of this statement.

<u>Revenue</u>				
Waukegan Road Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Totals
-	-	1,947,483	2,167,495	13,137,508
3,450	822,049	102,486	-	10,415,177
-	37,500	6,250	224,148	2,289,394
-	72,248	-	-	1,028,282
-	-	-	-	1,700,000
-	-	-	-	804,353
-	-	-	-	625,324
-	-	-	2,095	265,326
-	-	-	-	3,320,723
-	-	-	-	192
-	-	-	-	9,572,376
3,450	931,797	2,056,219	2,393,738	43,158,655
-	-	200,482	18,720	901,328
-	-	-	-	519,423
-	-	-	-	469,046
-	-	-	-	228,945
-	9,564	-	253,667	821,171
2,976,646	-	-	344,077	3,320,723
2,976,646	9,564	200,482	616,464	6,260,636
-	822,043	102,485	-	10,410,696
2,976,646	831,607	302,967	616,464	16,671,332
-	-	-	-	3,320,915
-	100,190	1,753,252	2,108,648	19,792,937
-	-	-	66,331	66,331
(2,973,196)	-	-	(397,705)	3,307,140
(2,973,196)	100,190	1,753,252	1,777,274	26,487,323
3,450	931,797	2,056,219	2,393,738	43,158,655

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Reconciliation of Total Governmental Fund Balance to the Statement of Net Position - Governmental Activities

December 31, 2016

Total Governmental Fund Balances	\$ 26,487,323
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 funds.	57,650,489
Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	161,745
Deferred Items - SLEP	5,154
Deferred Items - MERF	3,425,105
Deferred Items - Police Pension	9,751,362
Deferred Items - Firefighters' Pension	11,555,480
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(867,175)
Net Pension Liability - IMRF	(813,973)
Net Pension Liability - SLEP	(3,717)
Net Pension Liability - MERF	(13,567,907)
Net Pension Liability - Police Pension	(42,160,800)
Net Pension Liability - Firefighters' Pension	(42,823,442)
Net Other Post-Employment Benefit Obligation Payable	(5,202,744)
General Obligation Bonds Payable - Net	(17,620,627)
Installment Notes Payable	(990,325)
Unamortized Loss on Refunding	177,902
Installment Agreement Payable	(2,001,120)
Accrued Interest Payable	(47,972)
Net Position of Governmental Activities	(16,885,242)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended December 31, 2016**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended December 31, 2016

	General	Special Lehigh/ Ferris Tax Increment Financing
Revenues		
Taxes	\$ 16,540,364	2,177,505
Intergovernmental	7,250,261	-
Charges for Services	1,174,194	-
Licenses and Permits	1,689,844	-
Fines and Forfeitures	654,226	-
Interest Income	15,386	13,348
Miscellaneous	307,184	21,891
Total Revenues	<u>27,631,459</u>	<u>2,212,744</u>
Expenditures		
Current		
General Government	3,645,330	-
Public Safety	18,440,877	-
Streets and Sidewalks	2,485,952	-
Vehicle and Maintenance	687,317	-
Health and Human Services	16,446	-
Community Development	238,997	79,015
Building and Inspection Services	896,333	-
Capital Outlay	-	386,342
Debt Service		
Principal Retirement	-	485,000
Interest and Fiscal Charges	-	135,520
Total Expenditures	<u>26,411,252</u>	<u>1,085,877</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,220,207</u>	<u>1,126,867</u>
Other Financing Sources (Uses)		
Disposal of Capital Assets	10,070	-
Transfers In	270,000	-
Transfers Out	(223,658)	(270,000)
	<u>56,412</u>	<u>- (270,000)</u>
Net Change in Fund Balances	1,276,619	856,867
Fund Balances - Beginning	<u>8,677,973</u>	<u>15,018,344</u>
Fund Balances - Ending	<u><u>9,954,592</u></u>	<u><u>15,875,211</u></u>

The notes to the financial statements are an integral part of this statement.

<u>Revenue</u>				
Waukegan Road Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Totals
457,878	836,097	135,053	23,713	20,170,610
-	222,248	28,046	1,351,317	8,851,872
-	-	-	569,778	1,743,972
-	-	-	-	1,689,844
-	-	-	-	654,226
1,778	1,825	22,489	5,252	60,078
-	-	-	-	329,075
459,656	1,060,170	185,588	1,950,060	33,499,677
-	-	-	-	3,645,330
-	-	-	366,827	18,807,704
-	-	-	703,582	3,189,534
-	-	-	-	687,317
-	-	-	-	16,446
-	-	-	777,003	1,095,015
-	-	-	-	896,333
-	-	2,327,900	-	2,714,242
787,158	886,343	-	-	2,158,501
105,853	634,662	-	-	876,035
893,011	1,521,005	2,327,900	1,847,412	34,086,457
(433,355)	(460,835)	(2,142,312)	102,648	(586,780)
-	-	-	-	10,070
-	223,658	-	-	493,658
-	-	-	-	(493,658)
-	-	223,658	-	10,070
(433,355)	(237,177)	(2,142,312)	102,648	(576,710)
(2,539,841)	337,367	3,895,564	1,674,626	27,064,033
(2,973,196)	100,190	1,753,252	1,777,274	26,487,323

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Activities

For the Fiscal Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (576,710)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital Outlays	737,206
Depreciation Expense	(1,721,638)
Disposals - Cost	(368,288)
Disposals - Accumulated Depreciation	368,288

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF	(44,766)
Change in Deferred Items - SLEP	(1,390)
Change in Deferred Items - MERF	(737,883)
Change in Deferred Items - Police Pension	931,719
Change in Deferred Items - Firefighters' Pension	153,765

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal on long-term
debt consumes the current financial resources of the governmental funds.

Additions to Compensated Absences Payable	(85,571)
Deductions to Net Pension Liability - IMRF	4,915
Deductions to Net Pension Liability - SLEP	664
Additions to Net Pension Liability - MERF	(309,125)
Additions to Net Pension Liability - Police Pension	(3,835,866)
Additions to Net Pension Liability - Firefighters' Pension	(4,014,210)
Additions to Net Other Post-Employment Benefit Obligation Payable	(537,233)
Amortization of Premium on Debt Issuance	184,032
Amortization of Discount on Debt Issuance	(3,881)
Amortization of Loss on Refunding	(35,176)
Retirement of Debt	2,565,162

Changes to accrued interest on long-term debt in the Statement of Activities
does not require the use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds.

16,115

Changes in Net Position of Governmental Activities

(7,309,871)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

**Statement of Net Position - Proprietary Funds
December 31, 2016**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS**Statement of Net Position - Proprietary Funds
December 31, 2016**

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 5,444,281	792,484	6,236,765
Receivables - Net of Allowances			
Accounts	944,572	65,699	1,010,271
Prepays	-	26,314	26,314
Total Current Assets	6,388,853	884,497	7,273,350
Noncurrent Assets			
Capital Assets			
Nondepreciable	12,889	-	12,889
Depreciable	19,047,368	-	19,047,368
Accumulated Depreciation	(9,897,219)	-	(9,897,219)
Total Noncurrent Assets	9,163,038	-	9,163,038
Total Assets	15,551,891	884,497	16,436,388
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	60,384	-	60,384
Deferred Items - MERF	1,519,377	-	1,519,377
Total Deferred Outflows of Resources	1,579,761	-	1,579,761
Total Assets and Deferred Outflows of Resources	17,131,652	884,497	18,016,149

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Fiscal Year Ended December 31, 2016**

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 8,433,336	2,044,251	10,477,587
Operating Expenses			
Operations	8,911,970	1,790,872	10,702,842
Depreciation	410,836	-	410,836
Total Operating Expenses	9,322,806	1,790,872	11,113,678
Operating Income	(889,470)	253,379	(636,091)
Nonoperating Revenues (Expenses)			
Connection Fees	8,090	-	8,090
Interest Income	11,267	63	11,330
Other Income	173,804	-	173,804
Interest Expense	(176,955)	-	(176,955)
	16,206	63	16,269
Income Before Capital Grants	(873,264)	253,442	(619,822)
Capital Grants	59,112	-	59,112
Change in Net Position	(814,152)	253,442	(560,710)
Net Position - Beginning	7,213,032	490,686	7,703,718
Net Position - Ending	6,398,880	744,128	7,143,008

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended December 31, 2016

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 8,708,678	2,041,765	10,750,443
Payments to Employees	(1,899,653)	-	(1,899,653)
Payments to Suppliers	(5,845,000)	(1,854,401)	(7,699,401)
	964,025	187,364	1,151,389
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(406,235)	-	(406,235)
Grants	59,112	-	59,112
Interest Expense	(176,955)	-	(176,955)
Retirement of Debt	(187,000)	-	(187,000)
	(711,078)	-	(711,078)
Cash Flows from Investing Activities			
Interest Income	11,267	63	11,330
Net Change in Cash and Cash Equivalents	264,214	187,427	451,641
Cash and Cash Equivalents - Beginning	5,180,067	605,057	5,785,124
Cash and Cash Equivalents - Ending	5,444,281	792,484	6,236,765
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(889,470)	253,379	(636,091)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	410,836	-	410,836
Other Income	181,894	-	181,894
Other Expenses - Pension Related	1,033,841	-	1,033,841
(Increase) Decrease in Current Assets	93,448	(2,486)	90,962
Increase (Decrease) in Current Liabilities	133,476	(63,529)	69,947
Net Cash Provided by Operating Activities	964,025	187,364	1,151,389

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

**Statement of Fiduciary Net Position
December 31, 2016**

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,802,215
Investments	
U.S. Government Obligations	5,192,506
U.S. Agency Obligations	11,030,976
Municipal Bonds	2,477,383
Corporate Bonds	8,355,622
Annuity Contracts	8,651,955
Mutual Funds	35,074,036
Receivables - Net	
Accrued Interest	184,121
Other	415,553
Due from Other Funds	555,845
Prepays	<u>6,667</u>
Total Assets	73,746,879
LIABILITIES	
Accounts Payable	<u>42,531</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>73,704,348</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended December 31, 2016

	Pension Trust
Additions	
Contributions - Employer	\$ 5,450,977
Contributions - Plan Members	859,210
Total Contributions	6,310,187
Investment Income	
Interest Earned	1,989,562
Net Change in Fair Value	2,758,698
	4,748,260
Less Investment Expenses	(157,242)
	4,591,018
Total Additions	10,901,205
Deductions	
Administration	108,543
Benefits and Refunds	7,940,524
Total Deductions	8,049,067
Change in Fiduciary Net Position	2,852,138
Net Position Restricted for Pensions	
Beginning	70,852,210
Ending	73,704,348

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Morton Grove (the Village) is a municipal corporation governed by an elected president and a six-member Board of Trustees.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Morton Grove
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In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

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 the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Police Pension Employees Retirement System

The Village's sworn 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 participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of those employees and is governed by a five-member pension board, with two members appointed by the Village President, two elected from active participants of the Fund, and one elected from the retired members of the Fund. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's sworn firefighters. The FPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the FPERS.

BASIS OF PRESENTATION

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's public safety, streets and sidewalks, vehicle and maintenance, health and human services, community development, building and inspection services, and general administrative services are classified as governmental activities. The Village's water and sewer, solid waste, and municipal parking services are classified as business-type activities.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column; and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The Village's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, water and sewer, etc.). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) changes to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc.).

The Village allocates indirect costs paid from the General Fund to other funds for personnel who perform administrative services for those funds, along with other indirect costs deemed necessary for their operations.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village can electively add funds, as major funds, which either have debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains nine special revenue funds. The Lehigh/Ferris Tax Increment Financing Fund, a major fund, is used to account 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, also a major fund, is used to account 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

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Village treats the Capital Projects Fund as a major fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Village maintains three enterprise funds. The Water and Sewer Fund, a major 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 Solid Waste Fund, a nonmajor fund, is used to account 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. The Municipal Parking Fund, also a nonmajor fund, is used to account 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.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Municipal Employees' Retirement Fund is used to account for the accumulation of resources to be used for retirement and disability pensions for the Village's municipal employees. The Police Pension Fund accounts for the accumulation of resources to be used for disability and retirement annuity payments to employees covered by the plan. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Fire Department.

The Village's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net position.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflow is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70.

A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise fees, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Village’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds “Statement of Cash Flows,” cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise fees, and grants. Business-type activities report utility charges as their major receivables.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Prepays – Land Held for Resale

Prepays are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION – Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets and traffic signals are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Vehicles and Equipment	3 - 15 Years
Infrastructure	10 - 50 Years

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Compensated Absences

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION – Continued

Long-Term Obligations

In the government-wide financial statements and for proprietary fund types 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 type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types 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 debt service expenditures.

Net Position

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

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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, and 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

BUDGETARY INFORMATION – Continued

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. During the year, supplementary appropriations were approved.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following fund had an excess of actual expenditures over budget as of the date of this report:

Fund	Excess
Debt Service	\$ 106,188
Commuter Parking Facility	9,523
Municipal Employees' Retirement	867,028
Firefighters' Pension	11,664

DEFICIT FUND BALANCE

The following funds had deficit fund balance as of the date of this report:

Fund	Deficit
Waukegan Road Tax Increment Financing	\$ 2,973,196
Economic Development	51,328
Dempster/Waukegan TIF	346,377

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds except the pension trust fund. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments". In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust fund are held separately from those of other funds.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Permitted Deposits and Investments – Statutes authorize the Village to make deposits/invest in 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 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 and the Illinois Metropolitan Investment Fund.

The deposits and investments of the Pension Funds are held separately from those of other Village funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

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

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is 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 the share price, the price for which the investment could be sold.

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits and Investments. At year-end, the carrying amount of the Village's deposits for governmental and business-type activities totaled \$11,045,486 and the bank balances totaled \$12,645,095. Additionally, at year-end the Village has \$8,062,416 invested in the Illinois Funds and \$266,371 invested in IMET. The Illinois Funds and IMET are measured at net asset value per share determined by the pool.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 average maturity for Illinois Funds is less than one year and for IMET is one to three years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. The Illinois Funds and IMET are rated AAA.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's investment policy does not address custodial credit risk for deposits. At year-end, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance.

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral. 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. At year-end, the Village's investment in IMRT is not subject to custodial credit risk.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy does not address concentration of credit risk. At year-end, the Village does not have any investments that represent over 5 percent of the total cash and investment portfolio.

Municipal Employees Retirement Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the Fund has no deposits and only holds investments in annuity contracts.

Interest Rate Risk. The Fund's investment policy does not address interest rate risk.

Credit Risk. The Fund's investment policy does not address credit risk.

Custodial Credit Risk. For deposits, the Fund's investment policy does not address custodial credit risk. For an investment, the Fund's investment policy does not address custodial credit risk. The annuity contracts are not subject to custodial credit risk.

Concentration Risk. The Fund's investment policy does not address concentration risk. At year-end, the Fund's investment in annuity contracts of \$8,651,955 represents 100% of the overall investment portfolio and are valued using significant other observable inputs to calculate the fair value measurement (Level 2 inputs).

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Annuity Contracts	100.00%	6.45%

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 January 2017 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 asset 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 the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are listed in the table above.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Municipal Employees Retirement Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$1,571,908 and the bank balances totaled \$1,571,908.

Investments. The fair value and maturities of the Fund's investments at year-end are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government Obligations	\$ 3,133,272	966,077	1,154,556	1,012,639	-
U.S. Agency Obligations	2,731,326	-	764,457	854,061	1,112,808
Municipal Bonds	481,328	-	358,534	92,651	30,143
Corporate Bonds	7,197,493	503,248	3,454,434	2,498,916	740,895
	<u>13,543,419</u>	<u>1,469,325</u>	<u>5,731,981</u>	<u>4,458,267</u>	<u>1,883,846</u>

The Fund has the following recurring fair value measurements as of December 31, 2016:

Investments by Fair Value Level	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Government Obligations	\$ 313,327	313,327	-	-
U.S. Agency Obligations	2,731,326	-	2,731,326	-
Municipal Bonds	481,328	-	481,328	-
Corporate Bonds	7,197,493	-	7,197,493	-
Equity Securities				
Equities	16,967,434	16,967,434	-	-
Total Investments by Fair Value Level	<u>27,690,908</u>	<u>17,280,761</u>	<u>10,410,147</u>	<u>-</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. In accordance with the Fund's 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's investment policy limits its exposure to credit risk 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 investments in the securities of the U.S. Government agencies, municipal bonds and corporate bonds were all rated AAA to Baa2 by Standard & Poor's and Moody's Investor Services.

Custodial Credit Risk. In regards to deposits, the Fund's investment policy requires all bank balances to be covered by federal depository insurance. At December 31, 2016, all of the Fund's deposits were covered by federal depository or equivalent insurance.

The Fund's investment policy does not address custodial credit risk for investments.

Concentration Credit Risk. The Fund's investment policy does not address concentration credit risk. In addition to the securities and fair values listed above, the Fund also has \$16,967,434 invested in equities. At year-end, the Fund does not have any investments over 5 percent of net pension (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	48.00%	0.30%
Large Cap Domestic Equity	27.00%	5.20%
Mid Cap Domestic Equity	15.00%	5.60%
International Equity	10.00%	5.60%
Cash and Cash Equivalents	0.00%	0.00%

Illinois Compiled Statutes (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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Credit Risk – Continued. 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 January 2017 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 asset 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 the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are listed in the table above.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$230,307 and the bank balances totaled \$233,601.

Investments. The fair value and maturities of the Fund's investments at year-end are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government Obligations	\$ 2,059,234	453,609	1,605,625	-	-
U.S. Agency Obligations	8,299,650	416,740	2,065,002	5,502,267	315,641
Municipal Bonds	1,996,055	51,020	-	786,733	1,158,302
Corporate Bonds	1,158,129	95,342	847,497	215,290	-
	13,513,068	1,016,711	4,518,124	6,504,290	1,473,943

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments – Continued. The Fund has the following recurring fair value measurements as of December 31, 2016:

Investments by Fair Value Level	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Government Obligations	\$ 2,059,234	2,059,234	-	-
U.S. Agency Obligations	8,299,650	-	8,299,650	-
Municipal Bonds	1,996,055	-	1,996,055	-
Corporate Bonds	1,158,129	-	1,158,129	-
Equity Securities				
Equities	18,106,602	18,106,602	-	-
Total Investments by Fair Value Level	31,619,670	20,165,836	11,453,834	-

Interest Rate Risk. In accordance with the Fund's 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's investment policy limits its exposure to credit risk 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 investments in the securities of the U.S. Government agencies, municipal bonds and corporate bonds were all rated AAA to Baa2 by Standard & Poor's and Moody's Investor Services.

Custodial Credit Risk. In regards to deposits, the Fund's investment policy requires all bank balances to be covered by federal depository insurance. At December 31, 2016, all of the Fund's deposits were covered by federal depository or equivalent insurance.

For investments, the Fund's investment policy limits its exposure by requiring all security transactions that are exposed to custodial credit risk to be processed on 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 mutual funds are not subject to custodial credit risk.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Credit Risk. The Fund's investment policy does not address concentration credit risk. In addition to the securities and fair values listed above, the Fund also has \$18,106,602 invested in equities. At year-end, the Fund does not have any investments over 5 percent (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	45.00%	1.10%
Large Cap Domestic Equity	38.50%	6.30%
Small Cap Domestic Equity	11.00%	8.30%
International Equity	5.50%	6.60%
Cash and Cash Equivalents	0.00%	0.00%

Illinois Compiled Statutes (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 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 January 2017 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 asset 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 the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are listed in the table above.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.87%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 43,972,244	-	-	43,972,244
Construction in Progress	1,073,201	290,165	1,050,041	313,325
	<u>45,045,445</u>	<u>290,165</u>	<u>1,050,041</u>	<u>44,285,569</u>
Depreciable Capital Assets				
Buildings and Improvements	18,622,827	-	-	18,622,827
Vehicles and Equipment	7,432,437	447,041	368,288	7,511,190
Infrastructure	31,027,829	1,050,041	-	32,077,870
	<u>57,083,093</u>	<u>1,497,082</u>	<u>368,288</u>	<u>58,211,887</u>
Less Accumulated Depreciation				
Buildings and Improvements	13,089,358	601,741	-	13,691,099
Vehicles and Equipment	5,106,681	484,809	368,288	5,223,202
Infrastructure	25,297,578	635,088	-	25,932,666
	<u>43,493,617</u>	<u>1,721,638</u>	<u>368,288</u>	<u>44,846,967</u>
Total Net Depreciable Capital Assets	<u>13,589,476</u>	<u>(224,556)</u>	<u>-</u>	<u>13,364,920</u>
Total Net Capital Assets	<u>58,634,921</u>	<u>65,609</u>	<u>1,050,041</u>	<u>57,650,489</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 444,529
Public Safety	412,349
Streets and Sidewalks	<u>864,760</u>
	<u>1,721,638</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Construction in Progress	\$ 12,889	-	-	12,889
Depreciable Capital Assets				
Buildings and Improvements	16,258,310	34,843	-	16,293,153
Equipment	2,382,823	371,392	-	2,754,215
	18,641,133	406,235	-	19,047,368
Less Accumulated Depreciation				
Buildings and Improvements	7,973,477	281,192	-	8,254,669
Equipment	1,512,906	129,644	-	1,642,550
	9,486,383	410,836	-	9,897,219
Total Net Depreciable Capital Assets	9,154,750	(4,601)	-	9,150,149
Total Net Capital Assets	9,167,639	(4,601)	-	9,163,038

Depreciation expense was charged to business-type as follows:

Water and Sewer	<u>\$ 410,836</u>
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PROPERTY TAXES

Property taxes for 2015 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about March 1 and September 1. The County collects such taxes and remits them periodically.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

Interfund balances are advances in anticipation of receipts of cash shortages. The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 253,667
General	Debt Service	9,564
Nonmajor Governmental	General	2,095
Municipal Employees' Retirement	General	<u>555,845</u>
		<u>821,171</u>

Interfund Advances

Significant advances were advanced from the General Fund as initial costs of the Waukegan TIF. This amount will be repaid from future incremental property tax revenues. Interfund advances as of the date of this report are as follows:

Receivable Fund	Payable Fund	Amount
General	Waukegan Road Tax Increment Financing	\$ 2,976,646
General	Nonmajor Governmental	299,713
Lehigh/Ferris Tax Increment Financing	Nonmajor Governmental	<u>44,364</u>
		<u>3,320,723</u>

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
General	Lehigh/Ferris Tax Increment Financing	\$ 270,000 (1)
Debt Service	General	<u>223,658 (2)</u>
		<u>493,658</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) to the Debt Service Fund for principal and interest due.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$4,920,000 General Obligation Bonds of 2009A, due in annual installments of \$355,000 to \$600,000, plus interest at 3.000% to 4.125% through December 1, 2018.	Waukegan Road Tax Increment Financing	\$ 2,350,000	-	540,000	1,810,000
\$8,130,000 Taxable General Obligation Bonds of 2010B, due in annual installments of \$415,000 to \$1,870,000, plus interest at 3.20% to 6.00% through December 15, 2029.	Debt Service Water and Sewer	4,320,400 3,394,600	- -	238,000 187,000	4,082,400 3,207,600
\$1,415,000 General Obligation Bonds of 2014, due in annual installments of \$470,000 to \$475,000, plus interest at 2.395% through December 15, 2021.	Debt Service	1,415,000	-	-	1,415,000
\$10,010,000 General Obligation Bonds of 2015, due in annual installments of \$560,000 to \$810,000, plus interest at 4.00% through December 15, 2024.	Lehigh/ Ferris Tax Increment Financing Debt Service	- 10,010,000	- -	- 985,000	- 9,025,000
		21,490,000	-	1,950,000	19,540,000

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT –Continued

Installment Notes Payable

The Village also issues installment notes payable to provide funds for the purchase of capital assets. Installment notes payable currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$3,165,000 General Obligation Promissory Note Payable of 2003, due in semi-annual installments of \$269,896, including interest at 4.05% through August 10, 2018.	Waukegan Road Tax Increment Financing	\$ 613,843	-	247,158	366,685
\$1,060,000 General Obligation Promissory Note Payable of 2013, due in annual installments of \$163,783, including interest at 2.00% through May 31, 2020.	Debt Service	771,983	-	148,343	623,640
		1,385,826	-	395,501	990,325

Intergovernmental Agreement – 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, 2016, the Village made total intergovernmental payments of \$279,732 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 the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT –Continued

Intergovernmental Agreement – 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, 2016, the Village made total intergovernmental payments of \$155,860 from general (non-TIF) revenues. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

Fiscal Year	Governmental Activities		
	School District 67	School District 70	Totals
2017	\$ 271,625	165,114	436,739
2018	289,975	177,909	467,884
2019	-	191,117	191,117
2020	-	905,380	905,380
2021	-	-	-
2022	-	-	-
2023	-	-	-
Totals	561,600	1,439,520	2,001,120

Legal Debt Margin

Article VII, Section 6(k) of the 1970 Illinois Constitution governs the computation of legal debt margin. “The General Assembly may limit by law the amount and require referendum approval of debt to the 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 Illinois General Assembly has set no limits for home rule municipalities. The Village is a home rule municipality.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT –Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 781,604	171,142	85,571	867,175	173,435
Net Pension Liability					
IMRF	818,888	-	4,915	813,973	-
SLEP	4,381	-	664	3,717	-
MERF	13,258,782	309,125	-	13,567,907	-
Police Pension	38,324,934	3,835,866	-	42,160,800	-
Firefighters' Pension	38,809,232	4,014,210	-	42,823,442	-
Net Other Post-Employment Benefit Obligation	4,665,511	537,233	-	5,202,744	-
General Obligation Bonds	18,095,400	-	1,763,000	16,332,400	1,850,800
Unamortized Bond Premium	1,472,259	-	184,032	1,288,227	-
Unamortized Bond Discount	(3,881)	-	(3,881)	-	-
Installment Notes Payable	1,385,826	-	395,501	990,325	408,776
Intergovernmental Agreement Payable	2,407,781	-	406,661	2,001,120	436,739
	<u>120,020,717</u>	<u>8,867,576</u>	<u>2,836,463</u>	<u>126,051,830</u>	<u>2,869,750</u>
Business-type Activities					
Compensated Absences	121,767	3,962	1,981	123,748	24,750
Net Pension Liability					
IMRF	174,015	29,803	-	203,818	-
MERF	4,271,835	896,892	-	5,168,727	-
Net Other Post-Employment Benefit Obligation	406,095	67,297	-	473,392	-
General Obligation Bonds	3,394,600	-	187,000	3,207,600	189,200
Unamortized Bond Discount	(5,125)	-	(366)	(4,759)	-
	<u>8,363,187</u>	<u>997,954</u>	<u>188,615</u>	<u>9,172,526</u>	<u>213,950</u>

For governmental activities, the General Fund makes payments on the compensated absences, the net pension liabilities, and the net other post-employment benefit obligation. The Waukegan Road Tax Increment Financing Fund, the Debt Service fund, and the Lehigh/Ferris Tax Increment Financing Fund make payments on the general obligation bonds. The installment notes payable is being liquidated by the Waukegan Road Tax Increment Fund and the Debt Service Fund. The intergovernmental agreement payable is being paid by the Economic Development Fund.

For business-type activities, the Water and Sewer Fund makes payments on the compensated absences, the net pension liabilities, the net other post-employment benefit obligation, and the general obligation bonds.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Economic Development and Redevelopment Agreement – CVS, Inc.

During June 2006, CVS, Inc. (CVS) purchased the Osco Drug (Osco) store with which the Village had previously entered into an economic development agreement that stated that the total amount paid will not exceed \$250,000. It was determined by legal counsel that the economic agreement that the Village had with Osco remains applicable with CVS. Payment to Osco during 2006 through date of sale totaled \$3,971. No amounts were due to CVS under the terms of the agreement for the year ended December 31, 2016.

Economic Development and Redevelopment Agreement – 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 \$262,449 for year ended December 31, 2016.

Economic Development and Redevelopment Agreement – Bond Drug Company of Illinois, dba Walgreens and MRD - Morton Grove, LP

On June 1, 1999, the Village entered into a redevelopment agreement with Bond Drug Company of Illinois (Walgreens) and MRD - Morton Grove, LP to develop a site for a Walgreens Drug Store in the Village. The Village has required, as part of the redevelopment agreement, that certain infrastructure improvements be constructed. In order to comply with the Village's requirements for infrastructure improvement, the Village has agreed to enter into a sales tax revenue sharing program upon the commencement of retail operations to be public. The program will continue until the developer's receipt of \$253,320 or ten years following the opening of the store, whichever comes first. The first \$110,000 of sales tax revenue of the \$253,320 shall be retained by the Village. The Village will retain 100% of the sales tax on the first \$2,000,000 of annual sales and will share equally in the sales tax on annual sales exceeding \$2,000,000. No amounts were due to Walgreens under the terms of the agreement for the year ended December 31, 2016.

Economic Development and Redevelopment Agreement – L & K Restaurants of Morton Grove LLC

On August 31, 2010, the Village entered into a development agreement with L & K Restaurants of Morton Grove LLC to develop a new Culver's Restaurant (Culver's). The agreement requires the Village to reimburse the developer 100% of sales taxes paid by the business for the first year after the Culver's store is open, and 50% of the sales taxes paid by the business from year two through ten up to total revenue of \$125,000 with additional property tax and performance related payments up to an additional \$100,000. No amounts were due under the terms of the agreement for the year ended December 31, 2016.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

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.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Governmental Activities				Business-Type Activities	
	General		Installment		General	
	Obligation Bonds		Notes Payable		Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,850,800	756,443	408,776	24,902	189,200	170,630
2018	2,038,600	671,748	263,555	11,691	191,400	163,062
2019	2,014,800	593,774	157,423	6,360	200,200	154,066
2020	2,098,800	506,040	160,571	3,211	211,200	144,657
2021	2,195,000	414,151	-	-	220,000	134,730
2022	2,136,800	317,615	-	-	233,200	124,390
2023	1,038,000	210,033	-	-	242,000	112,147
2024	1,089,200	157,209	-	-	250,800	99,321
2025	330,400	109,012	-	-	259,600	85,653
2026	341,600	90,675	-	-	268,400	71,245
2027	352,800	71,375	-	-	277,200	56,080
2028	411,600	50,736	-	-	323,400	39,864
2029	434,000	26,040	-	-	341,000	20,460
Totals	16,332,400	3,974,851	990,325	46,164	3,207,600	1,376,305

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION CLASSIFICATIONS

Net investment in capital assets was comprised of the following as of December 31, 2016:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 57,650,489
Plus: Unamortized Loss on Refunding	177,902
Less Capital Related Debt:	
General Obligation Bond of 2009A	(1,810,000)
General Obligation Bond of 2010B	(4,082,400)
General Obligation Bond of 2014	(1,415,000)
General Obligation Bond of 2015	(9,025,000)
Unamortized Bond Premium	(1,288,227)
General Obligation Bank Promisory Note Payable of 2003	(366,685)
General Obligation Bank Promisory Note Payable of 2013	<u>(623,640)</u>
Net Investment in Capital Assets	<u><u>39,217,439</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	9,163,038
Less Capital Related Debt:	
General Obligation Bond of 2010B	(3,207,600)
Unamortized Bond Discount	<u>4,759</u>
Net Investment in Capital Assets	<u><u>5,960,197</u></u>

FUND BALANCE CLASSIFICATIONS

In the governmental funds financial statements, the Village considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Village first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Committed Fund Balance. The Village reports committed fund balance in the Commuter Parking Facility Fund, a nonmajor fund. Board approval (ordinance and/or resolution) is required to establish, modify or rescind a fund balance commitment. The Village's Board has committed the funds through formal Board action (i.e. ordinance and/or resolution) for future commuter parking expenditures.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS – Continued

Minimum Fund Balance Policy. The Village’s budget policy states that General Fund should maintain a minimum fund balance equal to 25% of current budget projected revenue, with a target goal to increase the amount to 35%.

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Special Revenue		Debt Service	Capital Projects	Nonmajor	Totals
		Lehigh/ Ferris Tax Increment Financing	Waukegan Road Tax Increment Financing				
Fund Balances							
Nonspendable							
Advances to Other Funds	\$ 3,276,359	44,364	-	-	-	-	3,320,723
Prepays	192	-	-	-	-	-	192
	<u>3,276,551</u>	<u>44,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,320,915</u>
Restricted							
Public Safety	-	-	-	-	-	1,266,779	1,266,779
Streets and Sidewalks	-	-	-	-	-	841,869	841,869
Community Development	-	15,830,847	-	-	-	-	15,830,847
Debt Service	-	-	-	100,190	-	-	100,190
Capital Improvements	-	-	-	-	1,753,252	-	1,753,252
	<u>-</u>	<u>15,830,847</u>	<u>-</u>	<u>100,190</u>	<u>1,753,252</u>	<u>2,108,648</u>	<u>19,792,937</u>
Committed							
Commuter Parking Facility	-	-	-	-	-	66,331	66,331
Unassigned	<u>6,678,041</u>	<u>-</u>	<u>(2,973,196)</u>	<u>-</u>	<u>-</u>	<u>(397,705)</u>	<u>3,307,140</u>
Total Fund Balances	<u>9,954,592</u>	<u>15,875,211</u>	<u>(2,973,196)</u>	<u>100,190</u>	<u>1,753,252</u>	<u>1,777,274</u>	<u>26,487,323</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION

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.

Intergovernmental Risk Management Agency

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.

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, 2016. The Village has recorded a prepaid for the excess surplus balance of \$804,353 in the General Fund as of December 31, 2016.

Intergovernmental Personnel Benefit Cooperative

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, 2016 (most recent available) of \$625,324. This amount was declared as a dividend to the Village and, therefore, has been recorded as a prepaid 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES

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.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC) The Village is a member of the Solid Waste Agency of Northern Cook County (SWANCC) which consists of 23 municipalities. SWANCC is a municipal corporation and public body politic and corporate established pursuant to the Intergovernmental Cooperation Act of the State of Illinois. SWANCC is empowered to plan, construct, finance, operate and maintain a solid waste disposal system to serve its members. SWANCC is governed by a Board of Directors which consists of the mayor or president from each member municipality. Each director has an equal vote. The officers of SWANCC are appointed by the Board of Directors. The Board of Directors determines the general policy of SWANCC, makes all appropriations, approves contracts provides for the issuance of debt, adopts by-laws, rules and regulations and exercises such powers and performs such duties as may be prescribed in the agency agreement or the by-laws.

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

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

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

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

In accordance with the contract, the Village made payments totaling \$363,791 to SWANCC in 2016, which includes payment for debt contribution. The Village does not have an equity interest in SWANCC at December 31, 2015.

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 \$30,316 a month or \$363,791 a year.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The Village contributes to five defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system, the Sheriff's Law Enforcement Personnel Fund (SLEP), which is administered by the IMRF, the Municipal Employees' Retirement Fund (MERF), an agent multiple employer plan consisting of the Village and the Morton Grove Public Library, the Police Pension Plan which is a single-employer pension plan, and the Firefighters' Pension Plan which is a single-employer pension plan. A separate report is issued for MERF, the Police Pension Plan and Firefighters' Pension Plan and may be obtained by writing to the Village at 6101 Capulina Avenue, Morton Grove, Illinois 60053-2985. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. All employees (other than those covered by the Police Pension or Firefighters' Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

IMRF – Regular Plan. IMRF provides two tiers of pension benefits. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

IMRF – Regular Plan – Continued. 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 employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Sheriff's Law Enforcement Personnel (SLEP). SLEP members having accumulated at least 30 years of SLEP service and terminating IMRF on or after July 1, 1998, 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 2.50% of their final rate of earnings, for each year of credited service up to 20 years, 2.00% of their final earnings rate for the next 10 years of credited service and 1.00% 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.

Plan Membership. As of December 31, 2016, the measurement date, the following employees were covered by the benefit terms:

	Regular	SLEP	Totals
Inactive Plan Members Currently Receiving Benefits	7	2	9
Inactive Plan Members Entitled to but not yet Receiving Benefits	53	-	53
Active Plan Members	66	-	66
Totals	126	2	128

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Contributions. As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2016 was 9.50% of covered payroll.

SLEP members are required to contribute 7.50% of their annual covered salary. The Village's annual contribution rate for calendar year 2016 was 0.00% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	
Regular	7.50%
SLEP	7.45%
Salary Increases	3.75% to 14.50%
Cost of Living Adjustments	2.75%
Inflation	2.75%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality tables was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate

The discount rate used to measure the total pension liability for the Regular Plan was 7.50% and the prior year discount rate was measured at 7.49%. The discount rate used to measure the total pension liability for the SLEP Plan was 7.50%, which was the same as the prior year discount rate. 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 Village contributions will be made at rates equal to the difference between the 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 project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50% for the Regular Plan and SLEP Plan, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Regular Plan			
Net Pension Liability			
Village	\$ 1,880,352	1,017,791	323,942
Library	715,246	387,146	123,221
Total	2,595,598	1,404,937	447,163
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SLEP Plan			
Net Pension Liability (Asset)	\$ 14,579	3,717	(5,481)

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability – Regular Plan

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 5,885,673	4,547,305	1,338,368
Changes for the Year:			
Service Cost	434,379	-	434,379
Interest on the Total Pension Liability	455,091	-	455,091
Difference Between Expected and Actual Experience of the Total Pension Liability	8,925	-	8,925
Changes of Assumptions	(10,936)	-	(10,936)
Contributions - Employer	-	379,476	(379,476)
Contributions - Employees	-	179,752	(179,752)
Net Investment Income	-	316,372	(316,372)
Benefit Payments, including Refunds of Employee Contributions	(53,756)	(53,756)	-
Other (Net Transfer)	-	(54,710)	54,710
Net Changes	833,703	767,134	66,569
Balances at December 31, 2016	6,719,376	5,314,439	1,404,937
Net Pension Liability			
Village	4,947,068	3,929,277	1,017,791
Library	1,772,308	1,385,162	387,146
Total	6,719,376	5,314,439	1,404,937

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability – SLEP Plan

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 105,607	101,226	4,381
Changes for the Year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	7,564	-	7,564
Difference Between Expected and Actual Experience of the Total Pension Liability	885	-	885
Changes of Assumptions	(509)	-	(509)
Contributions - Employer	-	883	(883)
Contributions - Employees	-	-	-
Net Investment Income	-	6,953	(6,953)
Benefit Payments, including Refunds of Employee Contributions	(8,154)	(8,154)	-
Other (Net Transfer)	-	768	(768)
Net Changes	(214)	450	(664)
Balances at December 31, 2016	105,393	101,676	3,717

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

For the year ended December 31, 2016, the Village recognized pension expense of \$349,178, and \$1,609 for the Regular Plan and SLEP Fund, respectively and the Library recognized \$156,910 in pension expense for the regular plan. The Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

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

	Regular Plan	SLEP Fund	Totals
Difference Between Expected and Actual Experience	\$ (67,841)	-	(67,841)
Change in Assumptions	109,207	-	109,207
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	237,811	5,154	242,965
Total Deferred Amounts Related to IMRF/SLEP	279,177	5,154	284,331
Total Deferred Amounts Related to IMRF/SLEP			
Village	202,246	5,154	207,400
Library	76,931	-	76,931
Totals	279,177	5,154	284,331

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

Fiscal Year	Net Deferred Outflows/(Inflows) of Resources			
	Regular		SLEP	Totals
	Village	Library		
2017	\$ 70,926	26,979	1,785	99,690
2018	70,928	26,979	1,784	99,691
2019	63,367	24,104	1,506	88,977
2020	4,665	1,774	79	6,518
2021	(7,609)	(2,894)	-	(10,503)
Thereafter	(31)	(11)	-	(42)
Totals	202,246	76,931	5,154	284,331

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF)

Plan Descriptions

Plan Administration. All employees (other than those covered by the Police Pension or Firefighters' Pension 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 21 3/10% of average compensation for each of the first 15 years of service, plus 2% of average compensation for each year of service in excess of 15 years. Average compensation is defined as the average of the four calendar years (within the preceding ten years of participation) during which the participant received the highest compensation.

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

Plan Membership. As of December 31, 2016, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	23
Inactive Plan Members Entitled to but not yet Receiving Benefits	17
Active Plan Members	<u>27</u>
Total	<u><u>67</u></u>

Contributions. As set by statute, the Village's 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, 2016 was 43.32% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	5.50%
Salary Increases	4.50%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Rates are from a December 10, 2014 IMRF Experience Study.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF) – Continued

Discount Rate

A Single Discount Rate of 4.84% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the MERF's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore:

1. The long-term expected rate of return on pension plan investments of 5.50% (during the period in which the fiduciary net position is projected to be sufficient to pay benefits); was blended with:
2. The index rate of 3.78% for tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met) to arrive at a discount rate of 4.84% used to determine the total pension liability.

For the purpose of the most recent valuation, the expected rate of return on plan investments is 5.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 4.84%.

Discount Rate Sensitivity

The following is a sensitivity 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 as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.84%)	Current Discount Rate (4.84%)	1% Increase (5.84%)
Net Pension Liability	\$ 23,751,629	18,736,634	14,692,170

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF) – Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 25,836,860	8,306,244	17,530,616
Changes for the Year:			
Service Cost	287,787	-	287,787
Interest on the Total Pension Liability	1,237,559	-	1,237,559
Difference Between Expected and Actual Experience of the Total Pension Liability	1,426,704	-	1,426,704
Changes of Assumptions	(499,817)	-	(499,817)
Contributions - Employer	-	969,391	(969,391)
Contributions - Employees	-	41,532	(41,532)
Net Investment Income	-	235,292	(235,292)
Benefit Payments, including Refunds of Employee Contributions	(534,905)	(534,905)	-
Other (Net Transfer)	-	-	-
Net Changes	1,917,328	711,310	1,206,018
Balances at December 31, 2016	27,754,188	9,017,554	18,736,634

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF) – Continued

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

For the year ended December 31, 2016, the Village recognized pension expense of \$2,949,760. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 1,083,746	(398,166)	685,580
Change in Assumptions	4,102,608	(379,668)	3,722,940
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	321,387	-	321,387
Total Deferred Amounts Related to MERF	5,507,741	(777,834)	4,729,907

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

Fiscal Year	Net Deferred Outflows of Resources
2017	\$ 1,932,202
2018	1,932,202
2019	783,660
2020	81,843
2021	-
Thereafter	-
Total	4,729,907

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan

Plan Descriptions

Plan Administration. The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. 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 police employees.

Plan Membership. At December 31, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	52
Inactive Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members	<u>46</u>
Total	<u>98</u>

Benefits Provided. The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 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 percent of the original pension and 3 percent compounded annually thereafter.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 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 officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent 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. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the preceding calendar year.

Contributions. Covered employees are required 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. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended December 31, 2016, the Village's contribution was 47.91% of covered payroll.

Concentrations. At year-end, the Police Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	4.00% - 12.08%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the 2016 Illinois Police Mortality Rates table. Mortality rates are based on the assumption study prepared by the independent actuary in 2016. The table combines observed experience of Illinois Police Officers with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

Discount Rate

A Single Discount Rate of 6.04% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.78%, and the resulting single discount rate is 6.04%.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Discount Rate Sensitivity

The following is a sensitivity 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 as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.04%)	Current Discount Rate (6.04%)	1% Increase (7.04%)
Net Pension Liability	\$ 53,359,769	42,160,800	33,126,475

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 69,184,510	30,859,576	38,324,934
Changes for the Year:			
Service Cost	1,307,855	-	1,307,855
Interest on the Total Pension Liability	4,075,261	-	4,075,261
Difference Between Expected and Actual Experience of the Total Pension Liability	87,939	-	87,939
Changes of Assumptions	3,094,358	-	3,094,358
Contributions - Employer	-	2,090,649	(2,090,649)
Contributions - Employees	-	429,569	(429,569)
Net Investment Income	-	2,247,993	(2,247,993)
Benefit Payments, including Refunds of Employee Contributions	(3,426,586)	(3,426,586)	-
Administrative Expenses	-	(38,664)	38,664
Net Changes	5,138,827	1,302,961	3,835,866
Balances at December 31, 2016	74,323,337	32,162,537	42,160,800

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

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

For the year ended December 31, 2016, the Village recognized pension expense of \$4,994,797. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 2,990,361	-	2,990,361
Change in Assumptions	5,434,821	-	5,434,821
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,422,899	(96,719)	1,326,180
Total Deferred Amounts Related to Police Pension	9,848,081	(96,719)	9,751,362

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

Fiscal Year	Net Deferred Outflows of Resources
2017	\$ 2,129,679
2018	2,129,679
2019	2,129,675
2020	1,655,379
2021	1,353,365
Thereafter	353,585
Total	9,751,362

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan

Plan Descriptions

Plan Administration. The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. 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 fire employees.

Plan Membership. At December 31, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	50
Inactive Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members	<u>40</u>
Total	<u>90</u>

Benefits Provided. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 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 percent of the original pension and 3percent compounded annually thereafter.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the police office retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent of ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with 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. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended December 31, 2016, the Village's contribution was 54.15% of covered payroll.

Concentrations. At year-end, the Firefighters' Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	4.00% - 11.66%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the 2016 Illinois Firefighters Mortality Rates table. Mortality rates are based on the assumption study prepared by the independent actuary in 2016. The table combines observed experience of Illinois Firefighters with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

Discount Rate

A Single Discount Rate of 5.87% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.78%, and the resulting single discount rate is 5.87%.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Discount Rate Sensitivity

The following is a sensitivity 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 as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.87%)	Current Discount Rate (5.87%)	1% Increase (6.87%)
Net Pension Liability	\$ 54,197,345	42,823,442	33,621,956

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 68,877,735	30,068,503	38,809,232
Changes for the Year:			
Service Cost	1,330,866	-	1,330,866
Interest on the Total Pension Liability	3,963,235	-	3,963,235
Difference Between Expected and Actual Experience of the Total Pension Liability	1,812,111	-	1,812,111
Changes of Assumptions	1,479,863	-	1,479,863
Contributions - Employer	-	2,165,900	(2,165,900)
Contributions - Employees	-	384,004	(384,004)
Net Investment Income	-	2,091,840	(2,091,840)
Benefit Payments, including Refunds of Employee Contributions	(2,721,910)	(2,721,910)	-
Administrative Expenses	-	(69,879)	69,879
Net Changes	5,864,165	1,849,955	4,014,210
Balances at December 31, 2016	74,741,900	31,918,458	42,823,442

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

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

For the year ended December 31, 2016, the Village recognized pension expense of \$6,026,344. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 2,078,863	-	2,078,863
Change in Assumptions	8,437,958	-	8,437,958
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,038,659	-	1,038,659
Total Deferred Amounts Related to Firefighters' Pension	11,555,480	-	11,555,480

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

Fiscal Year	Net Deferred Outflows of Resources
2017	\$ 3,142,697
2018	3,142,697
2019	3,142,697
2020	1,806,515
2021	320,874
Thereafter	-
Total	11,555,480

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions, and Funding Policies

In addition to providing the pension benefits described, the Village provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit 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 General Fund and Water and Sewer Fund.

The Village provides pre and post-Medicare post-retirement 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. The Village provides for limited health care insurance coverage and benefits for its eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Village's retirement plans. For the fiscal year ending December 31, 2016, retirees contributed \$547,589.

At December 31, 2016, the membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	65
Active Employees	<u>131</u>
Total	<u>196</u>
Participating Employers	1

The Village does not currently have a funding policy.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of December 31, 2016, was calculated as follows:

Annual Required Contribution	\$ 1,261,669
Interest on the NOPEBO	228,222
Adjustment to the ARC	<u>(181,074)</u>
Annual OPEB Cost	1,308,817
Actual Contribution	<u>704,287</u>
Change in the NPO	604,530
NOPEBO - Beginning	<u>5,071,606</u>
NOPEBO - Ending	<u><u>5,676,136</u></u>

Trend Information

The Village's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,481,863	\$ 807,884	54.52%	\$ 4,370,255
2015	1,247,821	546,470	43.79%	5,071,606
2016	1,308,817	704,287	53.81%	5,676,136

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$ 15,546,065
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,546,065
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 12,332,744
UAAL as a Percentage of Covered Payroll	126.06%

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 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 the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2015 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 4.50% investment rate of return (net of administrative expenses and including a 3.00% inflation assumption) and an annual healthcare cost trend rate of 7.39%, with an ultimate rate of 4.50%. Both rates include a 4.00% 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, 2016, was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress and Employer Contributions
 - Other Post-Employment Benefit Plan
- Schedule of Employer Contributions
 - Illinois Municipal Retirement Fund
 - Sheriff's Law Enforcement Personnel Plan
 - Municipal Employees' Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Schedule of Changes in the Employer's Net Pension Liability
 - Illinois Municipal Retirement Fund
 - Sheriff's Law Enforcement Personnel Plan
 - Municipal Employees' Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Schedule of Investment Returns
 - Municipal Employees' Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Budgetary Comparison Schedule
 - General Fund
 - Lehigh/Ferris Tax Increment Financing – Special Revenue Fund
 - Waukegan Road Tax Increment Financing – Special Revenue Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

VILLAGE OF MORTON GROVE, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information Schedule of Funding Progress and Employer Contributions December 31, 2016

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
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	11,585,243	176.64%
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	-	15,546,065	0.00%	15,546,065	12,332,744	126.06%
2016	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2011	\$ 521,940	\$ 1,101,892	47.37%
2012	623,335	1,151,127	54.15%
2013	660,352	1,387,902	47.58%
2014	807,884	1,447,500	55.81%
2015	546,470	1,207,192	45.27%
2016	704,287	1,261,669	55.82%

The Village is required to have the actuarial valuation performed biennially.

N/A - Not Available

VILLAGE OF MORTON GROVE, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Employer Contributions

December 31, 2016

Calendar Year		Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/2015	Total	\$ 289,298	\$ 289,298	\$ -	\$ 3,950,495	7.32%
12/31/2016	Village	274,907	274,907	-	2,893,766	9.50%
	Library	104,569	104,569	-	1,100,728	9.50%
	Total	379,476	379,476	-	3,994,494	9.50%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Sheriff's Law Enforcement Personnel Plan

Required Supplementary Information

Schedule of Employer Contributions

December 31, 2016

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 1,005	\$ 1,005	\$ -	\$ -	0.00%
2016	883	883	-	-	0.00%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Employees' Retirement Fund

Required Supplementary Information

Schedule of Employer Contributions

December 31, 2016

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 987,061	\$ 921,727	\$ (65,334)	\$ 2,044,912	45.07%
2016	1,268,797	969,391	(299,406)	2,237,983	43.32%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	24 Years
Asset Valuation Method	Level Dollar (Closed)
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	5.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	December 10, 2014 IMRF Experience Study

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Employer Contributions December 31, 2016

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	\$ 2,114,444	\$ 1,746,014	\$ (368,430)	\$ 4,017,422	43.46%
2015	2,230,643	1,819,397	(411,246)	4,131,663	44.04%
2016	2,574,244	2,090,649	(483,595)	4,363,550	47.91%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	25 Years
Asset Valuation Method	5-Year Smoththed Market
Inflation	2.50%
Salary Increases	4.00% - 12.08%
Investment Rate of Return	7.00%
Mortality	Independent Actuary 2016 Illinois Police Mortality Rates

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Employer Contributions December 31, 2016

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	\$ 2,180,622	\$ 1,914,705	\$ (265,917)	\$ 3,707,686	51.64%
2015	2,190,316	1,949,493	(240,823)	4,101,744	47.53%
2016	2,471,332	2,165,900	(305,432)	4,000,016	54.15%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	25 Years
Asset Valuation Method	5-Year Smothted Market
Inflation	2.50%
Salary Increases	4.00% - 11.66%
Investment Rate of Return	7.00%
Mortality	Independent Actuary 2016 Illinois Police Mortality Rates

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability

December 31, 2016

	12/31/2015	12/31/2016		
	Total	Village	Library	Total
Total Pension Liability				
Service Cost	\$ 429,566	314,684	119,698	434,382
Interest	409,549	(100,967)	556,058	455,091
Differences Between Expected and Actual Experience	(186,773)	6,466	2,459	8,925
Change of Assumptions	-	(7,922)	(3,014)	(10,936)
Benefit Payments, Including Refunds of Member Contributions	(39,656)	(38,943)	(14,813)	(53,756)
Net Change in Total Pension Liability	612,686	173,318	660,388	833,706
Total Pension Liability - Beginning	5,272,987	4,366,439	1,519,234	5,885,673
Total Pension Liability - Ending	\$ 5,885,673	4,539,757	2,179,622	6,719,379
Plan Fiduciary Net Position				
Contributions - Employer	\$ 389,954	274,907	104,569	379,476
Contributions - Members	177,773	130,219	49,533	179,752
Net Investment Income	22,516	229,192	87,180	316,372
Benefit Payments, Including Refunds of Member Contributions	(39,656)	(38,943)	(14,813)	(53,756)
Administrative Expense	(242,491)	(39,643)	(15,076)	(54,719)
Net Change in Plan Fiduciary Net Position	308,096	555,732	211,393	767,125
Plan Net Position - Beginning	4,239,209	3,373,536	1,173,769	4,547,305
Plan Net Position - Ending	\$ 4,547,305	3,929,268	1,385,162	5,314,430
Employer's Net Pension Liability	\$ 1,338,368	610,489	794,460	1,404,949
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.26%	86.55%	63.55%	79.09%
Covered-Employee Payroll	\$ 3,950,495	2,893,766	1,100,728	3,994,494
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	33.88%	21.10%	72.18%	35.17%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Sheriff's Law Enforcement Personnel Plan

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability

December 31, 2016

	12/31/15	12/31/16
Total Pension Liability		
Service Cost	\$ -	-
Interest	7,550	7,564
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	830	885
Change of Assumptions	415	(509)
Benefit Payments, Including Refunds of Member Contributions	(7,982)	(8,154)
Net Change in Total Pension Liability	813	(214)
Total Pension Liability - Beginning	104,794	105,607
Total Pension Liability - Ending	105,607	105,393
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,005	883
Contributions - Members	-	-
Net Investment Income	495	6,953
Benefit Payments, Including Refunds of Member Contributions	(7,982)	(8,154)
Other (Transfers)	5,184	768
Net Change in Plan Fiduciary Net Position	(1,298)	450
Plan Net Position - Beginning	102,524	101,226
Plan Net Position - Ending	101,226	101,676
Employer's Net Pension Liability	\$ 4,381	3,717
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.90%	96.47%
Covered-Employee Payroll	\$ -	-
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	0.00%	0.00%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Employees' Retirement Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2016

	12/31/15	12/31/16
Total Pension Liability		
Service Cost	\$ 283,482	287,787
Interest	868,067	1,237,559
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(745,910)	1,426,704
Change of Assumptions	7,685,672	(499,817)
Benefit Payments, Including Refunds of Member Contributions	(1,213,649)	(534,905)
Net Change in Total Pension Liability	6,877,662	1,917,328
Total Pension Liability - Beginning	18,959,198	25,836,860
Total Pension Liability - Ending	25,836,860	27,754,188
Plan Fiduciary Net Position		
Contributions - Employer	\$ 921,727	969,391
Contributions - Members	44,270	41,532
Net Investment Income	215,478	235,292
Benefit Payments, Including Refunds of Member Contributions	(1,213,649)	(534,905)
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	(32,174)	711,310
Plan Net Position - Beginning	8,338,149	8,306,244
Plan Net Position - Ending	8,306,244	9,017,554
Employer's Net Pension Liability	\$ 17,530,616	18,736,634
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.15%	32.49%
Covered-Employee Payroll	\$ 2,044,912	2,237,893
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	857.28%	837.24%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2016

	12/31/14	12/31/15	12/31/16
Total Pension Liability			
Service Cost	\$ 999,888	1,204,804	1,307,855
Interest	4,067,424	3,656,752	4,075,261
Differences Between Expected and Actual Experience	1,780,289	4,148,200	87,939
Change of Assumptions	-	3,982,348	3,094,358
Benefit Payments, Including Refunds of Member Contributions	(3,284,173)	(3,335,184)	(3,426,586)
Net Change in Total Pension Liability	3,563,428	9,656,920	5,138,827
Total Pension Liability - Beginning	55,964,162	59,527,590	69,184,510
Total Pension Liability - Ending	59,527,590	69,184,510	74,323,337
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,746,014	1,819,397	2,090,649
Contributions - Members	399,590	412,809	429,569
Net Investment Income	1,972,181	(160,038)	2,247,993
Benefit Payments, Including Refunds of Member Contributions	(3,284,173)	(3,335,184)	(3,426,586)
Administrative Expense	(47,891)	(42,462)	(38,664)
Net Change in Plan Fiduciary Net Position	785,721	(1,305,478)	1,302,961
Plan Net Position - Beginning	31,379,333	32,165,054	30,859,576
Plan Net Position - Ending	32,165,054	30,859,576	32,162,537
Employer's Net Pension Liability	\$ 27,362,536	38,324,934	42,160,800
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.03%	44.60%	43.27%
Covered-Employee Payroll	\$ 4,017,422	4,131,663	4,363,550
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	681.10%	927.59%	966.20%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2016

	12/31/14	12/31/15	12/31/16
Total Pension Liability			
Service Cost	\$ 1,067,954	1,356,812	1,330,866
Interest	3,811,312	3,181,468	3,963,235
Differences Between Expected and Actual Experience	(661,128)	928,412	1,812,111
Change of Assumptions	-	11,295,766	1,479,863
Benefit Payments, Including Refunds of Member Contributions	(2,406,899)	(2,530,110)	(2,721,910)
Net Change in Total Pension Liability	1,811,239	14,232,348	5,864,165
Total Pension Liability - Beginning	52,834,148	54,645,387	68,877,735
Total Pension Liability - Ending	54,645,387	68,877,735	74,741,900
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,914,705	1,949,493	2,165,900
Contributions - Members	376,279	387,408	384,004
Net Investment Income	1,695,835	363,152	2,091,840
Benefit Payments, Including Refunds of Member Contributions	(2,441,253)	(2,530,110)	(2,721,910)
Administrative Expense	(42,228)	(60,860)	(69,879)
Net Change in Plan Fiduciary Net Position	1,503,338	109,083	1,849,955
Plan Net Position - Beginning	28,456,082	29,959,420	30,068,503
Plan Net Position - Ending	29,959,420	30,068,503	31,918,458
Employer's Net Pension Liability	\$ 24,685,967	38,809,232	42,823,442
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.83%	43.65%	42.70%
Covered-Employee Payroll	\$ 3,707,686	4,101,744	4,000,016
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	665.81%	946.16%	1070.58%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Employees' Retirement Fund

Required Supplementary Information

Schedule of Investment Returns

December 31, 2016

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	2.80%
2015	2.89%
2016	2.82%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

**Required Supplementary Information
Schedule of Investment Returns
December 31, 2016**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	6.12%
2015	(0.46%)
2016	7.43%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

**Required Supplementary Information
Schedule of Investment Returns
December 31, 2016**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	6.00%
2015	1.21%
2016	6.87%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 15,706,292	15,706,292	16,540,364
Intergovernmental	7,130,000	7,130,000	7,250,261
Charges for Services	1,130,850	1,130,850	1,174,194
Licenses and Permits	1,773,500	1,773,500	1,689,844
Fines and Forfeitures	796,500	796,500	654,226
Interest Income	5,000	5,000	15,386
Miscellaneous	455,550	455,550	307,184
Total Revenues	26,997,692	26,997,692	27,631,459
Expenditures			
General Government	4,052,330	3,908,440	3,645,330
Public Safety	18,184,892	18,242,392	18,440,877
Streets and Sidewalks	2,779,880	2,810,930	2,485,952
Vehicle and Maintenance	790,035	794,035	687,317
Health and Human Services	23,300	23,300	16,446
Community Development	307,572	348,682	238,997
Building and Inspection Services	1,071,469	1,077,669	896,333
Total Expenditures	27,209,478	27,205,448	26,411,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	(211,786)	(207,756)	1,220,207
Other Financing Sources (Uses)			
Disposal of Capital Assets	70,000	70,000	10,070
Transfers In	310,000	310,000	270,000
Transfers Out	(523,658)	(523,658)	(223,658)
	(143,658)	(143,658)	56,412
Net Change in Fund Balance	(355,444)	(351,414)	1,276,619
Fund Balance - Beginning			8,677,973
Fund Balance - Ending			9,954,592

VILLAGE OF MORTON GROVE, ILLINOIS**Lehigh/Ferris Tax Increment Financing - Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 2,000,000	2,000,000	2,177,505
Interest Income	3,500	3,500	13,348
Miscellaneous	-	-	21,891
Total Revenues	2,003,500	2,003,500	2,212,744
Expenditures			
Community Development			
Personnel Services	38,383	39,100	41,430
Contractual Services	325,310	325,310	37,585
Capital Outlay	4,500,500	4,500,500	386,342
Debt Service			
Principal Retirement	485,000	485,000	485,000
Interest and Fiscal Charges	273,050	273,050	135,520
Total Expenditures	5,622,243	5,622,960	1,085,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,618,743)	(3,619,460)	1,126,867
Other Financing Sources (Uses)			
Disposal of Capital Assets	1,000,000	1,000,000	-
Transfers Out	(270,000)	(270,000)	(270,000)
	730,000	730,000	(270,000)
Net Change in Fund Balance	(2,888,743)	(2,889,460)	856,867
Fund Balance - Beginning			15,018,344
Fund Balance - Ending			15,875,211

VILLAGE OF MORTON GROVE, ILLINOIS**Waukegan Road Tax Increment Financing - Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 550,000	550,000	457,878
Interest Income	200	200	1,778
Total Revenues	550,200	550,200	459,656
Expenditures			
Community Development			
Contractual Services	1,000	1,000	-
Debt Service			
Principal Retirement	787,158	787,158	787,158
Interest and Fiscal Charges	110,378	110,378	105,853
Total Expenditures	898,536	898,536	893,011
Net Change in Fund Balance	(348,336)	(348,336)	(433,355)
Fund Balance - Beginning			(2,539,841)
Fund Balance - Ending			(2,973,196)

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – Major Governmental Funds
- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedule – Major Enterprise Fund
- Combining Statements – Nonmajor Enterprise Funds
- Budgetary Comparison Schedules – Nonmajor Enterprise Funds
- Combining Statements – Fiduciary Funds
- Budgetary Comparison Schedules – Fiduciary Funds

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary funds or capital projects funds) that are legally restricted to expenditure for specified purposes.

Lehigh/Ferris Tax Increment Financing Fund

The Lehigh/Ferris Tax Increment Financing Fund is used to account 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 is used to account 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.

Motor Fuel Tax Fund

The Motor Fuel Tax Fund is used to account 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

The Commuter Parking Facility Fund is used to account 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS – CONTINUED

911 Emergency Telephone System Fund

The 911 Emergency Telephone System Fund is used to account for telephone surcharge fees collected for the 911 emergency telephone system. The funds are to be disbursed for the purchase and subsequent maintenance of that system.

Economic Development Fund

The Economic Development Fund is used to account for the 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

The Fire Alarm Fund is used to account 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

The Seizure Fund is used to account for expenditures related to public safety. Revenues are primarily received from the seizure of assets within the Village limits.

Dempster/Waukegan TIF Fund

The Dempster/Waukegan TIF Fund is used to account for expenditures related to promoting economic redevelopment in the Prairie View Shopping Center within the Dempster/Waukegan TIF District.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Proprietary Funds.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Water and Sewer Fund

The Water and Sewer Fund is used to account 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.

Solid Waste Fund

The Solid Waste Fund is used to account for the operations of the Village waste collection services. All activities unnecessary to provide such services mainly involve the collection and disposition of waste and recyclable items.

Municipal Parking Fund

The Municipal Parking Fund issued to account 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.

PENSION TRUST FUNDS

Municipal Employees' Retirement Fund

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

Police Pension Fund

The Police Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the police force at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

Firefighter's Pension Fund

The Firefighters' Pension Fund is used to account for the accumulation of resources to be used for retirement pensions for the Village's sworn firefighter/paramedic personnel. Most rules and regulations of the fund are established by the Pension Division of the Illinois Department of Insurance. Resources are contributed by sworn firefighter/paramedic personnel at rates fixed by state statutes and by the Village through an annual property tax levy.

VILLAGE OF MORTON GROVE, ILLINOIS**General Fund****Schedule of Revenues - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Taxes			
Property Taxes	\$ 9,322,992	9,322,992	9,413,364
Telecommunications Tax	730,000	730,000	710,946
Personal Property Replacement Tax	380,000	380,000	369,491
Home Rule Sales Tax	2,000,000	2,000,000	2,434,318
Utility Taxes	2,010,000	2,010,000	2,039,489
Other Taxes	1,263,300	1,263,300	1,572,756
	15,706,292	15,706,292	16,540,364
Intergovernmental			
Sales Tax	4,100,000	4,100,000	4,359,250
State Income Tax	2,500,000	2,500,000	2,265,196
Local Use Tax	400,000	400,000	565,191
Grants	130,000	130,000	60,624
	7,130,000	7,130,000	7,250,261
Charges for Services			
Cable Franchise Fee	330,000	330,000	368,533
Miscellaneous	800,850	800,850	805,661
	1,130,850	1,130,850	1,174,194
Licenses and Permits	1,773,500	1,773,500	1,689,844
Fines and Forfeits	796,500	796,500	654,226
Interest			
Interest Income	5,000	5,000	15,386
Miscellaneous	455,550	455,550	307,184
Total Revenues	26,997,692	26,997,692	27,631,459

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
General Government			
Legislative			
Personnel Services	\$ 66,400	66,400	52,436
Contractual Services	48,100	48,100	33,887
Commodities	2,500	2,500	1,726
	<u>117,000</u>	<u>117,000</u>	<u>88,049</u>
Administration			
Personnel Services	471,200	474,500	485,911
Contractual Services	25,025	25,025	19,313
Commodities	3,000	3,000	2,721
	<u>499,225</u>	<u>502,525</u>	<u>507,945</u>
Finance			
Personnel Services	762,400	771,000	692,555
Contractual Services	1,298,168	1,298,168	1,209,082
Commodities	8,500	8,500	5,723
Less Administrative Fees			
Water and Sewer Fund	(153,000)	(153,000)	(153,000)
Municipal Parking Fund	(10,200)	(10,200)	(10,200)
	<u>1,905,868</u>	<u>1,914,468</u>	<u>1,744,160</u>
Management and Information Services			
Personnel Services	156,677	159,202	159,028
Contractual Services	449,070	449,070	410,052
Commodities	1,340	1,340	199
Capital Outlay	64,300	64,300	38,780
	<u>671,387</u>	<u>673,912</u>	<u>608,059</u>
Legal			
Personnel Services	138,100	140,600	139,833
Contractual Services	125,500	125,500	99,338
	<u>263,600</u>	<u>266,100</u>	<u>239,171</u>

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
General Government - Continued			
Other Expenditures			
Other	\$ 595,250	434,435	457,946
Total General Government	4,052,330	3,908,440	3,645,330
Public Safety			
Police			
Personnel Services	6,703,600	6,746,600	6,676,625
Contractual Services	2,994,769	2,994,769	2,957,930
Commodities	133,385	133,385	67,800
Capital Outlay	184,880	184,880	146,411
	10,016,634	10,059,634	9,848,766
Fire			
Personnel Services	5,588,900	5,603,400	5,961,520
Contractual Services	2,458,743	2,458,743	2,510,694
Commodities	111,000	111,000	118,169
	8,158,643	8,173,143	8,590,383
Civil Preparedness			
Contractual Services	6,615	6,615	1,728
Commodities	3,000	3,000	-
	9,615	9,615	1,728
Total Public Safety	18,184,892	18,242,392	18,440,877
Streets and Sidewalks			
Streets and Sidewalks			
Personnel Services	1,827,600	1,852,450	1,619,325
Contractual Services	638,650	638,650	607,252
Commodities	156,850	156,850	142,764
Capital Outlay	54,000	54,000	52,382
Less Administrative Fees			
Motor Fuel Tax Fund	(196,970)	(196,970)	(196,970)
Commuter Parking Facility Tax	(120,000)	(120,000)	(120,000)
	2,360,130	2,384,980	2,104,753

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Streets and Sidewalks - Continued			
Engineering			
Personnel Services	\$ 388,400	394,600	374,795
Contractual Services	29,200	29,200	4,514
Commodities	2,150	2,150	1,890
	419,750	425,950	381,199
Total Streets and Sidewalks	2,779,880	2,810,930	2,485,952
Vehicle and Maintenance			
Personnel Services	319,000	323,000	302,497
Contractual Services	95,900	95,900	76,293
Commodities	375,135	375,135	308,527
Total Vehicle and Maintenance	790,035	794,035	687,317
Health and Human Services			
Personnel Services	-	-	7,458
Contractual Services	21,000	21,000	7,129
Commodities	2,300	2,300	1,859
Total Health and Human Services	23,300	23,300	16,446
Community Development			
Personnel Services	270,222	311,332	229,780
Contractual Services	34,850	34,850	9,045
Commodities	2,500	2,500	172
Total Community Development	307,572	348,682	238,997
Building and Inspection Services			
Building and Inspection Services			
Personnel Services	503,352	508,352	384,361
Contractual Services	98,125	98,125	124,903
Commodities	4,500	4,500	298
	605,977	610,977	509,562

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Building and Inspection Services - Continued			
Municipal Buildings			
Personnel Services	\$ 162,900	164,100	127,190
Contractual Services	256,592	256,592	223,109
Commodities	22,000	22,000	14,824
Capital Outlay	24,000	24,000	21,648
	465,492	466,692	386,771
 Total Building and Inspection Services	 1,071,469	 1,077,669	 896,333
 Total Expenditures	 27,209,478	 27,205,448	 26,411,252

VILLAGE OF MORTON GROVE, ILLINOIS

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 807,003	807,003	836,097
Intergovernmental			
Sales Taxes	150,000	150,000	150,000
Other	70,500	70,500	72,248
Interest Income	500	500	1,825
Total Revenues	1,028,003	1,028,003	1,060,170
Expenditures			
Debt Service			
Principal Retirement	883,434	883,434	886,343
Interest and Fiscal Charges	531,383	531,383	634,662
Total Expenditures	1,414,817	1,414,817	1,521,005
Excess (Deficiency) of Revenues Over (Under) Expenditures	(386,814)	(386,814)	(460,835)
Other Financing Sources			
Transfers In	523,658	523,658	223,658
Net Change in Fund Balance	136,844	136,844	(237,177)
Fund Balance - Beginning			337,367
Fund Balance - Ending			100,190

VILLAGE OF MORTON GROVE, ILLINOIS

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 100,000	100,000	101,896
Personal Property Replacement Taxes	34,100	34,100	33,157
Intergovernmental			
Sales Taxes	25,000	25,000	25,000
Other	125,000	125,000	3,046
Interest Income	5,000	5,000	22,489
Miscellaneous	350,000	350,000	-
Total Revenues	639,100	639,100	185,588
Expenditures			
Capital Outlay			
Capital Projects			
Street Improvements	2,767,500	2,767,500	2,327,900
Debt Service			
Interest and Fiscal Charges	20,000	20,000	-
Total Expenditures	2,787,500	2,787,500	2,327,900
Net Change in Fund Balance	(2,148,400)	(2,148,400)	(2,142,312)
Fund Balance - Beginning			3,895,564
Fund Balance - Ending			1,753,252

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet December 31, 2016

	Motor Fuel Tax	Commuter Parking Facility
ASSETS		
Cash and Investments	\$ 796,568	67,892
Receivables - Net of Allowances		
Other Taxes	55,203	-
Due from Other Funds	-	-
Total Assets	851,771	67,892
LIABILITIES		
Accounts Payable	9,902	1,561
Due to Other Funds	-	-
Advances from Other Funds	-	-
Total Liabilities	9,902	1,561
FUND BALANCES		
Restricted	841,869	-
Committed	-	66,331
Unassigned	-	-
Total Fund Balances	841,869	66,331
Total Liabilities and Fund Balances	851,771	67,892

911 Emergency Telephone System	Economic Development	Fire Alarm	Seizure	Dempster/ Waukegan TIF	Totals
85,586	33,394	458,842	725,213	-	2,167,495
-	168,945	-	-	-	224,148
-	-	-	2,095	-	2,095
85,586	202,339	458,842	727,308	-	2,393,738
314	-	4,643	-	2,300	18,720
-	253,667	-	-	-	253,667
-	-	-	-	344,077	344,077
314	253,667	4,643	-	346,377	616,464
85,272	-	454,199	727,308	-	2,108,648
-	-	-	-	-	66,331
-	(51,328)	-	-	(346,377)	(397,705)
85,272	(51,328)	454,199	727,308	(346,377)	1,777,274
85,586	202,339	458,842	727,308	-	2,393,738

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Governmental - Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended December 31, 2016

	Motor Fuel Tax	Commuter Parking Facility
Revenues		
Taxes	\$ -	-
Intergovernmental	606,115	-
Charges for Services	-	176,970
Interest Income	1,919	-
Total Revenues	608,034	176,970
Expenditures		
Public Safety	-	-
Streets and Sidewalks	531,209	172,373
Community Development	-	-
Total Expenditures	531,209	172,373
Net Change in Fund Balances	76,825	4,597
Fund Balances - Beginning	765,044	61,734
Fund Balances - Ending	841,869	66,331

911 Emergency Telephone System	Economic Development	Fire Alarm	Seizure	Dempster/ Waukegan TIF	Totals
-	-	-	-	23,713	23,713
-	673,559	-	71,643	-	1,351,317
201,095	-	191,713	-	-	569,778
-	2,395	-	938	-	5,252
201,095	675,954	191,713	72,581	23,713	1,950,060
216,201	-	56,537	94,089		366,827
-	-	-	-		703,582
-	698,041	-	-	78,962	777,003
216,201	698,041	56,537	94,089	78,962	1,847,412
(15,106)	(22,087)	135,176	(21,508)	(55,249)	102,648
100,378	(29,241)	319,023	748,816	(291,128)	1,674,626
85,272	(51,328)	454,199	727,308	(346,377)	1,777,274

VILLAGE OF MORTON GROVE, ILLINOIS

Motor Fuel Tax - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Taxes	\$ 560,000	560,000	592,469
Miscellaneous	-	-	13,646
Interest Income	50	50	1,919
Total Revenues	560,050	560,050	608,034
Expenditures			
Streets and Sidewalks			
Contractual Services	98,000	98,000	86,556
Commodities	360,000	360,000	247,683
Administrative Fees			
General Fund	203,000	203,000	196,970
Total Expenditures	661,000	661,000	531,209
Net Change in Fund Balance	(100,950)	(100,950)	76,825
Fund Balance - Beginning			765,044
Fund Balance - Ending			841,869

VILLAGE OF MORTON GROVE, ILLINOIS

Commuter Parking Facility - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services	\$ 131,040	131,040	176,970
Interest Income	250	250	-
Total Revenues	131,290	131,290	176,970
Expenditures			
Streets and Sidewalks			
Contractual Services	19,900	19,900	28,191
Commodities	12,450	12,450	13,682
Administrative Fees			
General Fund	120,000	120,000	120,000
Water and Sewer Fund	10,500	10,500	10,500
Total Expenditures	162,850	162,850	172,373
Net Change in Fund Balance	(31,560)	(31,560)	4,597
Fund Balance - Beginning			61,734
Fund Balance - Ending			66,331

VILLAGE OF MORTON GROVE, ILLINOIS

911 Emergency Telephone System - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services			
Telecommunications Surcharges	\$ 253,000	253,000	201,095
Interest Income	50	50	-
Total Revenues	253,050	253,050	201,095
Expenditures			
Public Safety			
Contractual Services	236,750	236,750	216,201
Net Change in Fund Balance	16,300	16,300	(15,106)
Fund Balance - Beginning			100,378
Fund Balance - Ending			85,272

VILLAGE OF MORTON GROVE, ILLINOIS

Economic Development - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Sales Taxes	\$ 660,000	660,000	673,559
Interest Income	150	150	2,395
Total Revenues	660,150	660,150	675,954
Expenditures			
Community Development			
Contractual Services	997,611	997,611	698,041
Net Change in Fund Balance	(337,461)	(337,461)	(22,087)
Fund Balance - Beginning			(29,241)
Fund Balance - Ending			(51,328)

VILLAGE OF MORTON GROVE, ILLINOIS

Fire Alarm - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services	\$ 124,000	124,000	191,713
Interest Income	100	100	-
Total Revenues	124,100	124,100	191,713
Expenditures			
Public Safety			
Personnel Services	20,600	20,900	21,902
Contractual Services	45,400	45,400	29,907
Commodities	22,000	22,000	4,728
Total Expenditures	88,000	88,300	56,537
Net Change in Fund Balance	36,100	35,800	135,176
Fund Balance - Beginning			319,023
Fund Balance - Ending			454,199

VILLAGE OF MORTON GROVE, ILLINOIS

Seizure - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental	\$ 61,200	61,200	71,643
Interest Income	500	500	938
Total Revenues	61,700	61,700	72,581
Expenditures			
Public Safety			
Contractual Services	472,480	472,480	94,089
Net Change in Fund Balance	(410,780)	(410,780)	(21,508)
Fund Balance - Beginning			748,816
Fund Balance - Ending			727,308

VILLAGE OF MORTON GROVE, ILLINOIS

Dempster/Waukegan TIF - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 65,000	65,000	23,713
Interest Income	100	100	-
Total Revenues	65,100	65,100	23,713
Expenditures			
Community Development			
Personnel Services	30,262	29,600	2,622
Contractual Services	106,150	106,150	76,340
Capital Outlay	600,000	600,000	-
Total Expenditures	736,412	735,750	78,962
Net Change in Fund Balance	(671,312)	(670,650)	(55,249)
Fund Balance - Beginning			(291,128)
Fund Balance - Ending			(346,377)

VILLAGE OF MORTON GROVE, ILLINOIS**Water and Sewer - Enterprise Fund****Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Water Sales	\$ 7,802,130	7,802,130	7,526,450
Sewer Charges	806,150	806,150	790,501
Miscellaneous	110,500	110,500	116,385
Total Operating Revenues	8,718,780	8,718,780	8,433,336
Operating Expenses			
Operations			
Personnel Services	1,934,190	1,902,000	1,899,653
Contractual Services	3,444,386	3,444,386	1,469,189
Capital Outlay	959,750	959,750	94,367
Water Purchases	4,375,400	4,375,400	3,846,706
Commodities	440,805	440,805	415,213
Administrative Fees	153,000	153,000	153,000
Other	55,000	55,000	1,033,842
Depreciation	-	-	410,836
Total Operating Expenses	11,362,531	11,330,341	9,322,806
Operating Income (Loss)	(2,643,751)	(2,611,561)	(889,470)
Nonoperating Revenues (Expenses)			
Connection Fees	10,000	10,000	8,090
Interest Income	1,000	1,000	11,267
Other Income	190,000	190,000	173,804
Interest Expense	(372,362)	(372,362)	(176,955)
	(171,362)	(171,362)	16,206
Income (Loss) Before Grants	(2,815,113)	(2,782,923)	(873,264)
Capital Grants	58,543	58,543	59,112
Change in Net Position	(2,756,570)	(2,724,380)	(814,152)
Net Position - Beginning			7,213,032
Net Position - Ending			6,398,880

VILLAGE OF MORTON GROVE, ILLINOIS**Nonmajor Enterprise Funds****Combining Statement of Net Position
December 31, 2016**

	Solid Waste	Municipal Parking	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 514,470	278,014	792,484
Receivables - Net of Allowances			
Accounts	65,699	-	65,699
Prepays	26,314	-	26,314
Total Assets	606,483	278,014	884,497
LIABILITIES			
Current Liabilities			
Accounts Payable	104,060	844	104,904
Other Liabilities	-	35,465	35,465
Total Liabilities	104,060	36,309	140,369
NET POSITION			
Unrestricted	502,423	241,705	744,128

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2016

	Solid Waste	Municipal Parking	Totals
Operating Revenues			
Charges for Services	\$ 1,985,744	58,507	2,044,251
Operating Expenses			
Operations	1,778,287	12,585	1,790,872
Operating Income	207,457	45,922	253,379
Nonoperating Revenues			
Interest Income	63	-	63
Change in Net Position	207,520	45,922	253,442
Net Position - Beginning	294,903	195,783	490,686
Net Position - Ending	502,423	241,705	744,128

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Cash Flows For the Year Ended December 31, 2016

	Solid Waste	Municipal Parking	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 1,983,208	58,557	2,041,765
Payments to Suppliers	(1,841,814)	(12,587)	(1,854,401)
	141,394	45,970	187,364
Cash Flows from Investing Activities			
Interest Income	63	-	63
Net Change in Cash and Cash Equivalents	141,457	45,970	187,427
Cash and Cash Equivalents - Beginning	373,013	232,044	605,057
Cash and Cash Equivalents - Ending	514,470	278,014	792,484
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating Income	207,457	45,922	253,379
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities			
(Increase) Decrease in Assets	(2,536)	50	(2,486)
Increase (Decrease) in Liabilities	(63,527)	(2)	(63,529)
Net Cash Provided (used) by Operating Activities	141,394	45,970	187,364

VILLAGE OF MORTON GROVE, ILLINOIS

Solid Waste - Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Waste	\$ 1,994,820	1,994,820	1,985,744
Operating Expenses			
Operations			
Contractual Services	1,994,429	1,994,429	1,778,287
Operating Income	391	391	207,457
Nonoperating Revenues			
Interest Income	150	150	63
Change in Net Position	541	541	207,520
Net Position - Beginning			294,903
Net Position - Ending			502,423

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Parking - Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual For the Fiscal Year Ended December 31, 2016

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Parking	\$ 56,000	56,000	58,507
Interest	100	100	-
Miscellaneous	50	50	-
Total Operating Revenues	56,150	56,150	58,507
Operating Expenses			
Operations			
Contractual Services	4,000	4,000	764
Commodities	1,300	1,300	1,621
Administrative Fees	10,200	10,200	10,200
Total Operating Expenses	15,500	15,500	12,585
Change in Net Position	40,650	40,650	45,922
Net Position - Beginning			195,783
Net Position - Ending			241,705

VILLAGE OF MORTON GROVE, ILLINOIS**Pension Trust Funds****Combining Statement of Fiduciary Net Position
December 31, 2016**

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Totals
ASSETS				
Cash and Cash Equivalents	\$ -	1,571,908	230,307	1,802,215
Investments				
U.S. Government Obligations	-	3,133,272	2,059,234	5,192,506
U.S. Agency Obligations	-	2,731,326	8,299,650	11,030,976
Municipal Bonds	-	481,328	1,996,055	2,477,383
Corporate Bonds	-	7,197,493	1,158,129	8,355,622
Annuity Contracts	8,651,955	-	-	8,651,955
Equities	-	16,967,434	18,106,602	35,074,036
Receivables - Net				
Accrued Interest	-	90,684	93,437	184,121
Other	415,553	-	-	415,553
Due from Other Funds	555,845	-	-	555,845
Prepays	-	4,275	2,392	6,667
Total Assets	9,623,353	32,177,720	31,945,806	73,746,879
LIABILITIES				
Accounts Payable	-	15,183	27,348	42,531
NET POSITION				
Net Position Restricted for Pensions	9,623,353	32,162,537	31,918,458	73,704,348

VILLAGE OF MORTON GROVE, ILLINOIS

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended December 31, 2016

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Totals
Additions				
Contributions - Employer	\$ 1,194,428	2,090,649	2,165,900	5,450,977
Contributions - Plan Members	45,637	429,569	384,004	859,210
Total Contributions	1,240,065	2,520,218	2,549,904	6,310,187
Investment Income				
Interest Earned	271,728	692,041	1,025,793	1,989,562
Net Change in Fair Value	-	1,613,741	1,144,957	2,758,698
	271,728	2,305,782	2,170,750	4,748,260
Less Investment Expenses	(20,543)	(57,789)	(78,910)	(157,242)
Net Investment Income	251,185	2,247,993	2,091,840	4,591,018
Total Additions	1,491,250	4,768,211	4,641,744	10,901,205
Deductions				
Administration	-	38,664	69,879	108,543
Benefits and Refunds	1,792,028	3,426,586	2,721,910	7,940,524
Total Deductions	1,792,028	3,465,250	2,791,789	8,049,067
Change in Fiduciary Net Position	(300,778)	1,302,961	1,849,955	2,852,138
Net Position Restricted for Pensions				
Beginning	9,924,131	30,859,576	30,068,503	70,852,210
Ending	9,623,353	32,162,537	31,918,458	73,704,348

VILLAGE OF MORTON GROVE, ILLINOIS**Municipal Employees' Retirement - Pension Trust Fund****Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 1,001,524	1,001,524	1,194,428
Contributions - Plan Members	182,250	182,250	45,637
Total Contributions	1,183,774	1,183,774	1,240,065
Investment Income			
Interest Earned	350,000	350,000	271,728
Net Change in Fair Value	-	-	-
	350,000	350,000	271,728
Less Investment Expenses	(21,000)	(21,000)	(20,543)
Net Investment Income	329,000	329,000	251,185
Total Additions	1,512,774	1,512,774	1,491,250
Deductions			
Administration	3,000	3,000	-
Benefits and Refunds	922,000	922,000	1,792,028
Total Deductions	925,000	925,000	1,792,028
Change in Fiduciary Net Position	587,774	587,774	(300,778)
Net Position Restricted for Pensions			
Beginning			9,924,131
Ending			9,623,353

VILLAGE OF MORTON GROVE, ILLINOIS**Police Pension - Pension Trust Fund****Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 2,042,849	2,042,849	2,090,649
Contributions - Plan Members	395,000	395,000	429,569
Total Contributions	2,437,849	2,437,849	2,520,218
Investment Income			
Interest Earned	100	100	692,041
Net Change in Fair Value	1,000,000	1,000,000	1,613,741
	1,000,100	1,000,100	2,305,782
Less Investment Expenses	(40,000)	(40,000)	(57,789)
Net Investment Income	960,100	960,100	2,247,993
Total Additions	3,397,949	3,397,949	4,768,211
Deductions			
Administration	163,500	163,500	38,664
Benefits and Refunds	3,373,000	3,373,000	3,426,586
Total Deductions	3,536,500	3,536,500	3,465,250
Change in Fiduciary Net Position	(138,551)	(138,551)	1,302,961
Net Position Restricted for Pensions			
Beginning			30,859,576
Ending			32,162,537

VILLAGE OF MORTON GROVE, ILLINOIS**Firefighters' Pension - Pension Trust Fund****Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 2,118,523	2,118,523	2,165,900
Contributions - Plan Members	365,000	365,000	384,004
Total Contributions	2,483,523	2,483,523	2,549,904
Investment Income			
Interest Earned	400,000	400,000	1,025,793
Net Change in Fair Value	901,000	901,000	1,144,957
	1,301,000	1,301,000	2,170,750
Less Investment Expenses	(70,000)	(70,000)	(78,910)
Net Investment Income	1,231,000	1,231,000	2,091,840
Total Additions	3,714,523	3,714,523	4,641,744
Deductions			
Administration	174,975	174,975	69,879
Benefits and Refunds	2,605,150	2,605,150	2,721,910
Total Deductions	2,780,125	2,780,125	2,791,789
Change in Fiduciary Net Position	934,398	934,398	1,849,955
Net Position Restricted for Pensions			
Beginning			30,068,503
Ending			31,918,458

SUPPLEMENTAL SCHEDULES

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2009A

December 31, 2016

Date of Issue	October 1, 2009
Date of Maturity	December 1, 2018
Authorized Issue	\$4,920,000
Interest Rates	3.000% - 4.125%
Interest Dates	June 1 and December 1
Principal Maturity Dates	December 1
Payable at	Bank of New York Mellon

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ 570,000	61,838	631,838
2018	1,240,000	38,775	1,278,775
	1,810,000	100,613	1,910,613

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2010B

December 31, 2016

Date of Issue	March 31, 2010
Date of Maturity	December 15, 2029
Authorized Issue	\$8,130,000
Interest Rates	3.20% - 6.00%
Interest Dates	June 15 and December 15
Principal Maturity Dates	December 15
Payable at	Amalgamated Bank of Chicago

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ 430,000	387,795	817,795
2018	435,000	370,595	805,595
2019	455,000	350,150	805,150
2020	480,000	328,765	808,765
2021	500,000	306,205	806,205
2022	530,000	282,705	812,705
2023	550,000	254,880	804,880
2024	570,000	225,730	795,730
2025	590,000	194,665	784,665
2026	610,000	161,920	771,920
2027	630,000	127,455	757,455
2028	735,000	90,600	825,600
2029	775,000	46,500	821,500
	7,290,000	3,127,965	10,417,965
	4,082,400	Debt Service Fund	
	3,207,600	Water and Sewer Fund	
	7,290,000		

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2014 December 31, 2016

Date of Issue	March 25, 2014
Date of Maturity	December 15, 2021
Authorized Issue	\$1,415,000
Interest Rates	2.395%
Interest Dates	June 15 and December 15
Principal Maturity Dates	December 15
Payable at	Chase Bank

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ -	33,890	33,890
2018	-	33,890	33,890
2019	470,000	33,890	503,890
2020	470,000	22,632	492,632
2021	475,000	11,376	486,376
	1,415,000	135,678	1,550,678

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2015

December 31, 2016

Date of Issue	March 18, 2015
Date of Maturity	December 15, 2024
Authorized Issue	\$10,010,000
Interest Rate	4.00%
Interest Dates	June 15 and December 15
Principal Maturity Dates	December 15
Payable at	Amalgamated Bank of Chicago

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ 1,040,000	443,550	1,483,550
2018	555,000	391,550	946,550
2019	1,290,000	363,800	1,653,800
2020	1,360,000	299,300	1,659,300
2021	1,440,000	231,300	1,671,300
2022	1,840,000	159,300	1,999,300
2023	730,000	67,300	797,300
2024	770,000	30,800	800,800
	9,025,000	1,986,900	11,011,900

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bank Promissory Note Payable of 2003 December 31, 2016

Date of Issue	February 10, 2003
Date of Maturity	August 10, 2018
Authorized Issue	\$3,165,000
Interest Rate	4.05%
Interest Dates	February 10 and August 10
Principal Maturity Dates	February 10 and August 10
Payable at	MB Financial

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ 257,466	12,429	269,895
2018	109,219	2,244	111,463
	366,685	14,673	381,358

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bank Promissory Note Payable of 2013 December 31, 2016

Date of Issue	May 31, 2016
Date of Maturity	May 31, 2020
Authorized Issue	\$1,060,000
Interest Rate	2.00%
Interest Dates	May 31
Principal Maturity Dates	May 31
Payable at	Fifth Third Bank

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2017	\$ 151,310	12,473	163,783
2018	154,336	9,447	163,783
2019	157,423	6,360	163,783
2020	160,571	3,211	163,782
	623,640	31,491	655,131

STATISTICAL SECTION

(Unaudited)

This part of the 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 says about the Village's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Village's most significant local revenue sources.

Debt Capacity

These 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.

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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

**Net Position by Component - Last Ten Fiscal Years
December 31, 2016 (Unaudited)**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Net Position by Component - Last Ten Fiscal Years* December 31, 2016 (Unaudited)

	2007	2008	2009
Governmental Activities			
Net Investment in Capital Assets	\$ 50,519,769	46,369,992	43,660,888
Restricted	1,320,956	1,490,542	15,697,500
Unrestricted	(15,865,423)	(12,451,299)	(24,936,412)
Total Governmental Activities Net Position	35,975,302	35,409,235	34,421,976
Business-Type Activities			
Net Investment in Capital Assets	779,852	1,194,967	1,918,346
Unrestricted	1,557,185	1,396,375	928,429
Total Business-Type Activities Net Position	2,337,037	2,591,342	2,846,775
Primary Government			
Net Investment in Capital Assets	51,299,621	47,564,959	45,579,234
Restricted	1,320,956	1,490,542	15,697,500
Unrestricted	(14,308,238)	(11,054,924)	(24,007,983)
Total Primary Government Net Position	38,312,339	38,000,577	37,268,751

* Accrual Basis of Accounting

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

Data Source: Audited Financial Statements

2010	2011	2012	2013	2014	2015	2016
40,455,570	44,804,287	44,017,021	45,225,759	44,444,400	44,953,060	39,217,439
19,784,173	11,645,390	13,415,241	14,644,385	15,893,795	17,293,933	19,744,965
(23,196,704)	(18,379,105)	(20,475,242)	(23,595,025)	(23,603,372)	(71,822,364)	(75,847,646)
37,043,039	38,070,572	36,957,020	36,275,119	36,734,823	(9,575,371)	(16,885,242)
3,844,337	4,490,571	4,108,087	4,945,237	5,875,794	5,778,164	5,960,197
177,104	409,939	2,044,418	2,835,446	3,765,559	1,925,554	1,182,811
4,021,441	4,900,510	6,152,505	7,780,683	9,641,353	7,703,718	7,143,008
44,299,907	49,294,858	48,125,108	50,170,996	50,320,194	50,731,224	45,177,636
19,784,173	11,645,390	13,415,241	14,644,385	15,893,795	17,293,933	19,744,965
(23,019,600)	(17,969,166)	(18,430,824)	(20,759,579)	(19,837,813)	(69,896,810)	(74,664,835)
41,064,480	42,971,082	43,109,525	44,055,802	46,376,176	(1,871,653)	(9,742,234)

VILLAGE OF MORTON GROVE, ILLINOIS

Changes in Net Position - Last Ten Fiscal Years*
December 31, 2016 (Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
General Government	\$ 4,390,997	4,587,340	3,987,630	3,394,369	2,989,799	5,634,828	3,826,691	3,749,953	5,122,457	4,952,670
Public Safety	14,558,399	15,324,442	16,452,967	16,785,158	18,359,859	18,526,759	18,773,860	19,225,281	25,760,081	26,283,790
Streets and Highways	3,187,348	4,196,379	3,815,984	4,312,475	4,685,104	3,547,591	5,823,268	4,043,649	7,364,136	6,569,693
Sanitation	627,214	632,928	646,686	74,942	-	-	-	-	-	-
Vehicle Maintenance	872,991	932,625	752,089	720,434	738,039	816,073	846,686	793,103	701,174	687,317
Health and Human Services	669,564	679,218	717,693	383,133	254,522	266,405	270,450	282,897	220,531	16,446
Community Development	2,433,222	2,047,185	778,130	695,599	331,224	470,695	467,393	980,882	1,118,066	688,354
Building and Inspection al Services	718,784	693,218	812,585	511,905	533,941	699,282	845,669	794,883	714,270	896,333
Interest	1,180,450	1,254,168	879,876	1,018,423	1,043,389	862,272	805,158	781,321	943,022	642,697
Total Governmental Activities Expenses	28,638,969	30,347,503	28,843,640	27,896,438	28,935,877	30,823,905	31,659,175	30,651,969	41,943,737	40,737,300
Business-Type Activities										
Waterworks and Sewerage	4,047,889	4,550,240	4,995,861	5,204,329	5,371,031	6,286,120	6,770,519	7,356,131	10,269,076	9,499,761
Solid Waste	-	-	-	1,352,270	1,818,505	1,820,057	1,869,140	1,857,923	1,869,199	1,788,287
Municipal Parking	-	-	-	-	-	370	11,721	11,380	11,348	12,585
Total Business-Type Activities Expenses	4,047,889	4,550,240	4,995,861	6,556,599	7,189,536	8,106,547	8,651,380	9,225,434	12,149,623	11,300,633
Total Primary Government Expenses	32,686,858	34,897,743	33,839,501	34,453,037	36,125,413	38,930,452	40,310,555	39,877,403	54,093,360	52,037,933
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	2,289,270	2,151,555	2,068,374	2,928,022	2,889,549	2,870,140	3,120,247	3,426,448	3,273,344	2,864,038
Public Safety	469,729	439,602	478,189	522,603	722,977	668,063	905,530	961,296	1,087,239	1,118,677
Other Activities	88,338	83,477	77,835	98,009	7,981	3,657	8,306	2,403	8,102	176,970
Operating Grants/Contributions	826,813	699,862	804,094	978,467	882,240	1,002,278	758,925	829,051	1,077,504	606,115
Capital Grants/Contributions	339,372	55,729	1,244	216,450	278,738	157,618	462,298	158,042	141,474	63,670
Total Governmental Activities Program Revenues	4,013,522	3,430,225	3,429,736	4,743,551	4,781,485	4,701,756	5,255,306	5,377,240	5,587,663	4,829,470
Business-Type Activities										
Charges for Services										
Waterworks and Sewerage	4,239,458	4,596,060	4,990,281	5,451,711	5,773,298	7,106,948	7,857,661	8,678,471	8,691,690	8,441,426
Solid Waste	-	-	-	1,207,409	1,830,623	1,888,288	1,956,253	1,983,404	2,014,617	1,985,744
Municipal Parking	-	-	-	-	13,660	44,325	54,091	59,633	57,935	58,507
Capital Grants/Contributions	-	-	-	811,519	64,122	64,122	59,024	59,473	59,601	59,112
Total Business-Type Activities Program Revenues	4,239,458	4,596,060	4,990,281	7,470,639	7,681,703	9,103,683	9,927,029	10,780,981	10,823,843	10,544,789
Total Primary Government Program Revenues	8,252,980	8,026,285	8,420,017	12,214,190	12,463,188	13,805,439	15,182,335	16,158,221	16,411,506	15,374,259

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense) Revenue										
Governmental Activities	\$ (24,625,447)	(26,917,278)	(25,413,904)	(23,152,887)	(24,154,392)	(26,122,149)	(26,403,869)	(25,274,729)	(36,356,074)	(35,907,830)
Business-Type Activities	191,569	45,820	(5,580)	914,040	492,167	997,136	1,275,649	1,555,547	(1,325,780)	(755,844)
Total Primary Government Net (Expense) Revenue	(24,433,878)	(26,871,458)	(25,419,484)	(22,238,847)	(23,662,225)	(25,125,013)	(25,128,220)	(23,719,182)	(37,681,854)	(36,663,674)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property	11,677,488	12,737,951	12,799,051	13,005,988	12,796,737	12,620,923	12,559,743	12,444,356	12,861,602	13,010,453
Sales	7,061,621	6,370,839	5,604,221	5,576,524	5,602,819	5,940,931	6,277,412	6,413,855	6,801,069	7,642,127
Utility	1,213,165	1,206,890	1,144,676	1,159,513	1,154,124	1,119,227	1,166,101	1,228,883	1,272,845	2,039,489
Other	2,497,113	2,401,921	2,308,750	2,280,628	2,231,857	2,471,292	2,287,247	2,186,679	2,659,951	2,283,702
Intergovernmental - Unrestricted										
Income Taxes	1,987,153	2,125,301	1,824,794	1,766,942	1,797,158	2,044,675	2,217,174	2,227,959	2,476,003	2,265,196
Local Use	297,200	331,713	272,041	303,687	338,416	366,352	400,868	454,615	517,569	565,191
Personal Property Replacement	441,693	434,614	368,208	395,543	348,557	349,197	387,116	398,843	405,808	402,648
Investment Earnings	630,288	394,088	304,129	114,990	73,661	26,846	12,248	15,843	17,912	60,078
Miscellaneous	138,578	574,371	295,348	1,170,135	813,078	262,112	414,059	363,420	236,286	329,075
Gain on Disposal of Capital Assets	-	-	-	-	25,518	-	-	-	-	-
Total Governmental Activities General Revenues	25,944,299	26,577,688	24,921,218	25,773,950	25,181,925	25,201,555	25,721,968	25,734,433	27,249,045	28,597,959
Business-Type Activities										
Investment Earnings	3,652	12,188	3,469	6,296	15,454	13,740	2,665	2,966	2,322	11,330
Contributions	-	-	108,134	8,100	-	-	-	-	-	-
Miscellaneous	192,037	196,297	250,925	246,230	297,636	296,582	300,864	284,657	315,446	173,804
Gain on Disposal of Capital Assets	-	-	-	-	-	-	49,000	17,500	6,300	-
Total Business-Type Activities General Revenues	195,689	208,485	362,528	260,626	313,090	310,322	352,529	305,123	324,068	185,134
Total Primary Government General Revenues	26,139,988	26,786,173	25,283,746	26,034,576	25,495,015	25,511,877	26,074,497	26,039,556	27,573,113	28,783,093
Changes in Net Position										
Governmental Activities	1,318,852	(339,590)	(492,686)	2,621,063	1,027,533	(920,594)	(681,901)	459,704	(9,107,029)	(7,309,871)
Business-Type Activities	387,258	254,305	356,948	1,174,666	805,257	1,307,458	1,628,178	1,860,670	(1,001,712)	(570,710)
Total Primary Government Changes in Net Position	1,706,110	(85,285)	(135,738)	3,795,729	1,832,790	386,864	946,277	2,320,374	(10,108,741)	(7,880,581)

* Accrual Basis of Accounting

Data Source: Audited Financial Statements

VILLAGE OF MORTON GROVE, ILLINOIS

Fund Balances of Governmental Funds - Last Ten Fiscal Years* December 31, 2016 (Unaudited)

	2007	2008	2009	2010
General Fund				
Nonspendable				
Advance to Other Funds	\$ 1,667,406	1,614,804	1,588,930	1,549,007
Prepaid Items	-	-	6,626	-
Restricted				
Public Safety	-	-	-	-
Retirement	-	-	-	-
Specific Property Tax Levies	-	-	-	-
Unrestricted/Unassigned	8,890,161	8,477,050	5,794,060	5,931,760
Total General Fund	10,557,567	10,091,854	7,389,616	7,480,767
All Other Governmental Funds				
Nonspendable				
Prepaid Items	-	-	22,336	-
Advance to Other Funds	-	-	-	-
Restricted				
Public Safety	-	180,400	196,590	191,843
Capital Improvements				
Unspent Bond Proceeds		550,497	488,113	6,483,518
Community Development	5,003,627	6,003,872	14,452,122	12,671,491
Economic Development	-	7,282,950	-	-
Highways and Streets	-	35,727	46,069	204,343
Debt Service	-	468,461	492,270	232,978
Unrestricted				
Committed for Community Development	-	-	-	-
Committed for Commuter Improvements	-	133,254	164,233	167,904
Assigned for Capital Improvements	-	-	-	-
Special Revenue Funds	9,264,692	-	-	-
Unassigned	-	(1,103,419)	(975,505)	(1,079,187)
Total All Other Governmental Funds	14,268,319	13,551,742	14,886,228	18,872,890
Total Governmental Funds	24,825,886	23,643,596	22,275,844	26,353,657

* Modified Accrual Basis of Accounting

Data Source: Audited Financial Statements

2011	2012	2013	2014	2015	2016
1,508,930	1,546,190	1,506,190	1,514,751	2,781,489	3,276,359
-	103,495	-	589,507	192	192
116,805	116,805	14,559	-	-	-
-	-	-	-	4,961	-
-	7,357	-	-	-	-
5,684,663	5,093,952	5,744,509	5,745,220	5,891,331	6,678,041
7,310,398	6,867,799	7,265,258	7,849,478	8,677,973	9,954,592
-	-	-	-	297,983	-
-	35,714	-	44,364	-	44,364
459,385	482,443	498,175	805,492	1,168,217	1,266,779
4,284,205	2,481,828	1,078,056	18	3,597,581	1,753,252
10,771,232	12,360,035	13,493,724	14,228,109	15,018,344	15,830,847
-	-	-	-	-	-
297,968	448,601	637,927	860,194	765,044	841,869
-	-	-	-	337,367	100,190
133,110	-	-	-	-	-
189,114	180,440	105,648	59,855	61,734	66,331
683,421	543,242	-	-	-	-
-	-	-	-	-	-
(1,494,055)	(1,956,874)	(2,150,549)	(1,905,351)	(2,860,210)	(3,370,901)
15,324,380	14,575,429	13,662,981	14,092,681	18,386,060	16,532,731
22,634,778	21,443,228	20,928,239	21,942,159	27,064,033	26,487,323

VILLAGE OF MORTON GROVE, ILLINOIS

Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years*
December 31, 2016 (Unaudited)

	2007	2008	2009	2010
Revenues				
Taxes	\$ 22,209,713	22,424,327	21,586,089	21,775,843
Intergovernmental	3,902,475	3,647,439	3,270,381	3,661,090
Charges for Services	983,358	982,042	873,261	1,014,532
License and Permits	1,194,285	1,115,215	1,029,669	1,569,517
Fines and Forfeitures	327,835	281,457	346,754	561,349
Surcharge Fees	239,671	293,273	270,610	246,812
Lease and Rental Income	-	-	-	-
Investment Income	620,046	393,869	304,129	114,990
Cable TV	215,606	224,026	233,278	260,205
Miscellaneous	264,832	628,427	436,783	1,313,163
Total Revenues	29,957,821	29,990,075	28,350,954	30,517,501
Expenditures				
General Government	3,176,009	3,829,837	3,235,134	2,941,777
Public Safety	14,809,880	14,878,141	15,393,475	15,899,654
Streets and Sidewalks	3,027,875	3,236,324	3,029,454	2,754,279
Sanitation	627,214	632,928	644,771	74,942
Vehicle Maintenance	872,991	932,625	752,089	720,434
Health and Human Services	669,564	679,218	718,045	395,984
Community Development	605,286	2,047,185	529,407	557,192
Building and Inspection Services	718,083	687,918	807,146	514,832
Debt Service				
Principal Retirement	1,940,203	1,701,086	10,144,327	2,434,899
Interest	999,340	1,304,359	1,084,892	1,081,772
Other Charges	101,800	-	94,346	-
Capital Outlay	2,025,571	1,034,105	975,791	4,680,419
Total Expenditures	29,573,816	30,963,726	37,408,877	32,056,184
Excess (Deficiency) of Revenues Over (Under) Expenditures	384,005	(973,651)	(9,057,923)	(1,538,683)
Other Financing Sources (Uses)				
Transfers In	2,496,092	137,162	136,945	62,630
Transfers (Out)	(2,496,092)	(137,162)	(136,945)	(62,630)
Issuance of Bonds	9,200,000	-	10,657,500	5,586,000
Premium on Bonds Issued	-	-	-	-
Discount on Debt Issuance	-	-	(11,975)	(3,371)
Payments to Bond Escrow	-	-	(5,661,824)	-
Issuance of Refunding Installment Note	-	-	2,685,000	-
Issuance of Installment Note	-	-	-	-
Other	103,198	-	-	-
Disposal of Capital Assets	-	17,838	21,470	33,867
	9,303,198	17,838	7,690,171	5,616,496
Net Change in Fund Balances	9,687,203	(955,813)	(1,367,752)	4,077,813
Debt Service as a Percentage of Noncapital Expenditures	10.47%	9.96%	30.68%	12.21%

* Modified Accrual Basis of Accounting

Data Source: Audited Financial Statements

2011	2012	2013	2014	2015	2016
21,551,420	21,879,247	22,290,504	22,273,754	23,595,467	20,170,610
3,645,110	4,010,271	4,290,145	4,250,153	4,618,358	8,851,872
1,152,456	1,067,979	1,061,973	1,139,875	1,204,934	1,375,439
1,587,662	1,472,977	1,498,507	1,741,148	1,826,803	1,689,844
531,010	609,450	835,461	827,515	717,300	654,226
234,115	273,226	249,121	246,727	283,028	-
-	-	-	-	-	-
73,661	26,846	12,248	15,843	17,912	60,078
259,862	322,937	322,822	340,991	336,620	368,533
902,535	240,378	416,493	275,667	236,286	329,075
29,937,831	29,903,311	30,977,274	31,111,673	32,836,708	33,499,677
2,299,975	2,960,966	2,983,917	2,969,658	3,259,332	3,645,330
16,948,038	16,841,291	16,871,340	17,705,168	18,491,369	18,807,704
2,752,341	2,974,086	3,147,491	3,732,439	3,322,002	3,189,534
-	-	-	-	-	-
738,039	816,073	846,686	793,103	701,174	687,317
255,880	263,187	284,289	282,897	217,248	16,446
545,904	766,988	765,500	1,322,606	1,385,112	1,095,015
555,482	698,263	858,707	790,256	707,754	896,333
5,390,149	2,649,987	2,627,833	2,846,995	1,665,200	2,158,501
1,026,638	859,489	793,459	783,179	932,247	876,035
-	-	-	-	-	-
3,173,842	2,342,331	3,431,829	315,560	2,173,640	2,714,242
33,686,288	31,172,661	32,611,051	31,541,861	32,855,078	34,086,457
(3,748,457)	(1,269,350)	(1,633,777)	(430,188)	(18,370)	(586,780)
-	-	-	-	-	493,658
-	-	-	-	-	(493,658)
-	-	-	-	10,010,000	-
-	-	-	-	1,472,259	-
-	-	-	-	-	-
-	-	-	-	(6,359,521)	-
-	-	-	-	-	-
-	-	1,060,000	1,415,000	-	-
-	-	-	-	-	-
29,578	77,800	58,788	29,108	17,506	10,070
29,578	77,800	1,118,788	1,444,108	5,140,244	10,070
(3,718,879)	(1,191,550)	(514,989)	1,013,920	5,121,874	(576,710)
19.95%	11.36%	11.02%	11.84%	8.64%	9.10%

VILLAGE OF MORTON GROVE, ILLINOIS

Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years December 31, 2016 (Unaudited)

Fiscal Year	Tax Levy Year	Residential Property	Farm	Commercial Property
2007	2006	\$ 545,691,470	\$ -	\$ 107,797,552
2008	2007	690,027,687	-	110,013,043
2009	2008	758,998,259	-	109,264,039
2010	2009	784,203,243	115,060	98,422,952
2011	2010	701,075,231	103,019	105,399,747
2012	2011	660,244,991	103,019	89,873,325
2013	2012	606,992,305	103,019	87,545,734
2014	2013	502,751,427	87,861	84,511,239
2015	2014	498,219,161	89,479	128,260,405
2016	2015	N/A	N/A	N/A

Data Source: Office of the County Clerk

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

Industrial Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable Value
\$	154,382,871	\$ 807,871,893	1.159	2,423,615,679	33.333%
	168,985,460	969,026,190	0.995	2,907,078,570	33.333%
	187,025,722	1,055,288,020	0.914	3,165,864,060	33.333%
	147,319,741	1,030,060,996	0.937	3,090,182,988	33.333%
	146,339,223	952,917,220	1.021	2,858,751,660	33.333%
	127,153,891	877,375,226	1.139	2,632,125,678	33.333%
	116,476,425	811,117,483	1.231	2,433,352,449	33.333%
	101,866,766	689,217,293	1.451	2,067,651,879	33.333%
	75,359,033	701,928,078	1.505	2,105,784,234	33.333%
	N/A	695,839,923	1.504	2,087,519,978	33.333%

VILLAGE OF MORTON GROVE, ILLINOIS

Direct and Overlapping Property Tax Rates - Last Ten Tax Levy Years December 31, 2016 (Unaudited)

	2006	2007	2008
Village Direct Rates			
General	0.660	0.559	0.486
Police Pension	0.142	0.132	0.138
Fire Pension	0.176	0.151	0.157
Bonds and Interest	0.068	0.058	0.053
IMRF	-	-	-
Purchase Agreement	0.002	0.002	0.002
IEPA Agreement	0.064	0.053	0.049
Capital Improvement	0.047	0.040	0.029
Total Direct Rates	1.159	0.995	0.914
Overlapping Rates			
Morton Grove Library	0.307	0.266	0.259
School District #68	2.258	1.931	1.882
School District #69	3.527	3.124	3.247
School District #67	2.094	1.859	1.807
School District #63	2.617	2.276	2.233
School District #70	2.846	2.506	2.484
High School District #207	1.826	1.602	1.577
High School District #219	2.374	2.114	2.120
Community College District #535	0.166	0.141	0.140
Cook County	0.500	0.446	0.415
Cook County Forest Preserve	0.057	0.053	0.051
Consolidated Elections	-	0.012	-
Metro Water Reclamation District	0.028	0.263	0.252
Morton Grove Park District	0.328	0.289	0.272
Skokie Park District	0.436	0.375	0.386
Glenview Park District	0.511	0.429	0.429
Maine Township	0.127	0.114	0.112
Niles Township	0.034	0.030	0.030
Suburban T.B. Sanitary District	0.005	-	-
North Shore Mosquito Abatement	0.009	0.008	0.008

Data Source: Office of the County Clerk

2009	2010	2011	2012	2013	2014	2015
0.465	0.528	0.597	0.658	0.725	0.779	0.710
0.162	0.179	0.182	0.191	0.258	0.265	0.302
0.179	0.199	0.205	0.216	0.284	0.284	0.314
0.049	0.075	0.126	0.136	0.143	0.121	0.122
-	-	0.021	0.022	0.030	0.041	0.041
0.052	0.002	0.002	0.002	0.003	-	-
-	0.027	-	-	-	-	-
0.030	0.011	0.006	0.006	0.008	0.015	0.015
0.937	1.021	1.139	1.231	1.451	1.505	1.504

0.269	0.335	0.349	0.377	0.444	0.458	0.419
1.999	2.133	2.452	2.723	3.144	3.121	2.863
3.768	4.357	4.866	5.481	6.214	5.926	5.696
1.943	2.203	2.449	2.961	3.497	3.427	2.957
2.235	2.499	2.775	3.100	3.864	3.811	3.492
2.574	2.890	3.261	3.669	4.351	4.344	3.797
1.617	1.782	1.995	2.215	2.722	2.739	2.507
2.267	2.538	2.904	3.256	3.707	3.650	3.460
0.140	0.160	0.196	0.219	0.256	0.258	0.231
0.394	0.423	0.462	0.531	0.560	0.568	0.533
0.049	0.051	0.058	0.063	0.069	0.069	0.063
0.021	-	0.025	0.531	0.031	-	-
0.261	0.274	0.320	0.370	0.417	0.430	0.406
0.284	0.311	0.365	0.382	0.468	0.463	0.431
0.383	0.423	0.476	0.518	0.581	0.477	0.440
0.422	0.483	0.538	0.579	0.662	0.661	0.563
0.117	0.131	0.149	0.168	0.210	0.210	0.108
0.032	0.036	0.042	0.048	0.056	0.057	0.046
-	-	-	-	-	-	-
0.008	0.009	0.010	0.010	0.007	0.011	0.010

VILLAGE OF MORTON GROVE, ILLINOIS

Principal Property Tax Payers - Current Tax Levy Year and Nine Tax Levy Years Ago December 31, 2016 (Unaudited)

Taxpayer	2015 Tax Levy Year			2006 Tax Levy Year		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value
CRP Holdings CLP	\$ 13,936,911	1	2.00%			
Schwinge Family Ltd	11,274,413	2	1.62%	\$ 12,267,849	5	1.27%
Tower Real Estate	8,835,612	3	1.27%			
Menards	7,289,365	4	1.05%	13,155,165	3	1.36%
Fluid Handling LLC	7,099,027	5	1.02%	13,046,718	4	1.35%
Avon Products Inc.	7,023,452	6	1.01%	10,757,711	6	1.11%
MG Property Holdings	6,336,060	7	0.91%			
John Crane Inc	6,044,318	8	0.87%	10,723,075	7	1.11%
7000 Golf Road LLC	5,736,941	9	0.82%			
Public Storage	5,481,787	10	0.79%			
Rose Real Estate				21,821,407	1	2.25%
Federal Center, Inc.				20,736,341	2	2.14%
Kraft				8,494,412	8	0.88%
Lawn care Products				6,556,787	9	0.68%
Gendell				4,871,000	10	0.50%
	<u>79,057,886</u>		<u>11.36%</u>	<u>122,430,465</u>		<u>12.65%</u>

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

Data Source: Office of the County Clerk

VILLAGE OF MORTON GROVE, ILLINOIS

Property Tax Levies and Collections - Last Ten Fiscal Years December 31, 2016 (Unaudited)

Fiscal Year	Tax Levy Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2006	\$	9,368,298	\$	9,160,127	97.78%	\$ -	\$ 9,160,127 97.78%
2008	2007		9,649,253		9,455,259	97.99%	-	9,455,259 97.99%
2009	2008		9,649,253		9,312,628	96.51%	-	9,312,628 96.51%
2010	2009		9,649,253		9,346,622	96.86%	-	9,346,622 96.86%
2011	2010		9,986,977		9,544,078	95.57%	-	9,544,078 95.57%
2012	2011		9,986,977		9,756,941	97.70%	-	9,756,941 97.70%
2013	2012		9,986,976		9,784,931	97.98%	-	9,784,931 97.98%
2014	2013		9,986,976		9,821,777	98.35%	-	9,821,777 98.35%
2015	2014		10,556,998		10,374,750	98.27%	-	10,374,750 98.27%
2016	2015		10,463,024		10,351,433	98.93%	-	10,351,433 98.93%

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 December 31, 2016 (Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Revolving Loans Payable	Installment Notes Payable	Intergovernmental Agreements Payable
2007	\$ 16,182,500	\$ 2,039,279	\$ 13,015,702	\$ 4,682,533
2008	15,481,250	1,633,332	12,015,866	4,482,974
2009	19,283,750	1,212,720	4,648,818	4,260,718
2010	23,124,800	776,917	4,394,673	4,014,958
2011	21,072,950	325,372	1,507,919	3,753,704
2012	18,958,300	-	1,297,954	3,457,411
2013	16,549,300	-	2,139,121	3,134,950
2014	15,487,800	-	1,768,626	2,785,393
2015	19,563,778	-	1,385,826	2,407,781
2016	17,620,627	-	990,325	2,001,120

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

		Business-Type Activities						
General Obligation Bonds		Revolving Loans Payable		Installment Notes Payable		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 2,327,500		\$ 222,283		\$ 370,161		\$ 38,839,958	6.20%	\$ 1,729.99
2,093,750		150,021		250,081		36,107,274	5.76%	1,608.27
1,856,250		75,943		51,148		31,389,347	5.01%	1,398.13
5,855,200		-		-		38,166,548	6.09%	1,640.16
5,347,050		-		-		32,006,995	5.10%	1,375.46
4,766,700		-		-		28,480,365	4.54%	1,223.91
4,175,700		-		-		25,999,071	4.14%	1,117.28
3,577,200		-		-		23,619,019	3.10%	1,015.00
3,389,475		-		-		26,746,860	3.32%	1,149.41
3,202,841		-		-		23,814,913	3.10%	1,013.53

VILLAGE OF MORTON GROVE, ILLINOIS

Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years December 31, 2016 (Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Less: Amounts Available for Debt Service		Total	Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	General Obligation Bonds		General Obligation Bonds						
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%	919.68
2010	23,124,800		5,855,200		232,978		28,747,022	2.79%	1,235.37
2011	21,072,950		5,347,050		-		26,420,000	2.77%	1,135.37
2012	18,958,300		4,766,700		-		23,725,000	2.70%	1,019.55
2013	16,549,300		4,175,700		-		20,725,000	2.56%	890.63
2014	15,487,800		3,577,200		46,839		19,018,161	2.76%	817.28
2015	19,563,778		3,389,475		337,367		22,615,886	3.22%	971.89
2016	17,620,627		3,202,841		-		20,823,468	2.99%	886.22

(1) See the Schedule of Assessed Value and Actual Value of Taxable Property for property value data.

(2) See the Schedule of Demographic and Economic Statistics for population data.

Notes: Details of the Village's outstanding debt can be found in the notes to financial statements. User fees/charges are the main source in repayment of the General Obligation Bonds - Business-Type.

VILLAGE OF MORTON GROVE, ILLINOIS

Schedule of Direct and Overlapping Governmental Activities Debt December 31, 2016 (Unaudited)

Governmental Unit	Gross Debt	Percentage of Debt Applicable to Village (1)(2)	Village's Share of Debt
Village of Morton Grove	\$ 18,610,952	100.000%	\$ 18,610,952
Schools			
School District #63	11,355,000	15.660%	1,778,193
School District #67	10,500,470	77.340%	8,121,063
School District #69	16,655,000	17.280%	2,877,984
School District #70	5,555,000	98.700%	5,482,785
High School District #207	15,600,000	3.710%	578,760
High School District #219	134,253,952	15.800%	21,212,124
Community College District #535	30,895,000	3.720%	1,149,294
Total Schools	224,814,422		41,200,204
Others			
Cook County	3,213,141,750	0.520%	16,708,337
Cook County Forest Preserve	157,510,000	0.520%	819,052
Metropolitan Metro Water Reclamation District of Greater Chicago	2,583,922,748	0.530%	13,694,791
Glenview Park District	19,567,000	0.350%	68,485
Skokie Park District	25,859,470	0.520%	134,469
Total Others	6,000,000,968		31,425,133
Total Overlapping Debt	250,673,892		72,625,337
Total Direct and Overlapping Debt	269,284,844		91,236,289

(1) Overlapping debt percentages based on 2015 EAV, the most recent available.

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

Data Source: Cook County Clerk

VILLAGE OF MORTON GROVE, ILLINOIS

Schedule of Legal Debt Margin - Last Ten Fiscal Years December 31, 2016 (Unaudited)

The Village is a home rule municipality.

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

The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by some 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Demographic and Economic Statistics - Last Ten Fiscal Years December 31, 2016 (Unaudited)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	22,451	\$ 626,360,449	\$ 27,899	3.80%
2008	22,451	626,360,449	27,899	3.90%
2009	22,451	626,360,449	27,899	6.50%
2010	23,270	626,358,590	26,917	8.10%
2011	23,270	627,661,710	26,973	8.90%
2012	23,270	627,661,710	26,973	8.90%
2013	23,270	627,661,710	26,973	8.90%
2014	23,270	762,278,660	32,758	8.70%
2015	23,270	805,886,640	34,632	5.80%
2016	23,497	769,282,930	33,059	5.20%

Data Sources: U.S. Bureau of Census, Department of Labor and Village Records

VILLAGE OF MORTON GROVE, ILLINOIS

Principal Employers - Current Fiscal Year and Nine Fiscal Years Ago December 31, 2016 (Unaudited)

Employer	2016			2007		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
John Crane Inc	610	1	2.60%	900	2	4.00%
Xylem	475	2	2.00%			
New Avon LLC	362	3	1.50%			
Active Disposal Lake Shore	225	4	1.00%			
MG Living & Rehab	205	5	0.90%			
Schwartz Paper Co	200	6	0.90%	347	6	1.50%
Shore Koenig Training Center	200	7	0.90%	220	7	1.00%
Quantum Color Graphics	165	8	0.70%			
Precision Pating	130	9	0.60%			
Integrated Mercandising System	130	10	0.60%			
Avon Products Inc				1,200	1	5.30%
ITT Bell & Gossett				750	3	3.30%
Sunstone				360	4	1.60%
Morton Grove Pharmaceuticals Inc				350	5	1.60%
Paul J Krez Electric				160	8	0.70%
Catering by Michael's				140	9	0.60%
Quantum Group				140	10	0.60%
	<u>2,702</u>		<u>11.70%</u>	<u>4,567</u>		<u>20.20%</u>

Data Source: Village business licenses, 2014 Illinois Manufacturers Directory and 2014 Illinois Services Directory

VILLAGE OF MORTON GROVE, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
December 31, 2016 (Unaudited)**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years December 31, 2016 (Unaudited)

	2007	2008	2009
General Government			
Administrative	4.5	4.5	3.5
Community Development	1.5	1.5	1.5
Legal	0.5	0.5	0.5
Management Information	1.0	1.0	1.0
Finance	6.5	6.0	5.5
Health and Human Services	-	-	-
Family Services	12.0	9.5	11.5
Building/Code Enforcement	8.5	8.0	7.0
Public Safety			
Police			
Officers	46.0	46.0	45.0
Civilians	23.5	23.0	22.0
Fire			
Firefighters and Officers	44.0	42.0	40.0
Civilians	3.0	3.0	30.0
Public Works			
Street Maintenance	16.5	16.5	17.5
Engineering	3.2	3.2	3.0
Vehicle Maintenance	4.0	4.0	4.0
Water and Sewer	13.3	13.3	12.0
Total	188.0	182.0	204.0

Data Source: Village Budget Office

2010	2011	2012	2013	2014	2015	2016
3.0	3.0	4.0	4.0	4.5	4.0	4.0
1.0	1.0	1.0	1.0	2.5	2.0	2.0
0.5	0.5	0.5	0.5	0.5	0.5	0.5
1.0	1.0	1.0	1.0	1.0	1.0	1.0
5.5	5.5	5.0	6.0	6.0	6.0	6.0
-	-	-	-	0.5	0.5	-
4.5	4.5	4.5	3.5	2.5	2.5	2.5
4.0	4.0	2.5	4.0	5.0	4.0	4.0
45.0	46.0	45.0	45.0	46.0	46.0	47.0
20.0	18.5	18.5	21.0	17.0	15.0	15.0
41.0	41.0	40.0	42.0	41.0	39.0	42.0
2.5	2.5	1.5	3.5	3.0	2.5	2.5
17.5	17.5	17.5	17.5	20.0	20.0	19.0
3.0	3.0	3.0	3.0	3.0	3.0	3.0
4.1	4.0	4.0	4.0	4.0	4.0	4.0
12.0	12.0	12.0	12.0	12.0	13.5	12.5
164.6	164.0	160.0	168.0	168.5	163.5	165.0

VILLAGE OF MORTON GROVE, ILLINOIS

Operating Indicators by Function/Program - Last Ten Fiscal Years December 31, 2016 (Unaudited)

	2007	2008	2009
Public Safety			
Police			
Physical Arrests	635	550	651
Parking Violations	5,210	5,171	6,075
Traffic Violations	4,598	4,367	5,092
Fire			
Emergency Responses	3,384	3,594	3,249
Fires Extinguished	38	22	70
Public Works			
Street Resurfacing (Miles)	1.81	0.63	1.33
Potholes Repaired	121.50	120.00	180.00
Water			
New Connections	70	23	1
Water Mains Breaks	85	67	91
Average Daily Consumption	3,180,000	3,500,000	2,999,484
Peak Daily Consumption	4,955,000	6,200,000	4,374,000

Data Source: Various Village Departments

2010	2011	2012	2013	2014	2015	2016
647	574	580	513	551	438	430
8,331	8,933	6,751	6,465	4,530	3,814	3,736
4,587	4,440	3,686	3,849	3,072	3,292	2,234
3,265	3,419	3,360	3,470	3,631	3,694	3,771
59	60	48	63	69	39	34
3.03	4.90	6.65	5.70	1.50	3.90	3.50
189.00	170.75	12.50	132.00	160.00	104.00	109.00
27	8	9	7	9	-	-
81	64	70	122	80	72	63
2,969,923	2,670,613	2,745,553	2,601,227	2,869,367	2,698,000	2,681,000
4,167,000	4,498,000	4,412,000	4,238,000	3,628,000	5,086,000	3,650,000

VILLAGE OF MORTON GROVE, ILLINOIS

Capital Asset Statistics by Function/Program - Last Ten Fiscal Years December 31, 2016 (Unaudited)

	2007	2008	2009
Public Safety			
Police			
Stations	1	1	1
Area Patrols	3	3	3
Patrol Units	15	15	15
Fire			
Fire Stations	2	2	2
Fire Engines	2	2	2
Public Works			
Arterial Streets (Miles)	19	19	19
Residential Street (Miles)	86	86	86
Streetlights	372	372	372
Traffic Signals	13	13	13
Water			
Water Mains (Miles)	98.9	98.9	98.9
Fire Hydrants	1,093	1,093	1,093
Storage Capacity (Gallons)	8,550,000	8,550,000	8,550,000
Wastewater			
Sanitary Sewers (3 Miles)	47.9	47.9	47.9
Storm Sewers (3 Miles)	70.6	70.6	70.6
Combined Sewers (Miles)	23.6	23.6	23.6

Data Source: Various Village Departments

2010	2011	2012	2013	2014	2015	2016
1	1	1	1	1	1	1
3	3	3	3	3	3	3
15	15	15	15	15	15	15
2	2	2	2	2	2	2
2	2	2	2	2	2	2
19	19	19	19	19	19	19
86	86	86	86	86	86	86
372	372	372	372	372	372	357
13	13	13	13	13	13	13
98.9	98.9	98.9	98.9	98.9	98.9	99.0
1,093	1,093	1,093	1,093	1,093	1,093	1,093
8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000
47.9	47.9	47.9	47.9	47.9	47.9	47.9
70.6	70.6	70.6	70.6	70.6	70.6	70.6
23.6	23.6	23.6	23.6	23.6	23.6	23.6