

Village of Morton Grove

Morton Grove, Illinois



Incredibly Close  Amazingly Open

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2018

VILLAGE OF MORTON GROVE, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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, 2018

LEGISLATIVE

Daniel DiMaria, Village President
(Term Ends April 2021)

Eileen Scanlon Harford, Village Clerk
(Term Ends April 2021)

TRUSTEES

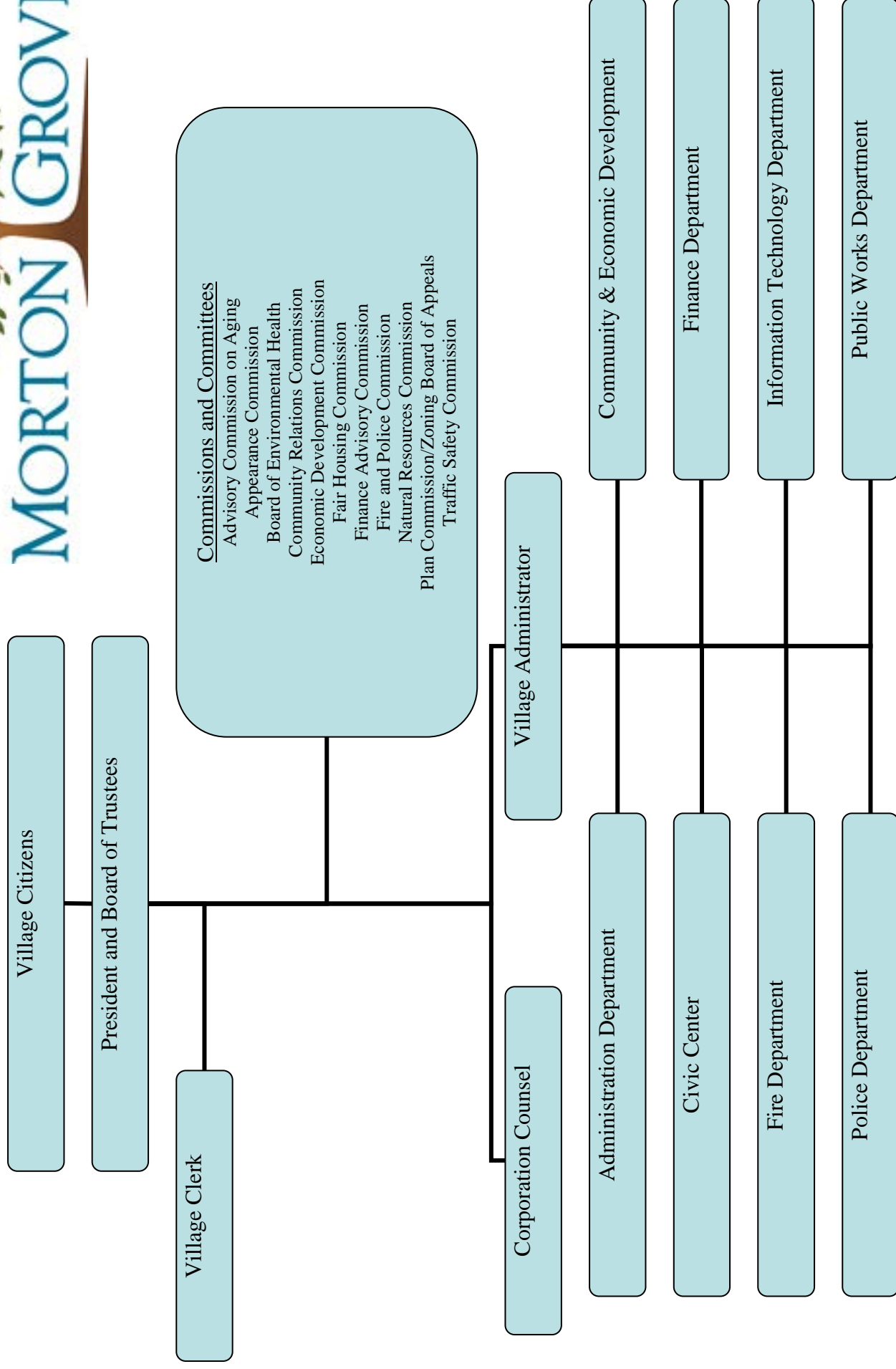
Bill Grear, Term Ends April 2021
Rita Minx, Term Ends April 2019
Connie Travis, Term Ends April 2021
John Thill, Term Ends April 2019
Janine Witko, Term Ends April 2019
Ed Ramos, Term Ends April 2021

ADMINISTRATIVE

(Appointments End December 31, 2018)

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
Joseph Dahm, Public Works Director
Lauren Piahm, Adjudication Hearing Officer
Addis Greenberg, LLC, Village Prosecutor

Village of Morton Grove Organization Chart 2018



July 25, 2019

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, 2018, 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, 2018. 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 3.7% as of 2017.

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 \$79,978, and the median income for a family was \$93,610. Males had a median income of \$60,704 versus \$52,403 for females. The per capita income for the Village was \$34,443. About 5.2% of families and 8.2% of the population were below the poverty line, including 8.7% of those families with children under age 18 and 3.2% 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. Building permits and business license revenues are slowly returning 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 continues to reduce the amount of shared revenues transmitted to the Village. 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.

Although the economy is recovering, 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.

The Village formed the Morton Grove Niles Water Commission with the Village of Niles in 2017 for the purpose of constructing a pipeline to allow the Village to purchase water from the Village of Evanston which will be a significant savings over the current water rates the Village pays to the City of Chicago. The Village began taking some water from Evanston in December 2018 and plans to be fully on Evanston water by the end of 2019.

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, 2017. This was the thirtieth 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 black ink, 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, 2017

Christopher P. Morill

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 25, 2019

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, 2018, 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Morton Grove, Illinois, as of December 31, 2018, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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
LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MORTON GROVE, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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, 2018.

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 3 - 7 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 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

(See independent auditor's report.)

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.

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

(See independent auditor's report.)

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, municipal parking lots and the Morton Grove Days festival.

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 41 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 the Retiree Benefit Plan. 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 102 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 124 of this report.

(See independent auditor's report.)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis and subsequent financial statements show a radically different net position for the Village than in previous years. It is important to recognize that this change is attributable to the Village of Morton Grove implementing GASB pronouncement 68 in 2015, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for defined-benefit pension plans. 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. Similarly, in 2018 the Village implemented GASB 75, which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses related to Other Post-Employment Benefits.

The following tables show the net position of the Village of Morton Grove, December 31, 2018, compared to December 31, 2017:

Village of Morton Grove Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Current and other assets	\$ 38,203	\$ 36,800	\$ 6,626	\$ 7,767	\$ 44,829	\$ 44,567
Capital assets	56,107	57,329	9,630	9,571	65,737	66,900
Total assets	94,310	94,129	16,256	17,338	110,566	111,467
Deferred outflows	18,358	18,946	521	1,065	18,879	20,011
Total assets and deferred outflows	112,668	113,075	16,777	18,403	129,445	131,478
Current and other Liabilities	5,152	4,313	809	1,477	5,961	5,790
Long-Term liabilities	123,680	108,353	8,476	7,748	132,156	116,101
Total liabilities	128,832	112,666	9,285	9,225	138,117	121,891
Deferred inflows	19,386	21,701	297	845	19,683	22,546
Total liabilities and deferred inflows	148,218	134,367	9,582	10,070	157,800	144,437
Net position:						
Net investment in capital assets	42,540	42,544	6,807	6,557	49,347	49,101
Restricted	15,741	15,641	-	-	15,741	15,641
Unrestricted	(93,831)	(79,477)	388	1,776	(93,443)	(77,701)
Total net position	\$ (35,550)	\$ (21,292)	\$ 7,195	\$ 8,333	\$ (28,355)	\$ (12,959)

A reconciliation between the governmental funds at the fund level and the entity wide governmental activities is on pages 31 and 34.

The Village's net position, investment in capital assets of \$49,347,209, 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, \$15,740,469, 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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(See independent auditor's report.)

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. An impact of GASB 75 is the restatement of prior Net Position as well as the recognition of additional expense in the current year.

Village of Morton Grove Changes in Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Revenues						
Program revenues						
Charges for services	\$ 4,810	\$ 4,239	\$ 10,449	\$ 10,773	\$ 15,259	\$ 15,012
Operating Grants	602	612	-	-	602	612
Capital Grants	85	206	53	59	138	265
General revenues						
Taxes	29,529	28,776	-	-	29,529	28,776
Investment income	305	776	32	16	337	792
Miscellaneous	600	225	152	194	752	419
Total revenues	35,931	34,834	10,686	11,042	46,617	45,876
Expenses						
General government	4,100	5,117			4,100	5,117
Public safety	20,852	24,372			20,852	24,372
Streets and sidewalks	8,753	5,889			8,753	5,889
Vehicle maintenance	696	662			696	662
Health and human services	28	9			28	9
Community development	3,069	1,595			3,069	1,595
Building and inspectional services	960	1,042			960	1,042
Interest	419	585			419	585
Water and sewer			8,478	8,169	8,478	8,169
Solid Waste			1,868	1,836	1,868	1,836
Municipal Parking			10	11	10	11
Morton Grove Days			148	150	148	150
Total expenses	38,877	39,271	10,504	10,166	49,381	49,437
Change in net position	(2,946)	(4,437)	182	876	(2,764)	(3,561)
Net position - January 1	(21,292)	(16,855)	8,333	7,457	(12,959)	(9,398)
Change In Accounting Principle	(11,312)	-	(1,320)	-	(12,632)	-
Restated Net Position Jan 1	(32,604)	(16,855)	7,013	7,457	(25,591)	(9,398)
Net position - December 31	\$ (35,550)	\$ (21,292)	\$ 7,195	\$ 8,333	\$ (28,355)	\$ (12,959)

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(See independent auditor's report.)

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 \$35,930,895 at December 31, 2017.

- Property tax (and replacement tax) continues to be the Village's largest revenue source totaling \$14,148,356 representing 39.38% of total governmental activity revenue. Sales tax revenue was \$8,099,670 or 22.54% of total governmental activity revenue. Charges for Services revenue was \$4,810,416 or 13.39% of total governmental activity revenue. State income tax revenue was \$2,228,476 or 6.20% of total governmental activity revenue. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, and others) was \$2,813,789 or 7.83% of total governmental activity revenue. Telecommunication tax was \$589,336 or 1.64% of total governmental activity revenue. A utility tax (Electric, Gasoline & Natural gas tax) was \$1,649,183 or 4.59% of total governmental activity revenue.

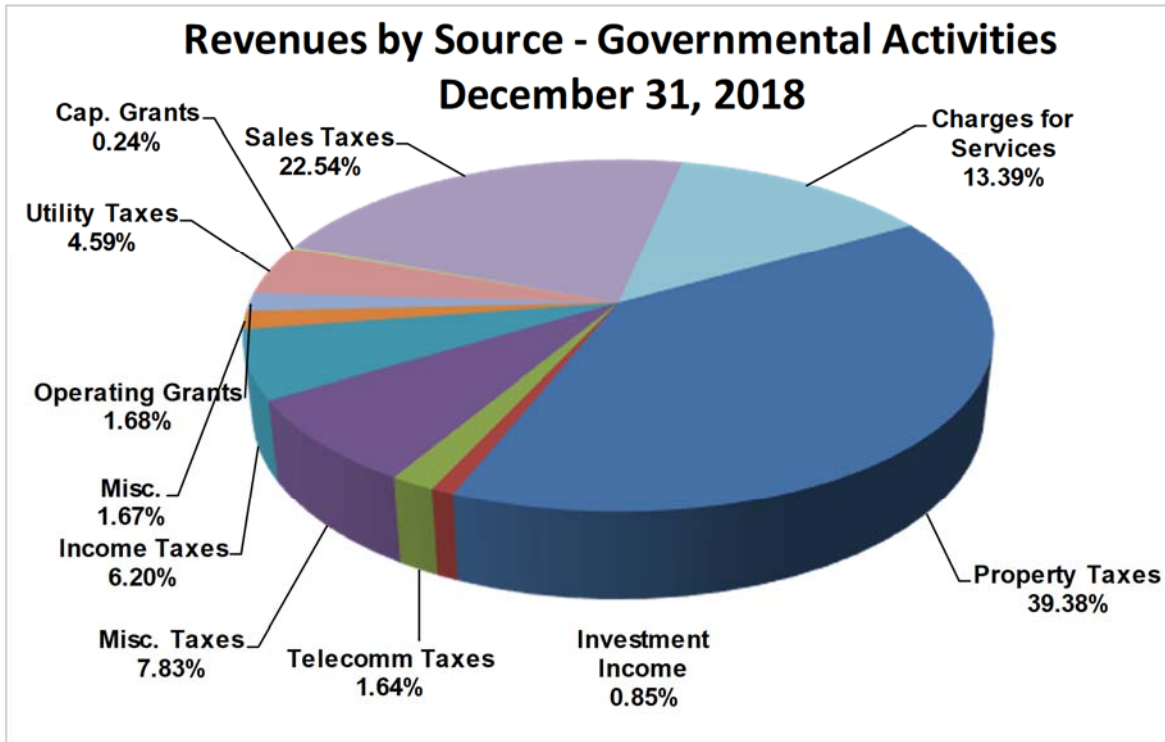
Comparison with Prior Year.

- Property tax and replacement tax revenue increased by \$203,978 or 1.46% from prior year. Sales tax revenue increased by \$386,412 or 5.01% from prior year. Charges for Services revenue increased by \$570,867 or 13.47% from prior year. State income tax revenue increased by \$91,146 or 4.26% from prior year. Miscellaneous taxes revenue (local use, real estate transfer, hotel & motel tax, food & beverage, and others) decreased by \$8,535 or 0.30% from prior year. Telecommunication decreased by \$62,464 or 9.58% from prior year. A utility tax (Electric, Gasoline & Natural gas tax) increased by \$142,675 or 9.47% from prior year.

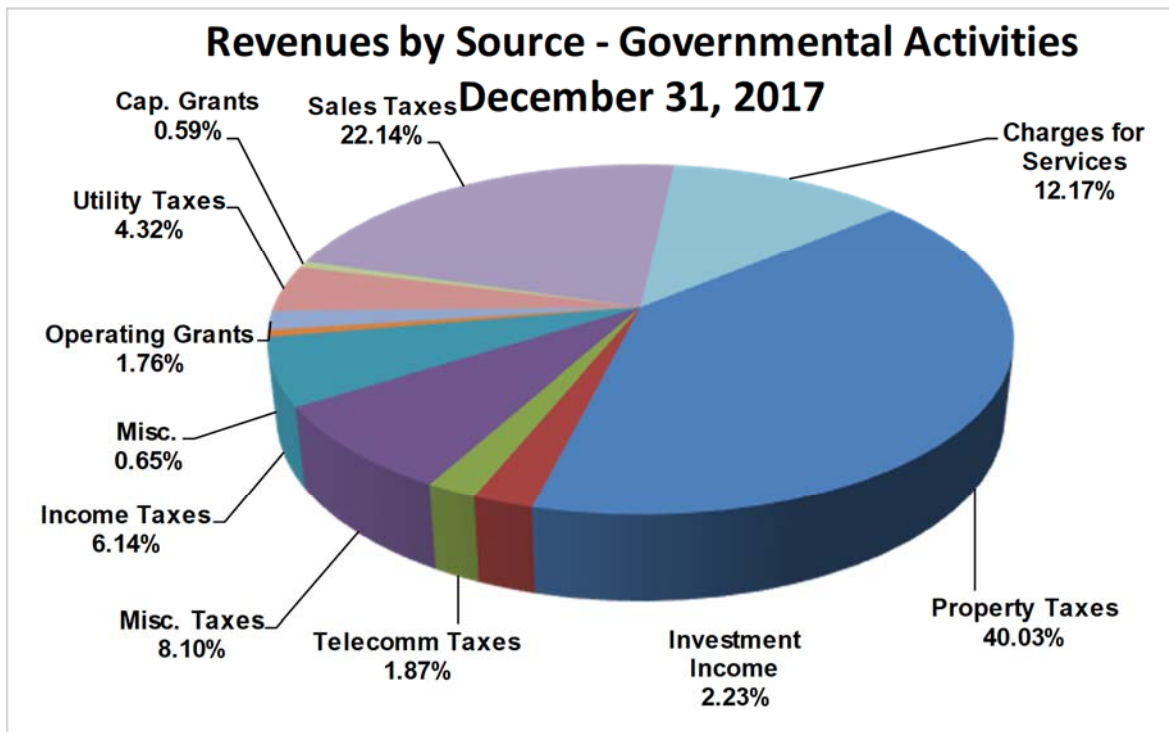
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(See independent auditor's report.)

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.)

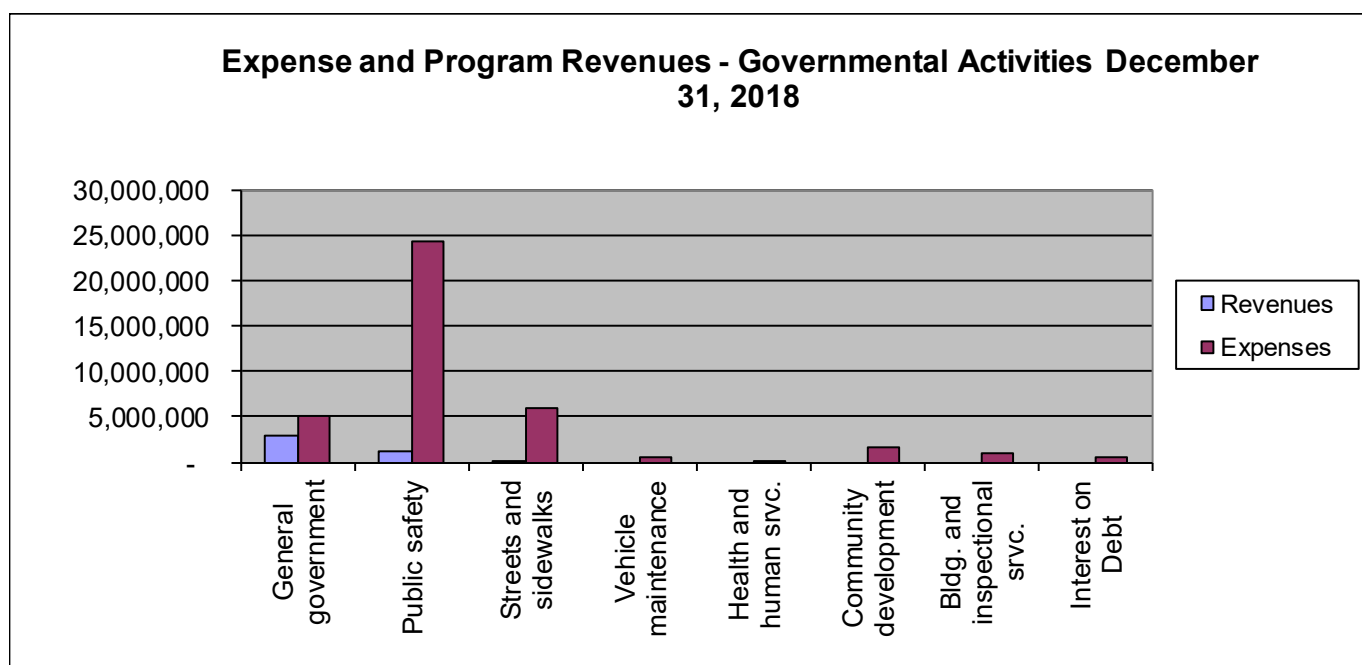
**VILLAGE OF MORTON GROVE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Expenses

Expenses for governmental activities were \$38,877,121 at December 31, 2018 and \$39,271,386 at December 31, 2017, a decrease of \$394,265, or 1.00%.

The decrease in expense for governmental activities is because of the differences in changes to deferred outflows/inflows of resources.

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 \$10,448,567, while the costs of all business-type activities totaled \$10,505,070. Expenses exceeded revenues by \$181,191.

(See independent auditor's report.)

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

Revenues

In 2018 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 \$244,530 or 2.89%.

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 2018 Solid Waste operating revenues decreased by \$40,731 or 1.99%.

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 2018 increased by \$11,905 or 24.24%. The Village added additional parking spaces.

In 2017 the Village created the Morton Grove Days Fund to account for the annual festival held over the Fourth of July. In 2018 operating revenues were \$137,846 and exceeded expenses by \$10,417 but will be made up by funds from the Morton Grove Days Commission.

Expenses

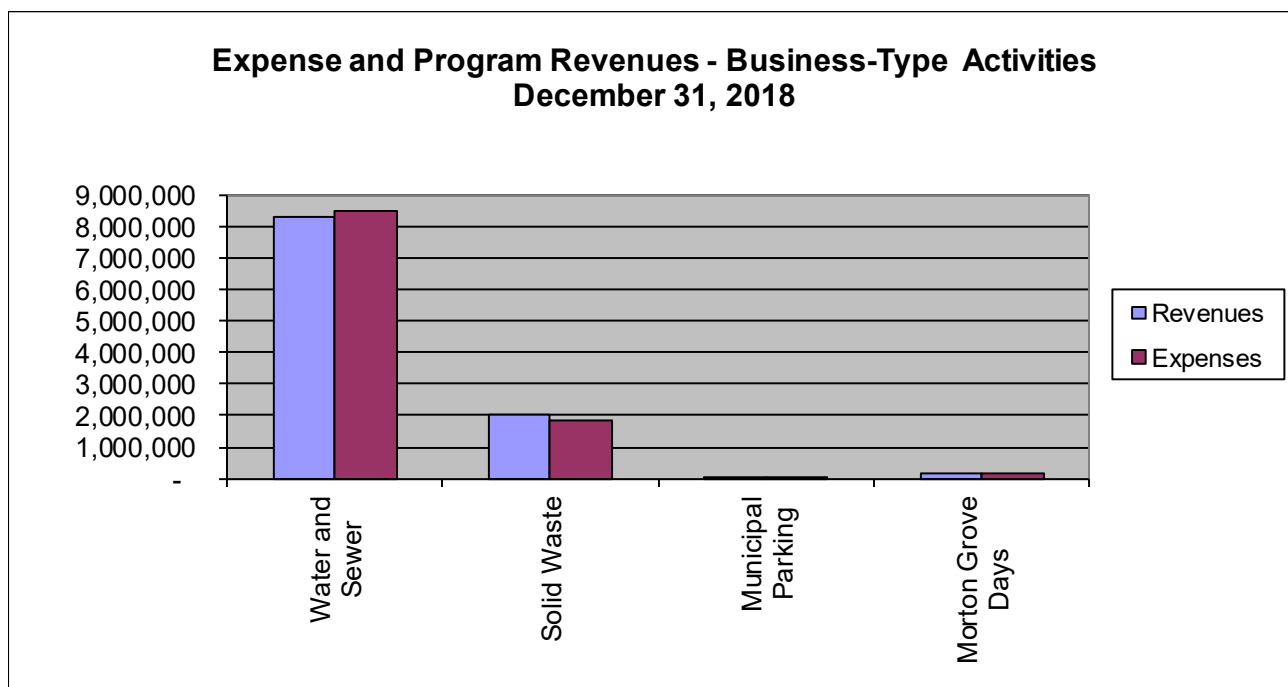
Total expenses for Water and Sewer Fund activities totaled \$8,477,929, an increase of \$480,224, or 6.00% from prior year. The Village had several large water main breaks in which resulted in a large water losses and expense to repair.

Total expenses for Solid Waste Fund activities totaled \$1,868,109, an increase of \$32,537, or 1.77%, from prior year.

Total expenses from Municipal Parking Fund activities decreased \$389.

The expenses from the Morton Grove Days Fund were \$148,263 which was a decrease of \$2,170.

(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 \$24,600,298, which is an increase of \$867,884, from last year's total of \$23,732,414. Of this \$24,600,298 total, \$7,681,616 or 31.23% of the fund balance constitutes unassigned fund balance.

General Fund: The General Fund reported a surplus for the year of \$948,683. 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, 2018, unassigned fund balance in the General Fund was \$11,084,114, which represents 90.12% 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 38% of total budgeted General Fund expenditures.

(See independent auditor's report.)

Lehigh Ferris TIF Fund: Reported a fund balance decrease of \$387,129 due to funding of TIF projects.

Waukegan Road TIF Fund: Reported a fund balance increase of \$411,061 as a result of debt being retired in 2017.

Debt Service Fund: Reported a fund balance increase of \$173,865 as a result of transfers from the General Fund.

Capital Projects Fund: Reported a fund balance increase of \$75,021 as a result of capital projects being deferred until 2019.

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 three non-major proprietary funds, the Solid Waste Fund, the Municipal Parking Fund, and the Morton Grove Days 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 \$3.94 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, 2018 was \$65,737,583 (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	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Construction in Progress	\$ 23	\$ 23	\$ 13	\$ 13	\$ 36	\$ 36
Right of Ways	43,972	43,972	-	-	43,972	43,972
Infrastructure	5,901	6,412	-	-	5,901	6,412
Buildings and Improvements	4,262	4,659	7,966	8,058	12,228	12,717
Machinery, Equipment and Vehicles	1,950	2,263	1,651	1,499	3,601	3,762
Total	\$ 56,107	\$ 57,328	\$ 9,631	\$ 9,571	\$ 65,738	\$ 66,899

(See independent auditor's report.)

LONG-TERM DEBT

At year-end, the Village had total outstanding debt of \$15,587,994, as compared to \$16,841,383 the previous year, a decrease of \$1,253,389, or 7.44% which is due to the retirement of outstanding debt.

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

Long Term Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
General Obligation Bonds	\$ 12,443	\$ 13,242	\$ 2,827	\$ 3,018	\$ 15,270	\$ 16,260
Revolving loans	-	-	-	-	-	-
Installment Notes	318	581	-	-	318	581
Total Long Term Debt	\$ 12,762	\$ 13,824	\$ 2,827	\$ 3,018	\$ 15,588	\$ 16,841

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. Conservative approaches to estimating revenues and strong expenditure management by the departments have allowed the Village to improve its financial condition after several lean years following the downturn in the economy that started in 2008. 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 2020 budget are the continued reduction in shares of State revenues, rising personnel costs, including health insurance, funding capital projects, and funding the public safety pensions.

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.

(See independent auditor's report.)

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, 2018**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Statement of Net Position December 31, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 14,300,149	2,937,743	17,237,892
Receivables - Net of Allowances	17,577,413	3,633,493	21,210,906
Prepays/Land Held for Resale	6,325,011	54,694	6,379,705
Total Current Assets	38,202,573	6,625,930	44,828,503
Noncurrent Assets			
Capital Assets			
Nondepreciable	43,995,404	12,889	44,008,293
Depreciable	59,694,639	20,212,303	79,906,942
Accumulated Depreciation	(47,582,726)	(10,594,926)	(58,177,652)
Total Noncurrent Assets	56,107,317	9,630,266	65,737,583
Total Assets	94,309,890	16,256,196	110,566,086
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	521,356	110,727	632,083
Deferred Items - SLEP	7,417	-	7,417
Deferred Items - MERF	974,192	410,193	1,384,385
Deferred Items - Police Pension	8,955,965	-	8,955,965
Deferred Items - Firefighters' Pension	7,784,834	-	7,784,834
Unamortized Loss on Refunding	113,756	-	113,756
Total Deferred Outflows of Resources	18,357,520	520,920	18,878,440
Total Assets and Deferred Outflows of Resources	112,667,410	16,777,116	129,444,526

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

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 903,197	475,432	1,378,629
Accrued Payroll	567,386	56,027	623,413
Accrued Interest Payable	28,450	6,794	35,244
Deposits Payable	744,414	13,301	757,715
Other Liabilities	338,866	35,465	374,331
Current Portion of Long-Term Debt	2,569,711	222,297	2,792,008
Total Current Liabilities	5,152,024	809,316	5,961,340
Noncurrent Liabilities			
Compensated Absences Payable	825,483	88,390	913,873
Net Pension Liability - IMRF	1,026,206	217,949	1,244,155
Net Pension Liability - SLEP	7,289	-	7,289
Net Pension Liability - MERF	8,969,758	3,776,807	12,746,565
Net Pension Liability - Police Pension	43,577,673	-	43,577,673
Net Pension Liability - Firefighters' Pension	40,428,774	-	40,428,774
Total OPEB Liability - RBP	16,430,091	1,770,024	18,200,115
General Obligations Bonds Payable - Net	11,348,363	2,622,773	13,971,136
Installment Notes Payable	160,571	-	160,571
Intergovernmental Agreement Payable	905,380	-	905,380
Total Noncurrent Liabilities	123,679,588	8,475,943	132,155,531
Total Liabilities	128,831,612	9,285,259	138,116,871
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	156,896	33,322	190,218
Deferred Items - MERF	378,810	159,502	538,312
Deferred Items - Police Pension	2,440,014	-	2,440,014
Deferred Items - Firefighters' Pension	4,394,832	-	4,394,832
Deferred Items - RBP	967,319	104,210	1,071,529
Property Taxes	11,048,412	-	11,048,412
Total Deferred Inflows of Resources	19,386,283	297,034	19,683,317
Total Liabilities and Deferred Inflows of Resources	148,217,895	9,582,293	157,800,188
NET POSITION			
Net Investment in Capital Assets	42,539,916	6,807,293	49,347,209
Restricted - IMRF	66,273	-	66,273
Restricted - Public Safety	1,540,143	-	1,540,143
Restricted - Streets and Sidewalks	916,139	-	916,139
Restricted - Community Development	11,802,511	-	11,802,511
Restricted - Capital Improvements	1,151,649	-	1,151,649
Restricted - Debt Service	263,754	-	263,754
Unrestricted (Deficit)	(93,830,870)	387,530	(93,443,340)
Total Net Position	(35,550,485)	7,194,823	(28,355,662)

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, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities				
General Government	\$ 4,099,466	3,142,468	-	-
Public Safety	20,851,590	1,547,758	-	-
Streets and Sidewalks	8,753,053	120,190	602,421	84,693
Vehicle and Maintenance	696,662	-	-	-
Health and Human Services	27,957	-	-	-
Community Development	3,069,076	-	-	-
Building and Inspection Services	960,551	-	-	-
Interest on Long-Term Debt	418,766	-	-	-
Total Governmental Activities	38,877,121	4,810,416	602,421	84,693
Business-Type Activities				
Water and Sewer	8,477,929	8,247,849	-	53,419
Solid Waste	1,868,109	2,001,847	-	-
Municipal Parking	10,769	61,025	-	-
Morton Grove Days	148,263	137,846	-	-
Total Business-Type Activities	10,505,070	10,448,567	-	53,419
Total Primary Government	49,382,191	15,258,983	602,421	138,112

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 as Restated

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
(956,998)	-	(956,998)
(19,303,832)	-	(19,303,832)
(7,945,749)	-	(7,945,749)
(696,662)	-	(696,662)
(27,957)	-	(27,957)
(3,069,076)	-	(3,069,076)
(960,551)	-	(960,551)
(418,766)	-	(418,766)
(33,379,591)	-	(33,379,591)
-	(176,661)	(176,661)
-	133,738	133,738
-	50,256	50,256
-	(10,417)	(10,417)
-	(3,084)	(3,084)
(33,379,591)	(3,084)	(33,382,675)
13,757,494	-	13,757,494
589,336	-	589,336
390,862	-	390,862
1,649,183	-	1,649,183
2,532,090	-	2,532,090
2,130,221	-	2,130,221
5,567,580	-	5,567,580
2,228,476	-	2,228,476
683,568	-	683,568
304,846	32,374	337,220
599,709	151,901	751,610
30,433,365	184,275	30,617,640
(2,946,226)	181,191	(2,765,035)
(32,604,259)	7,013,632	(25,590,627)
(35,550,485)	7,194,823	(28,355,662)

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

VILLAGE OF MORTON GROVE, ILLINOIS

Balance Sheet - Governmental Funds December 31, 2018

	General	Special Lehigh/ Ferris Tax Increment Financing
ASSETS		
Cash and Investments	\$ 5,730,385	3,783,077
Receivables - Net of Allowances		
Property Taxes	9,930,291	1,024
Other Taxes	1,831,849	-
Accounts	1,048,865	-
Loan to Developer	-	3,370,000
IRMA Excess Surplus	1,015,185	-
IPBC Terminal Reserve	694,964	-
Due from Other Funds	2,880,788	44,364
Advances to Other Funds	1,148,930	-
Prepays	192	-
Land Held for Resale	-	4,614,670
Total Assets	24,281,449	11,813,135
LIABILITIES		
Accounts Payable	704,793	9,359
Accrued Payroll	566,014	1,265
Deposits Payable	438,220	-
Other Liabilities	338,866	-
Due to Other Funds	7,370	-
Advances from Other Funds	-	-
Total Liabilities	2,055,263	10,624
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	9,926,677	-
Total Liabilities and Deferred Inflows of Resources	11,981,940	10,624
FUND BALANCES		
Nonspendable	1,149,122	-
Restricted	66,273	11,802,511
Committed	-	-
Unassigned	11,084,114	-
Total Fund Balances	12,299,509	11,802,511
Total Liabilities, Deferred Inflows of Resources and Fund Balances	24,281,449	11,813,135

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
581,635	246,823	1,145,399	2,812,830	14,300,149
3,450	1,122,202	-	-	11,056,967
-	37,500	6,250	218,568	2,094,167
-	7,414	-	-	1,056,279
-	-	-	-	3,370,000
-	-	-	-	1,015,185
-	-	-	-	694,964
-	-	-	7,370	2,932,522
-	-	-	-	1,148,930
-	-	-	-	192
-	-	-	-	4,614,670
585,085	1,413,939	1,151,649	3,038,768	42,284,025
-	-	-	189,045	903,197
-	-	-	107	567,386
-	-	-	306,194	744,414
-	-	-	-	338,866
1,627,671	-	-	1,297,481	2,932,522
1,148,930	-	-	-	1,148,930
2,776,601	-	-	1,792,827	6,635,315
-	1,121,735	-	-	11,048,412
2,776,601	1,121,735	-	1,792,827	17,683,727
-	-	-	-	1,149,122
-	292,204	1,151,649	2,456,282	15,768,919
-	-	-	641	641
(2,191,516)	-	-	(1,210,982)	7,681,616
(2,191,516)	292,204	1,151,649	1,245,941	24,600,298
585,085	1,413,939	1,151,649	3,038,768	42,284,025

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, 2018

Total Governmental Fund Balances	\$ 24,600,298
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.	56,107,317
Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	364,460
Deferred Items - SLEP	7,417
Deferred Items - MERF	595,382
Deferred Items - Police Pension	6,515,951
Deferred Items - Firefighters' Pension	3,390,002
Deferred Items - RBP	(967,319)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(1,031,854)
Net Pension Liability - IMRF	(1,026,206)
Net Pension Liability - SLEP	(7,289)
Net Pension Liability - MERF	(8,969,758)
Net Pension Liability - Police Pension	(43,577,673)
Net Pension Liability - Firefighters' Pension	(40,428,774)
Total OPEB Liability - RBP	(16,430,091)
General Obligation Bonds Payable - Net	(13,363,163)
Installment Notes Payable	(317,994)
Unamortized Loss on Refunding	113,756
Installment Agreement Payable	(1,096,497)
Accrued Interest Payable	(28,450)
Net Position of Governmental Activities	(35,550,485)

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, 2018**

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, 2018

	General	Special Lehigh/ Ferris Tax Increment Financing
Revenues		
Taxes	\$ 17,216,702	2,622,250
Intergovernmental	7,719,496	-
Charges for Services	1,244,938	-
Licenses and Permits	1,897,530	-
Fines and Forfeitures	778,916	-
Interest Income	114,849	38,313
Miscellaneous	582,115	17,000
Total Revenues	29,554,546	2,677,563
Expenditures		
Current		
General Government	3,997,077	-
Public Safety	20,240,729	-
Streets and Sidewalks	2,338,797	-
Vehicle and Maintenance	696,662	-
Health and Human Services	27,957	-
Community Development	262,205	221,994
Building and Inspection Services	1,148,653	-
Capital Outlay	-	1,794,898
Debt Service		
Principal Retirement	-	555,000
Interest and Fiscal Charges	-	222,800
Total Expenditures	28,712,080	2,794,692
Excess (Deficiency) of Revenues Over (Under) Expenditures	842,466	(117,129)
Other Financing Sources (Uses)		
Transfers In	270,000	-
Transfers Out	(163,783)	(270,000)
	106,217	(270,000)
Net Change in Fund Balances	948,683	(387,129)
Fund Balances - Beginning	11,350,826	12,189,640
Fund Balances - Ending	12,299,509	11,802,511

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
531,876	596,935	36,055	45,368	21,049,186
-	217,988	25,000	1,449,594	9,412,078
-	-	-	711,680	1,956,618
-	-	-	-	1,897,530
-	-	-	-	778,916
(10,957)	14,147	92,786	55,708	304,846
-	594	-	-	599,709
520,919	829,664	153,841	2,262,350	35,998,883
-	-	-	-	3,997,077
-	-	-	602,961	20,843,690
-	-	-	755,143	3,093,940
-	-	-	-	696,662
-	-	-	-	27,957
-	-	-	1,257,863	1,742,062
-	-	-	-	1,148,653
-	-	78,820	-	1,873,718
109,053	397,936	-	-	1,061,989
805	421,646	-	-	645,251
109,858	819,582	78,820	2,615,967	35,130,999
411,061	10,082	75,021	(353,617)	867,884
-	163,783	-	-	433,783
-	-	-	-	(433,783)
-	163,783	-	-	-
411,061	173,865	75,021	(353,617)	867,884
(2,602,577)	118,339	1,076,628	1,599,558	23,732,414
(2,191,516)	292,204	1,151,649	1,245,941	24,600,298

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 867,884
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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	304,556
Depreciation Expense	(1,526,122)
Disposals - Cost	(101,813)
Disposals - Accumulated Depreciation	101,813

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

Change in Deferred Items - IMRF	585,486
Change in Deferred Items - SLEP	14,628
Change in Deferred Items - MERF	(50,459)
Change in Deferred Items - Police Pension	3,158,304
Change in Deferred Items - Firefighters' Pension	(509,553)
Change in Deferred Items - RBP	(967,319)

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.

Deductions to Compensated Absences Payable	293,035
(Additions) to Net Pension Liability - IMRF	(646,036)
(Additions) to Net Pension Liability - SLEP	(16,226)
Deductions to Net Pension Liability - MERF	974,728
(Additions) to Net Pension Liability - Police Pension	(5,696,427)
(Additions) to Net Pension Liability - Firefighters' Pension	(2,301,808)
Deductions to Total OPEB Liability - RBP	880,733
Amortization of Premium on Debt Issuance	184,032
Amortization of Loss on Refunding	(28,970)
Retirement of Debt	1,529,873

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.

3,435

Changes in Net Position of Governmental Activities

(2,946,226)

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, 2018**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS**Statement of Net Position - Proprietary Funds
December 31, 2018**

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 1,823,694	1,114,049	2,937,743
Receivables - Net of Allowances			
Accounts	3,503,875	76,199	3,580,074
Other	53,419	-	53,419
Prepays	-	54,694	54,694
Total Current Assets	5,380,988	1,244,942	6,625,930
Noncurrent Assets			
Capital Assets			
Nondepreciable	12,889	-	12,889
Depreciable	20,212,303	-	20,212,303
Accumulated Depreciation	(10,594,926)	-	(10,594,926)
Total Noncurrent Assets	9,630,266	-	9,630,266
Total Assets	15,011,254	1,244,942	16,256,196
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	110,727	-	110,727
Deferred Items - MERF	410,193	-	410,193
Total Deferred Outflows of Resources	520,920	-	520,920
Total Assets and Deferred Outflows of Resources	15,532,174	1,244,942	16,777,116

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

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 474,792	640	475,432
Accrued Payroll	56,027	-	56,027
Accrued Interest Payable	6,794	-	6,794
Deposits Payable	13,301	-	13,301
Other Liabilities	-	35,465	35,465
Current Portion of Long-Term Debt	222,297	-	222,297
Total Current Liabilities	773,211	36,105	809,316
Noncurrent Liabilities			
Compensated Absences	88,390	-	88,390
Net Pension Liability - IMRF	217,949	-	217,949
Net Pension Liability - MERF	3,776,807	-	3,776,807
Total OPEB Liability - RBP	1,770,024	-	1,770,024
General Obligations Bonds Payable - Net	2,622,773	-	2,622,773
Total Noncurrent Liabilities	8,475,943	-	8,475,943
Total Liabilities	9,249,154	36,105	9,285,259
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	33,322	-	33,322
Deferred Items - MERF	159,502	-	159,502
Deferred Items - RBP	104,210	-	104,210
Total Deferred Inflows of Resources	297,034	-	297,034
Total Liabilities and Deferred Inflows of Resources	9,546,188	36,105	9,582,293
NET POSITION			
Net Investment in Capital Assets	6,807,293	-	6,807,293
Unrestricted (Deficit)	(821,307)	1,208,837	387,530
Total Net Position	5,985,986	1,208,837	7,194,823

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, 2018

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 8,211,471	2,200,718	10,412,189
Operating Expenses			
Operations	7,869,993	2,027,141	9,897,134
Depreciation	444,508	-	444,508
Total Operating Expenses	8,314,501	2,027,141	10,341,642
Operating Income	(103,030)	173,577	70,547
Nonoperating Revenues (Expenses)			
Connection Fees	36,378	-	36,378
Interest Income	31,768	606	32,374
Other Income	151,901	-	151,901
Interest Expense	(163,428)	-	(163,428)
	56,619	606	57,225
Income Before Capital Grants	(46,411)	174,183	127,772
Capital Grants	53,419	-	53,419
Change in Net Position	7,008	174,183	181,191
Net Position - Beginning as Restated	5,978,978	1,034,654	7,013,632
Net Position - Ending	5,985,986	1,208,837	7,194,823

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, 2018

	Business-Type Activities - Enterprise		
	Water and Sewer	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 9,301,248	2,174,039	11,475,287
Payments to Employees	(1,517,076)	-	(1,517,076)
Payments to Suppliers	(7,236,972)	(2,214,998)	(9,451,970)
	547,200	(40,959)	506,241
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(504,112)	-	(504,112)
Grants	53,419	-	53,419
Interest Expense	(163,062)	-	(163,062)
Retirement of Debt	(191,400)	-	(191,400)
	(805,155)	-	(805,155)
Cash Flows from Investing Activities			
Interest Income	31,768	606	32,374
Net Change in Cash and Cash Equivalents	(226,187)	(40,353)	(266,540)
Cash and Cash Equivalents - Beginning	2,049,881	1,154,402	3,204,283
Cash and Cash Equivalents - Ending	1,823,694	1,114,049	2,937,743
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(103,030)	173,577	70,547
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	444,508	-	444,508
Other Income	188,279	-	188,279
Other Expenses - Pension Related	8,701	-	8,701
(Increase) Decrease in Current Assets	901,498	(26,679)	874,819
Increase (Decrease) in Current Liabilities	(892,756)	(187,857)	(1,080,613)
Net Cash Provided by Operating Activities	547,200	(40,959)	506,241

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, 2018**

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,038,288
Investments	
U.S. Government Obligations	7,386,580
U.S. Agency Obligations	11,877,151
Municipal Bonds	2,708,739
Corporate Bonds	10,070,698
Annuity Contracts	11,088,307
Equities	29,543,142
Common Stock	4,702,012
Receivables - Net	
Accounts	6,686
Accrued Interest	224,318
Prepays	<u>6,664</u>
Total Assets	78,652,585
LIABILITIES	
Accounts Payable	<u>40,731</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>78,611,854</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, 2018

	Pension Trust
Additions	
Contributions - Employer	\$ 6,765,125
Contributions - Plan Members	<u>1,100,445</u>
Total Contributions	<u>7,865,570</u>
Investment Income	
Interest Earned	2,629,257
Net Change in Fair Value	<u>(4,956,637)</u>
	<u>(2,327,380)</u>
Less Investment Expenses	<u>(175,118)</u>
	<u>(2,502,498)</u>
Total Additions	<u>5,363,072</u>
Deductions	
Administration	81,563
Benefits and Refunds	<u>8,212,275</u>
Total Deductions	<u>8,293,838</u>
Change in Fiduciary Net Position	(2,930,766)
Net Position Restricted for Pensions	
Beginning	<u>81,542,620</u>
Ending	<u><u>78,611,854</u></u>

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, 2018

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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

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.

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) charges 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

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 four 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, 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. The Morton Grove Days Fund, also a nonmajor fund, is used to account for the operation of the Village annual festival held over the Fourth of July.

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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

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, 2018

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, 2018

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, 2018

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, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition 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 acquisition 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/reduction 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Compensated Absences – Continued

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.

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.”

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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.

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, no supplementary appropriations were necessary.

EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

The following fund had an excess of actual expenditures/expenses, exclusive of depreciation, over budget as of the date of this report:

Fund	Excess
Motor Fuel Tax	\$ 12,664
911 Emergency Telephone System	714
Economic Development	124,792
Morton Grove Days	3,263
Municipal Employees' Retirement	182,949
Police Pension	11,298
Firefighters' Pension	225,259

DEFICIT FUND BALANCES

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

Fund	Deficit
Waukegan Road Tax Increment Financing	\$ 2,191,516
Economic Development	844,362
Dempster/Waukegan TIF	366,620

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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.

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, the Illinois Funds, 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

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 \$11,976,118 and the bank balances totaled \$12,617,668. Additionally, at year-end the Village has \$4,991,200 invested in the Illinois Funds and \$270,574 invested in IMET. The Illinois Funds and IMET are measured at net asset value per share as 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 AAAM by Standard and Poor's.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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

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 the Illinois Funds and IMET are not subject to custodial credit risk.

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 over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

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 \$11,088,307 represents 100% of the overall investment portfolio and are valued using significant other observable inputs to calculate the fair value measurement (Level 2 inputs).

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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

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%	3.86%

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, 2018 are listed in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.09%. 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 \$825,121 and the bank balances totaled \$825,121.

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	\$ 5,684,478	478,032	3,311,210	1,895,236	-
U.S. Agency Obligations	1,310,723	-	44,409	1,028,156	238,158
Municipal Bonds	812,821	-	348,716	271,944	192,161
Corporate Bonds	8,622,550	367,659	4,080,780	3,252,864	921,247
	16,430,572	845,691	7,785,115	6,448,200	1,351,566

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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

The Fund has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value Level	Totals	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	\$ 5,684,478	5,684,478	-	-
U.S. Agency Obligations	1,310,723	-	1,310,723	-
Municipal Bonds	812,821	-	812,821	-
Corporate Bonds	8,622,550	-	8,622,550	-
Equity Securities				
Equities	11,441,154	11,441,154	-	-
Common Stock	4,702,012	4,702,012	-	-
Total Investments by Fair Value Level	32,573,738	21,827,644	10,746,094	-

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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 U.S. Agency obligations, municipal bonds and corporate bonds were 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, 2018, \$11,227 of the Fund's deposits was not covered by federal depository or equivalent insurance.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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

Custodial Credit Risk – Continued. 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 \$11,441,154 invested in equities and \$4,702,012 invested in common stock. At year-end, the Fund does not have any investments over 5 percent of net plan pension available for retirement benefits (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%	0.80%
Large Cap Domestic Equity	27.00%	4.90%
Mid Cap Domestic Equity	15.00%	5.40%
International Equity	10.00%	5.30%
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 2020 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, 2018 are listed in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.58%). 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, 2018

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

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$213,167 and the bank balances totaled \$213,167.

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	\$ 1,702,102	501,875	995,430	204,797	-
U.S. Agency Obligations	10,566,428	99,863	4,149,404	6,317,161	-
Municipal Bonds	1,895,918	204,530	799,302	892,086	-
Corporate Bonds	1,448,148	-	1,054,488	393,660	-
	15,612,596	806,268	6,998,624	7,807,704	-

The Fund has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value Level	Totals	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	\$ 1,702,102	1,702,102	-	-
U.S. Agency Obligations	10,566,428	-	10,566,428	-
Municipal Bonds	1,895,918	-	1,895,918	-
Corporate Bonds	1,448,148	-	1,448,148	-
Equity Securities				
Equities	18,101,988	18,101,988	-	-
Total Investments by Fair Value Level	33,714,584	19,804,090	13,910,494	-

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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. Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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 U.S. Agency obligations, municipal bonds and corporate bonds were rated AAA to A3 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, 2018, 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 \$18,101,988 invested in equities. At year-end, the Fund does not have any investments over 5 percent of net plan position available for retirement benefits (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, 2018

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 – Continued. 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%	1.50%
Large Cap Domestic Equity	38.50%	6.50%
Small Cap Domestic Equity	11.00%	8.50%
International Equity	5.50%	6.40%
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 2020 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, 2018 are listed in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.15%). 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, 2018

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	23,160	-	-	23,160
	<u>43,995,404</u>	<u>-</u>	<u>-</u>	<u>43,995,404</u>
Depreciable Capital Assets				
Buildings and Improvements	18,932,852	188,102	-	19,120,954
Vehicles and Equipment	7,756,928	116,454	101,813	7,771,569
Infrastructure	32,802,116	-	-	32,802,116
	<u>59,491,896</u>	<u>304,556</u>	<u>101,813</u>	<u>59,694,639</u>
Less Accumulated Depreciation				
Buildings and Improvements	14,274,403	584,837	-	14,859,240
Vehicles and Equipment	5,494,409	430,251	101,813	5,822,847
Infrastructure	26,389,605	511,034	-	26,900,639
	<u>46,158,417</u>	<u>1,526,122</u>	<u>101,813</u>	<u>47,582,726</u>
Total Net Depreciable Capital Assets	<u>13,333,479</u>	<u>(1,221,566)</u>	<u>-</u>	<u>12,111,913</u>
Total Net Capital Assets	<u>57,328,883</u>	<u>(1,221,566)</u>	<u>-</u>	<u>56,107,317</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 442,809
Public Safety	366,005
Streets and Sidewalks	<u>717,308</u>
	<u>1,526,122</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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	16,587,149	206,711	-	16,793,860
Equipment	3,167,417	297,401	46,375	3,418,443
	19,754,566	504,112	46,375	20,212,303
Less Accumulated Depreciation				
Buildings and Improvements	8,529,256	298,315	-	8,827,571
Equipment	1,667,537	146,193	46,375	1,767,355
	10,196,793	444,508	46,375	10,594,926
Total Net Depreciable Capital Assets	9,557,773	59,604	-	9,617,377
Total Net Capital Assets	9,570,662	59,604	-	9,630,266

Depreciation expense was charged to business-type as follows:

Water and Sewer	<u>\$ 444,508</u>
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PROPERTY TAXES

Property taxes for 2017 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

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.

In December 2016, the Village sold a parcel of land within the Lehigh Ferris TIF district to a developer for \$1,670,000. The developer has signed a note and mortgage in favor of the Village for 100% of the purchase price. The Village will reduce the note and mortgage in accordance with the redevelopment agreement for a portion of the increased taxes received by the Village for the first 15 years or until the note is paid in full, whichever is sooner.

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	Waukegan Road Tax Increment Financing	\$ 1,627,671
General	Nonmajor Governmental	1,282,018
Lehigh/Ferris Tax Increment Financing	Nonmajor Governmental	44,364
Nonmajor Governmental	General	<u>7,370</u>
		<u>2,961,423</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	<u>\$ 1,148,930</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
General	Lehigh/Ferris Tax Increment Financing	\$ 270,000
Debt Service	General	<u>163,783</u>
		<u><u>433,783</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend.

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
\$8,130,000 Taxable General Obligation Bonds of 2010B, due in annual installments of \$415,000 to \$775,000, plus interest at 3.20% to 6.00% through December 15, 2029.	Debt Service Water and Sewer	\$ 3,841,600	-	243,600	3,598,000
		3,018,400	-	191,400	2,827,000

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

General Obligation Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
\$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 \$1,840,000, plus interest at 4.00% through December 15, 2024.	Lehigh/ Ferris Tax Increment Financing Debt Service	3,375,000	-	555,000	2,820,000
		4,610,000	-	-	4,610,000
		16,260,000	-	990,000	15,270,000

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	\$ 109,053	-	109,053	-
\$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	472,330	-	154,336	317,994
		581,383	-	263,389	317,994

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT –Continued

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, 2018, the Village made total intergovernmental payments of \$325,985 from general (non-TIF) revenues. The tax revenue is determined on an annual basis and there is no estimated future liability.

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, 2018, the Village made total intergovernmental payments of \$181,527 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 70
2019	\$ 191,117
2020	204,759
2021	218,842
2022	233,383
2023	<u>248,396</u>
Totals	<u><u>1,096,497</u></u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 as Restated	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 1,324,889	293,035	586,070	1,031,854	206,371
Net Pension Liability/(Asset)					
IMRF	380,170	646,036	-	1,026,206	-
SLEP	(8,937)	16,226	-	7,289	-
MERF	9,944,486	-	974,728	8,969,758	-
Police Pension	37,881,246	5,696,427	-	43,577,673	-
Firefighters' Pension	38,126,966	2,301,808	-	40,428,774	-
Total OPEB Liability - RBP	17,310,824	-	880,733	16,430,091	-
General Obligation Bonds	13,241,600	-	798,600	12,443,000	2,014,800
Unamortized Bond Premium	1,104,195	-	184,032	920,163	-
Installment Notes Payable	581,383	-	263,389	317,994	157,423
Intergovernmental Agreement Payable	1,564,381	-	467,884	1,096,497	191,117
	<u>121,451,203</u>	<u>8,953,532</u>	<u>4,155,436</u>	<u>126,249,299</u>	<u>2,569,711</u>
Business-Type Activities					
Compensated Absences	129,509	19,022	38,044	110,487	22,097
Net Pension Liability					
IMRF	89,270	128,679	-	217,949	-
MERF	4,187,226	-	410,419	3,776,807	-
Total OPEB Liability - RBP	1,864,906	-	94,882	1,770,024	-
General Obligation Bonds	3,018,400	-	191,400	2,827,000	200,200
Unamortized Bond Discount	(4,393)	-	(366)	(4,027)	-
	<u>9,284,918</u>	<u>147,701</u>	<u>734,379</u>	<u>8,698,240</u>	<u>222,297</u>

For governmental activities, the General Fund makes payments on the compensated absences, the net pension liabilities, and the total OPEB liability. 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT –Continued

Long-Term Liability Activity –Continued

For business-type activities, the Water and Sewer Fund makes payments on the compensated absences, the net pension liabilities, the total OPEB liability, and the general obligation bonds.

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.

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 \$666,806 for year ended December 31, 2018.

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. Amounts paid under the terms of the agreement were \$19,359 for the year ended December 31, 2018.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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
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	12,443,000	2,546,660	317,994	9,571	2,827,000	1,042,613

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 56,107,317
Plus: Unamortized Loss on Refunding	113,756
Less Capital Related Debt:	
General Obligation Bond of 2010B	(3,598,000)
General Obligation Bond of 2014	(1,415,000)
General Obligation Bond of 2015	(7,430,000)
Unamortized Bond Premium	(920,163)
General Obligation Bank Promisory Note Payable of 2013	<u>(317,994)</u>
Net Investment in Capital Assets	<u><u>42,539,916</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	9,630,266
Less Capital Related Debt:	
General Obligation Bond of 2010B	(2,827,000)
Unamortized Bond Discount	<u>4,027</u>
Net Investment in Capital Assets	<u><u>6,807,293</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.

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS – Continued

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance. Consists of amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Village's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned Fund Balance. Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

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	\$ 1,148,930	-	-	-	-	-	1,148,930
Prepays	192	-	-	-	-	-	192
	<u>1,149,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149,122</u>
Restricted							
IMRF	66,273	-	-	-	-	-	66,273
Public Safety	-	-	-	-	-	1,540,143	1,540,143
Streets and Sidewalks	-	-	-	-	-	916,139	916,139
Community Development	-	11,802,511	-	-	-	-	11,802,511
Debt Service	-	-	-	292,204	-	-	292,204
Capital Improvements	-	-	-	-	1,151,649	-	1,151,649
	<u>66,273</u>	<u>11,802,511</u>	<u>-</u>	<u>292,204</u>	<u>1,151,649</u>	<u>2,456,282</u>	<u>15,768,919</u>
Committed							
Commuter Parking Facility	-	-	-	-	-	641	641
Unassigned	<u>11,084,114</u>	<u>-</u>	<u>(2,191,516)</u>	<u>-</u>	<u>-</u>	<u>(1,210,982)</u>	<u>7,681,616</u>
Total Fund Balances	<u>12,299,509</u>	<u>11,802,511</u>	<u>(2,191,516)</u>	<u>292,204</u>	<u>1,151,649</u>	<u>1,245,941</u>	<u>24,600,298</u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSTION RESTATEMENT

Beginning net position was restated due to the implementation of GASB Statement No. 75. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	(Decrease)
Governmental Activities	\$ (21,292,241)	(32,604,259)	(11,312,018)
Business-Type Activites	8,332,713	7,013,632	(1,319,081)
Water and Sewer	7,298,059	5,978,978	(1,319,081)

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 deceits. No supplemental contributions were due at December 31, 2018. The Village has recorded a prepaid for the excess surplus balance of \$1,015,185 in the General Fund as of December 31, 2018.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

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, 2018 (most recent available) of \$694,964. 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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

JOINTLY GOVERNED ORGANIZATION – Continued

Regional Emergency Dispatch Center – Continued

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.

JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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 77 W. Hintz Road, Suite 200, Wheeling, Illinois 60090.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

JOINT VENTURES – Continued

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

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 \$361,580 to SWANCC in 2018, which includes payment for debt contribution. The Village does not have an equity interest in SWANCC at December 31, 2018.

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 \$30,132 a month or \$361,580 a year.

Morton Grove-Niles Water Commission (MGNWC)

The Village entered into an intergovernmental agreement in 2017 with the Village of Niles regarding establishment in the Morton Grove-Niles Water Commission (MGNWC). The Villages have authorized and expended public funds to pay for the assessment and feasibility studies and reports, the preliminary engineering and design work, other consulting services and related legal work, and other costs associated with jointly acquiring, developing, constructing and operating a common source of supply of water and a related waterworks system prior to and after the formation of the Commission (the "Costs of the Project"), including the proposed Commission Waterworks System improvements and the formation of the Commission, even if the Connection Project is never constructed or water is never supplied by the Commission to the Villages or the Commission is dissolved. The Villages agree to pay their respective one-half share of the costs of the project as those costs come due until the Commission issues debt or generates revenue for the purpose of reimbursing the Villages for the costs of the project, but such reimbursement period shall not exceed five calendar years.

The Village expended \$24,396 in 2018. At December 31, 2018 the outstanding receivable of \$2,487,553 is due from the Commission.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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), a single-employer plan, 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.

The aggregate amount of pension expense recognized for the pension plans is:

IMRF	\$ 389,969
SLEP	1,816
MERF	96,115
Police Pension	5,233,414
Firefighters' Pension	5,471,635
	<u>11,192,949</u>

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. All employees, including the Library's, (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).

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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. 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.

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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Plan Membership. As of December 31, 2018, the measurement date, the following employees were covered by the benefit terms:

	Regular Plan	SLEP Plan
Inactive Plan Members Currently Receiving Benefits	14	2
Inactive Plan Members Entitled to but not yet Receiving Benefits	52	-
Active Plan Members	74	-
Totals	140	2

A detailed breakdown of the IMRF Regular Plan membership for inactive members for the Village and Library is unavailable. The above numbers include all inactive members.

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. For the year-ended December 31, 2018, the Village's contribution was 9.16% of covered payroll. The Village's SLEP Plan members are required to contribute 7.50% of their annual covered salary. For the year-ended December 31, 2018, the Village's contribution was 0.00% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2018. 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, 2018, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	
Regular Plan	7.25%
SLEP Plan	7.25%
Salary Increases	3.39% to 14.25%
Cost of Living Adjustments	2.50%
Inflation	2.50%

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions – Continued. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	28.00%	3.00%
Domestic Equities	37.00%	6.85%
International Equities	18.00%	6.75%
Real Estate	9.00%	5.75%
Blended	7.00%	2.65% - 7.35%
Cash and Cash Equivalents	1.00%	2.25%

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 7.25%, and the discount rate in the prior valuation was 7.50%. The discount rate used to measure the total pension liability for the SLEP Plan was 7.25%, and the discount rate in the prior valuation was 7.50%. 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 is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Regular Plan			
Net Pension Liability			
Village	\$ 2,351,984	1,244,155	357,422
Library	766,061	405,232	116,415
Totals	3,118,045	1,649,387	473,837

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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

	Village	Library	Totals
Total Pension Liability			
Service Cost	\$ 343,293	111,813	455,106
Interest on the Total Pension Liability	419,193	136,535	555,728
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience of the Total Pension Liability	96,101	5,342	101,443
Changes of Assumptions	239,675	78,064	317,739
Benefit Payments, including Refunds of Employee Contributions	(73,674)	(23,996)	(97,670)
Net Change in Total Pension Liability	1,024,588	307,758	1,332,346
Total Pension Liability - Beginning	5,317,054	1,913,920	7,230,974
Total Pension Liability - Ending	6,341,642	2,221,678	8,563,320
Plan Fiduciary Net Position			
Contributions - Employer	329,419	107,295	436,714
Contributions - Employees	161,833	52,710	214,543
Net Investment Income	(162,045)	(52,779)	(214,824)
Benefit Payments, including Refunds of Employee Contributions	(73,674)	(23,996)	(97,670)
Other (Net Transfer)	(5,660)	(1,844)	(7,504)
Net Change in Plan Fiduciary Net Position	249,873	81,386	331,259
Plan Net Position - Beginning	4,847,614	1,735,060	6,582,674
Plan Net Position - Ending	5,097,487	1,816,446	6,913,933
Employer's Net Pension Liability	1,244,155	405,232	1,649,387

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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/(Asset) (A) - (B)
Balances at December 31, 2017	\$ 102,998	111,935	(8,937)
Changes for the Year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	7,406	-	7,406
Difference Between Expected and Actual Experience of the Total Pension Liability	1,039	-	1,039
Changes of Assumptions	2,304	-	2,304
Contributions - Employer	-	218	(218)
Contributions - Employees	-	-	-
Net Investment Income	-	(9,000)	9,000
Benefit Payments, including Refunds of Employee Contributions	(8,491)	(8,491)	-
Other (Net Transfer)	-	3,305	(3,305)
Net Changes	2,258	(13,968)	16,226
Balances at December 31, 2018	105,256	97,967	7,289

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

For the year ended December 31, 2018, the Village recognized pension expense of \$389,342 for the Regular Plan, and \$1,816 for the SLEP Plan and the Library recognized \$124,386 in pension revenue 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, 2018

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	Village		Library		Totals
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	\$ 84,394	(71,762)	27,488	(23,373)	16,747
Change in Assumptions	238,107	(118,456)	77,553	(38,582)	158,622
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	309,582	-	100,834	-	410,416
Total Deferred Amounts Related to IMRF	632,083	(190,218)	205,875	(61,955)	585,785

SLEP Plan	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	-	-
Change in Assumptions	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,417	-	7,417
Total Deferred Amounts Related to SLEP	7,417	-	7,417

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	Regular Plan			SLEP Plan
	Village Net Deferred Outflows of Resources	Library Net Deferred Outflows of Resources	Totals Net Deferred Outflows of Resources	Net Deferred Outflows of Resources
2019	\$ 132,043	43,007	175,050	2,303
2020	70,919	23,099	94,018	876
2021	58,138	18,936	77,074	797
2022	135,264	44,057	179,321	3,441
2023	45,501	14,821	60,322	-
Thereafter	-	-	-	-
Totals	441,865	143,920	585,785	7,417

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 1 2/3% of average compensation for each of the first 15 years of service, plus 2% of average compensation for each year of service in excess of 15 years. Average compensation is defined as the average of the four calendar years (within the preceding ten years of participation) during which the participant received the highest compensation.

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, 2018, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	30
Inactive Plan Members Entitled to but not yet Receiving Benefits	16
Active Plan Members	<u>21</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, 2018 was 80.79% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2018. 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, 2018

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, 2018, using the following actuarial methods and assumptions:

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

Rates are from a December 10, 2017 IMRF Actuarial Valuation.

Discount Rate

The discount rate used to measure the total pension liability for the Municipal Employees' Retirement Fund was 4.50%, the same as the prior valuation. 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.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Municipal Employees' Retirement Fund (MERF) – 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 net 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 (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Net Pension Liability	\$ 15,815,284	12,746,565	10,196,573

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2017	\$ 24,037,841	9,906,129	14,131,712
Changes for the Year:			
Service Cost	187,540	-	187,540
Interest on the Total Pension Liability	1,032,847	-	1,032,847
Difference Between Expected and Actual Experience of the Total Pension Liability	(667,891)	-	(667,891)
Changes of Assumptions	(281,528)	-	(281,528)
Contributions - Employer	-	1,409,558	(1,409,558)
Contributions - Employees	-	36,311	(36,311)
Net Investment Income	-	210,246	(210,246)
Benefit Payments, including Refunds of Employee Contributions	(1,128,079)	(1,128,079)	-
Other (Net Transfer)	-	-	-
Net Changes	(857,111)	528,036	(1,385,147)
Balances at December 31, 2018	23,180,730	10,434,165	12,746,565

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018, the Village recognized pension expense of \$96,115. At December 31, 2018, 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	\$ 397,830	(295,597)	102,233
Change in Assumptions	519,544	(242,715)	276,829
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	467,011	-	467,011
Total Deferred Amounts Related to MERF	1,384,385	(538,312)	846,073

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
2019	\$ 528,658
2020	175,361
2021	93,518
2022	48,536
2023	-
Thereafter	-
Total	846,073

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018, 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>45</u>
Total	<u><u>97</u></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, 2018

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 proceeding 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, 2018, the Village's contribution was 58.93% of covered payroll.

Concentrations. At year-end, the Police Pension Plan does not have any investments over 5 percent of net plan position available for retirement benefits (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, 2018

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, 2018, 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% - 13.18%
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 6.26% was used to measure the total pension liability and the prior year used a discount rate of 6.39%. 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 4.10%, and the resulting single discount rate is 6.26%.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 net 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 (5.26%)	Current Discount Rate (6.26%)	1% Increase (7.26%)
Net Pension Liability	\$ 54,833,441	43,577,673	34,453,606

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2017	\$ 73,177,332	35,296,086	37,881,246
Changes for the Year:			
Service Cost	1,253,363	-	1,253,363
Interest on the Total Pension Liability	4,559,077	-	4,559,077
Difference Between Expected and Actual Experience of the Total Pension Liability	455,002	-	455,002
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,695,291	(2,695,291)
Contributions - Employees	-	465,264	(465,264)
Net Investment Income	-	(1,247,471)	1,247,471
Benefit Payments, including Refunds of Employee Contributions	1,299,164	(3,660,559)	4,959,723
Administrative Expenses	(3,660,559)	(42,905)	(3,617,654)
Net Changes	3,906,047	(1,790,380)	5,696,427
Balances at December 31, 2018	77,083,379	33,505,706	43,577,673

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018, the Village recognized pension expense of \$5,233,414. At December 31, 2018, 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	\$ 2,158,624	-	2,158,624
Change in Assumptions	4,433,186	(2,440,014)	1,993,172
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,364,155	-	2,364,155
Total Deferred Amounts Related to Police Pension	8,955,965	(2,440,014)	6,515,951

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
2019	\$ 2,295,053
2020	1,820,757
2021	1,518,747
2022	859,344
2023	(107,880)
Thereafter	129,930
Total	6,515,951

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018, 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 3 percent compounded annually thereafter.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with 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, 2018, the Village's contribution was 63.86% of covered payroll.

Concentrations. At year-end, the Firefighters' Pension Plan does not have any investments over 5 percent of net plan position available for retirement benefits (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, 2018

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, 2018, 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% - 13.00%
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 6.49% was used to measure the total pension liability and the prior year used a discount rate of 6.23%. 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 4.10%, and the resulting single discount rate is 6.49%.

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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 net 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 (5.49%)	Current Discount Rate (6.49%)	1% Increase (7.49%)
Net Pension Liability	\$ 50,935,069	40,428,774	31,843,164

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2017	\$ 73,817,582	35,690,616	38,126,966
Changes for the Year:			
Service Cost	1,269,097	-	1,269,097
Interest on the Total Pension Liability	4,498,745	-	4,498,745
Difference Between Expected and Actual Experience of the Total Pension Liability	594,173	-	594,173
Changes of Assumptions	(2,526,497)	-	(2,526,497)
Contributions - Employer	-	2,660,276	(2,660,276)
Contributions - Employees	-	398,444	(398,444)
Net Investment Income	-	(1,486,352)	1,486,352
Benefit Payments, including Refunds of Employee Contributions	(3,213,171)	(3,213,171)	-
Administrative Expenses	-	(38,658)	38,658
Net Changes	622,347	(1,679,461)	2,301,808
Balances at December 31, 2018	74,439,929	34,011,155	40,428,774

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

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, 2018, the Village recognized pension expense of \$5,471,635. At December 31, 2018, 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	\$ 1,608,278	-	1,608,278
Change in Assumptions	3,833,162	(4,394,832)	(561,670)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,343,394	-	2,343,394
Total Deferred Amounts Related to Firefighters' Pension	7,784,834	(4,394,832)	3,390,002

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
2019	\$ 2,555,165
2020	1,218,983
2021	(266,658)
2022	104,816
2023	(222,304)
Thereafter	-
Total	3,390,002

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The Village's defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the Village. RBP is a single-employer defined benefit OPEB plan administered by the Village. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided. RBP provides medical, prescription drug, dental, vision and life insurance coverage to retirees. Retirees pay 50% of the medical insurance premium, if retired on or before 9/4/2007, 40% - 50% of the premium, if employee was hired on or before 9/4/2007 not retired on or before 9/4/2007, or retiree pays the full cost of the premium, if employee was hired after 9/4/2007. Coverage ends at age 65 for disabled employees or once retirees are eligible for Medicare.

Plan Membership. As of December 31, 2018, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	64
Inactive Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>151</u>
Total	<u><u>215</u></u>

Total OPEB Liability

The Village's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Total OPEB Liability – Continued

Actuarial Assumptions and Other Inputs – Continued.

Inflation	2.50%
Salary Increases	3.25%
Discount Rate	4.10%
Healthcare Cost Trend Rates	5.00% for HMO and 6.00% for PPO in 2019, decreasing to an ultimate rate of 5.00% for 2023 and later years
Retirees' Share of Benefit-Related Costs	50% of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer 20-Bond G.O. Index.

Mortality rates were based on the RP-2014 study, with Blue Collar adjustment. These rates are improved generationally using MP-2017 improvement rates and weighted based on the IMRF December 31, 2017 actuarial valuation.

Change in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	<u>\$ 19,175,730</u>
Changes for the Year:	
Service Cost	464,133
Interest on the Total Pension Liability	645,426
Changes of Benefit Terms	(1,234,624)
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(850,550)</u>
Net Changes	<u>(975,615)</u>
Balance at December 31, 2018	<u><u>18,200,115</u></u>

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using a Single Discount Rate of 4.10%, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB Liability	\$ 20,134,814	18,200,115	16,562,220

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, calculated using current Healthcare Trend Rates, as well as what the total OPEB liability would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher:

	1% Increase (Varies)	Healthcare Cost Trend Rates (Varies)	1% Decrease (Varies)
Total OPEB Liability	\$ 16,148,250	18,200,115	20,683,144

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Village recognized OPEB expense of \$946,464. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

VILLAGE OF MORTON GROVE, ILLINOIS

Notes to the Financial Statements December 31, 2018

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	-	-
Change in Assumptions	-	(1,071,529)	(1,071,529)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Total Deferred Amounts Related to OPEB	-	(1,071,529)	(1,071,529)

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

Fiscal Year	Net Deferred (Inflows) of Resources
2019	\$ (163,095)
2020	(163,095)
2021	(163,095)
2022	(163,095)
2023	(163,095)
Thereafter	(256,054)
Total	(1,071,529)

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 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
- Schedule of Changes in the Employer's Total OPEB Liability
 - Retiree Benefits Plan
- 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

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Employer Contributions

December 31, 2018

Calendar Year		Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	Total	\$ 289,298	\$ 289,298	\$ -	\$ 3,950,495	7.32%
12/31/2016	Total	379,476	379,476	-	3,994,494	9.50%
12/31/2017	Total	399,637	402,175	2,538	4,381,980	9.18%
12/31/2018	Village	329,419	329,419	-	3,596,281	9.16%
	Library	107,295	107,295	-	1,171,338	9.16%
	Total	436,714	436,714	-	4,767,619	9.16%

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 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. Information for additional years 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, 2018

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ -	\$ 1,005	\$ 1,005	\$ -	0.00%
2016	-	883	883	-	0.00%
2017	-	309	309	-	0.00%
2018	-	218	218	-	0.00%

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 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. Information for additional years 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, 2018

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 919,720	\$ 921,727	\$ 2,007	\$ 2,044,912	45.07%
2016	987,061	969,391	(17,670)	2,237,983	43.32%
2017	1,268,797	1,298,923	30,126	2,299,435	56.49%
2018	1,409,528	1,409,558	30	1,744,800	80.79%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	22 Years
Asset Valuation Method	Level Dollar (Closed)
Inflation	2.50%
Salary Increases	4.50%
Investment Rate of Return	4.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	December 31, 2017 IMRF Actuarial Valuation

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

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Employer Contributions December 31, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,942,614	\$ 1,746,014	\$ (196,600)	\$ 4,017,422	43.46%
2015	2,114,444	1,819,397	(295,047)	4,131,663	44.04%
2016	2,230,643	2,090,649	(139,994)	4,363,550	47.91%
2017	2,574,244	2,309,955	(264,289)	4,516,274	51.15%
2018	2,677,108	2,695,291	18,183	4,574,078	58.93%

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	5-Year Smothed 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. Information for additional years will be displayed as it becomes available.

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Employer Contributions December 31, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 2,140,182	\$ 1,914,705	\$ (225,477)	\$ 3,707,686	51.64%
2015	2,180,622	1,949,493	(231,129)	4,101,744	47.53%
2016	2,190,316	2,165,900	(24,416)	4,000,016	54.15%
2017	2,471,332	2,291,587	(179,745)	4,140,017	55.35%
2018	2,647,365	2,660,276	12,911	4,165,612	63.86%

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	5-Year Smothed Market
Inflation	2.50%
Salary Increases	4.00% - 11.66%
Investment Rate of Return	7.00%
Mortality	Independent Actuary 2016 Illinois Firefighters' Mortality Rates

Note: This schedule is intended to show information for ten years. Information for additional years 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, 2018

	Totals	
	12/31/2015	12/31/2016
Total Pension Liability		
Service Cost	\$ 429,566	434,382
Interest	409,549	455,091
Differences Between Expected and Actual Experience	(186,773)	8,925
Change of Assumptions	-	(10,936)
Benefit Payments, Including Refunds of Member Contributions	(39,656)	(53,756)
Net Change in Total Pension Liability	612,686	833,706
Total Pension Liability - Beginning	5,272,987	5,885,673
Total Pension Liability - Ending	\$ 5,885,673	6,719,379
Plan Fiduciary Net Position		
Contributions - Employer	\$ 389,954	379,476
Contributions - Members	177,773	179,752
Net Investment Income	22,516	316,372
Benefit Payments, Including Refunds of Member Contributions	(39,656)	(53,756)
Other (Net Transfer)	(242,491)	(54,719)
Net Change in Plan Fiduciary Net Position	308,096	767,125
Plan Net Position - Beginning	4,239,209	4,547,305
Plan Net Position - Ending	\$ 4,547,305	5,314,430
Employer's Net Pension Liability	\$ 1,338,368	1,404,949
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.26%	79.09%
Covered Payroll	\$ 3,950,495	3,994,494
Employer's Net Pension Liability as a Percentage of Covered Payroll	33.88%	35.17%

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

	Village	Library	Totals
12/31/2017		12/31/2018	
457,409	343,293	111,813	455,106
514,005	419,193	136,535	555,728
(39,758)	96,101	5,342	101,443
(230,696)	239,675	78,064	317,739
(189,365)	(73,674)	(23,996)	(97,670)
511,595	1,024,588	307,758	1,332,346
6,719,379	5,317,054	1,913,920	7,230,974
7,230,974	6,341,642	2,221,678	8,563,320
402,175	329,419	107,295	436,714
201,543	161,833	52,710	214,543
832,655	(162,045)	(52,779)	(214,824)
(189,365)	(73,674)	(23,996)	(97,670)
21,236	(5,660)	(1,844)	(7,504)
1,268,244	249,873	81,386	331,259
5,314,430	4,847,614	1,735,060	6,582,674
6,582,674	5,097,487	1,816,446	6,913,933
648,300	1,244,155	405,232	1,649,387
91.03%	80.38%	81.76%	80.74%
4,381,980	3,596,281	1,171,338	4,767,619
14.79%	34.60%	34.60%	34.60%

VILLAGE OF MORTON GROVE, ILLINOIS

Sheriff's Law Enforcement Personnel Plan

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability/(Asset)

December 31, 2018

	<u>12/31/15</u>
Total Pension Liability	
Service Cost	\$ -
Interest	7,550
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	830
Change of Assumptions	415
Benefit Payments, Including Refunds of Member Contributions	<u>(7,982)</u>
Net Change in Total Pension Liability	813
Total Pension Liability - Beginning	<u>104,794</u>
Total Pension Liability - Ending	<u><u>105,607</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,005
Contributions - Members	-
Net Investment Income	495
Benefit Payments, Including Refunds of Member Contributions	(7,982)
Other (Net Transfer)	<u>5,184</u>
Net Change in Plan Fiduciary Net Position	(1,298)
Plan Net Position - Beginning	<u>102,524</u>
Plan Net Position - Ending	<u><u>101,226</u></u>
Employer's Net Pension Liability/(Asset)	<u><u>\$ 4,381</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.90%
Covered Payroll	\$ -
Employer's Net Pension Liability as a Percentage of Covered Payroll	0.00%

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

12/31/16	12/31/17	12/31/18
-	-	-
7,564	7,593	7,406
-	-	-
885	934	1,039
(509)	(2,603)	2,304
(8,154)	(8,319)	(8,491)
(214)	(2,395)	2,258
105,607	105,393	102,998
105,393	102,998	105,256
883	309	218
-	-	-
6,953	20,468	(9,000)
(8,154)	(8,319)	(8,491)
768	(2,199)	3,305
450	10,259	(13,968)
101,226	101,676	111,935
101,676	111,935	97,967
3,717	(8,937)	7,289
96.47%	108.68%	93.07%
-	-	-
0.00%	0.00%	0.00%

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Employees' Retirement Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2018

	<u>12/31/15</u>
Total Pension Liability	
Service Cost	\$ 283,482
Interest	868,067
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(745,910)
Change of Assumptions	7,685,672
Benefit Payments, Including Refunds of Member Contributions	<u>(1,213,649)</u>
Net Change in Total Pension Liability	6,877,662
Total Pension Liability - Beginning	<u>18,959,198</u>
Total Pension Liability - Ending	<u>25,836,860</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 921,727
Contributions - Members	44,270
Net Investment Income	215,478
Benefit Payments, Including Refunds of Member Contributions	(1,213,649)
Administrative Expense	<u>-</u>
Net Change in Plan Fiduciary Net Position	(32,174)
Plan Net Position - Beginning	<u>8,338,149</u>
Plan Net Position - Ending	<u>8,306,244</u>
Employer's Net Pension Liability	<u>\$ 17,530,616</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.15%
Covered Payroll	\$ 2,044,912
Employer's Net Pension Liability as a Percentage of Covered Payroll	857.28%

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

12/31/16	12/31/17	12/31/18
287,787	179,636	187,540
1,237,559	1,206,931	1,032,847
-	-	-
1,426,704	(627,124)	(667,891)
(499,817)	(3,827,913)	(281,528)
(534,905)	(647,877)	(1,128,079)
1,917,328	(3,716,347)	(857,111)
25,836,860	27,754,188	24,037,841
27,754,188	24,037,841	23,180,730
969,391	1,298,923	1,409,558
41,532	41,076	36,311
235,292	196,453	210,246
(534,905)	(647,877)	(1,128,079)
-	-	-
711,310	888,575	528,036
8,306,244	9,017,554	9,906,129
9,017,554	9,906,129	10,434,165
18,736,634	14,131,712	12,746,565
32.49%	41.21%	45.01%
2,237,893	2,299,435	1,744,800
837.24%	614.57%	730.55%

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2018

	<u>12/31/14</u>
Total Pension Liability	
Service Cost	\$ 999,888
Interest	4,067,424
Differences Between Expected and Actual Experience	1,780,289
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(3,284,173)</u>
Net Change in Total Pension Liability	3,563,428
Total Pension Liability - Beginning	<u>55,964,162</u>
Total Pension Liability - Ending	<u><u>59,527,590</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,746,014
Contributions - Members	399,590
Net Investment Income	1,972,181
Benefit Payments, Including Refunds of Member Contributions	(3,284,173)
Administrative Expense	<u>(47,891)</u>
Net Change in Plan Fiduciary Net Position	785,721
Plan Net Position - Beginning	<u>31,379,333</u>
Plan Net Position - Ending	<u><u>32,165,054</u></u>
Employer's Net Pension Liability	<u><u>\$ 27,362,536</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.03%
Covered Payroll	\$ 4,017,422
Employer's Net Pension Liability as a Percentage of Covered Payroll	681.10%

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

12/31/15	12/31/16	12/31/17	12/31/18
1,204,804	1,307,855	1,386,849	1,253,363
3,656,752	4,075,261	4,383,166	4,559,077
4,148,200	87,939	60,088	455,002
3,982,348	3,094,358	(3,467,390)	1,299,164
(3,335,184)	(3,426,586)	(3,508,718)	(3,660,559)
9,656,920	5,138,827	(1,146,005)	3,906,047
59,527,590	69,184,510	74,323,337	73,177,332
69,184,510	74,323,337	73,177,332	77,083,379
1,819,397	2,090,649	2,309,955	2,695,291
412,809	429,569	446,618	465,264
(160,038)	2,247,993	3,925,557	(1,247,471)
(3,335,184)	(3,426,586)	(3,508,718)	(3,660,559)
(42,462)	(38,664)	(39,863)	(42,905)
(1,305,478)	1,302,961	3,133,549	(1,790,380)
32,165,054	30,859,576	32,162,537	35,296,086
30,859,576	32,162,537	35,296,086	33,505,706
38,324,934	42,160,800	37,881,246	43,577,673
44.60%	43.27%	48.23%	43.47%
4,131,663	4,363,550	4,516,274	4,574,078
927.59%	966.20%	838.77%	952.71%

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability December 31, 2018

	<u>12/31/14</u>
Total Pension Liability	
Service Cost	\$ 1,067,954
Interest	3,811,312
Differences Between Expected and Actual Experience	(661,128)
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(2,406,899)</u>
Net Change in Total Pension Liability	1,811,239
Total Pension Liability - Beginning	<u>52,834,148</u>
Total Pension Liability - Ending	<u><u>54,645,387</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,914,705
Contributions - Members	376,279
Net Investment Income	1,695,835
Benefit Payments, Including Refunds of Member Contributions	(2,441,253)
Administrative Expense	<u>(42,228)</u>
Net Change in Plan Fiduciary Net Position	1,503,338
Plan Net Position - Beginning	<u>28,456,082</u>
Plan Net Position - Ending	<u><u>29,959,420</u></u>
Employer's Net Pension Liability	<u><u>\$ 24,685,967</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.83%
Covered Payroll	\$ 3,707,686
Employer's Net Pension Liability as a Percentage of Covered Payroll	665.81%

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

12/31/15	12/31/16	12/31/17	12/31/18
1,356,812	1,330,866	1,408,988	1,269,097
3,181,468	3,963,235	4,297,744	4,498,745
928,412	1,812,111	45,639	594,173
11,295,766	1,479,863	(3,623,699)	(2,526,497)
(2,530,110)	(2,721,910)	(3,052,990)	(3,213,171)
14,232,348	5,864,165	(924,318)	622,347
54,645,387	68,877,735	74,741,900	73,817,582
68,877,735	74,741,900	73,817,582	74,439,929
1,949,493	2,165,900	2,291,587	2,660,276
387,408	384,004	381,401	398,444
363,152	2,091,840	4,195,751	(1,486,352)
(2,530,110)	(2,721,910)	(3,052,990)	(3,213,171)
(60,860)	(69,879)	(43,591)	(38,658)
109,083	1,849,955	3,772,158	(1,679,461)
29,959,420	30,068,503	31,918,458	35,690,616
30,068,503	31,918,458	35,690,616	34,011,155
38,809,232	42,823,442	38,126,966	40,428,774
43.65%	42.70%	48.35%	45.69%
4,101,744	4,000,016	4,140,017	4,165,612
946.16%	1070.58%	920.94%	970.54%

VILLAGE OF MORTON GROVE, ILLINOIS

Municipal Employees' Retirement Fund

**Required Supplementary Information
Schedule of Investment Returns
December 31, 2018**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	2.80%
2015	2.89%
2016	2.82%
2017	2.55%
2018	2.09%

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

VILLAGE OF MORTON GROVE, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Investment Returns December 31, 2018

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	6.12%
2015	(0.46%)
2016	7.43%
2017	6.53%
2018	(3.58%)

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

VILLAGE OF MORTON GROVE, ILLINOIS

Firefighters' Pension Fund

**Required Supplementary Information
Schedule of Investment Returns
December 31, 2018**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	6.00%
2015	1.21%
2016	6.87%
2017	13.10%
2018	(4.15%)

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

VILLAGE OF MORTON GROVE, ILLINOIS

Retiree Benefits Plan

Required Supplementary Information Schedule of Changes in the Employer's Total OPEB Liability December 31, 2018

	2018
Total OPEB Liability	
Service Cost	\$ 464,133
Interest	645,426
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Change of Assumptions or Other Inputs	(1,234,624)
Benefit Payments	(850,550)
Net Change in Total OPEB Liability	(975,615)
Total OPEB Liability - Beginning	19,175,730
Total OPEB Liability - Ending	18,200,115
Covered Payroll	\$ 14,073,710
Total OPEB Liability as a Percentage of Covered Payroll	129.32%

Notes:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

Changes of Benefit Terms. There was no change in the retirees' share of health insurance premiums.

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the trend rate each period. The following are the trend rates used in each period:

Fiscal Year	HMO	PPO
2019	5.00%	6.00%
2020	5.00%	6.00%
2021	5.00%	5.50%
2022	5.00%	5.50%
2023	5.00%	5.00%
Ultimate	5.00%	5.00%

In 2018, there was no change in the healthcare trend rates from the prior year.

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 16,848,026	16,848,026	17,216,702
Intergovernmental	7,002,000	7,002,000	7,719,496
Charges for Services	1,358,850	1,358,850	1,244,938
Licenses and Permits	1,801,500	1,801,500	1,897,530
Fines and Forfeitures	806,500	806,500	778,916
Interest Income	80,000	80,000	114,849
Miscellaneous	1,282,600	1,282,600	582,115
Total Revenues	29,179,476	29,179,476	29,554,546
Expenditures			
General Government	4,273,107	4,273,107	3,997,077
Public Safety	19,734,434	19,734,434	20,240,729
Streets and Sidewalks	2,430,516	2,430,516	2,338,797
Vehicle and Maintenance	807,237	807,237	696,662
Health and Human Services	13,300	13,300	27,957
Community Development	287,200	287,200	262,205
Building and Inspection Services	1,700,988	1,700,988	1,148,653
Total Expenditures	29,246,782	29,246,782	28,712,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,306)	(67,306)	842,466
Other Financing Sources (Uses)			
Transfers In	310,000	310,000	270,000
Transfers Out	(163,783)	(163,783)	(163,783)
	146,217	146,217	106,217
Net Change in Fund Balance	78,911	78,911	948,683
Fund Balance - Beginning			11,350,826
Fund Balance - Ending			12,299,509

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, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 2,200,000	2,200,000	2,622,250
Interest Income	3,500	3,500	38,313
Miscellaneous	-	-	17,000
Total Revenues	2,203,500	2,203,500	2,677,563
Expenditures			
Community Development			
Personnel Services	49,200	49,200	40,419
Contractual Services	284,210	284,210	181,575
Capital Outlay	2,571,500	2,571,500	1,794,898
Debt Service			
Principal Retirement	555,000	555,000	555,000
Interest and Fiscal Charges	222,800	222,800	222,800
Total Expenditures	3,682,710	3,682,710	2,794,692
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,479,210)	(1,479,210)	(117,129)
Other Financing Sources (Uses)			
Disposal of Capital Assets	710,000	710,000	-
Transfers Out	(270,000)	(270,000)	(270,000)
	440,000	440,000	(270,000)
Net Change in Fund Balance	(1,039,210)	(1,039,210)	(387,129)
Fund Balance - Beginning			12,189,640
Fund Balance - Ending			11,802,511

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, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 550,000	550,000	531,876
Interest Income	-	-	(10,957)
Total Revenues	550,000	550,000	520,919
Expenditures			
Community Development			
Contractual Services	2,000	2,000	-
Debt Service			
Principal Retirement	108,391	108,391	109,053
Interest and Fiscal Charges	7,550	7,550	805
Total Expenditures	117,941	117,941	109,858
Net Change in Fund Balance	432,059	432,059	411,061
Fund Balance - Beginning			(2,602,577)
Fund Balance - Ending			(2,191,516)

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

The 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 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.

Morton Grove Days Fund

The Morton Grove Days Fund is used to account for the operation of the Village annual festival held over the Fourth of July.

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

PENSION TRUST FUNDS – CONTINUED

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, 2018**

	Budget		Actual
	Original	Final	
Taxes			
Property Taxes	\$ 10,019,026	10,019,026	9,961,146
Telecommunications Tax	730,000	730,000	589,336
Personal Property Replacement Tax	340,000	340,000	354,726
Home Rule Sales Tax	2,000,000	2,000,000	2,532,090
Utility Taxes	1,695,000	1,695,000	1,649,183
Other Taxes	2,064,000	2,064,000	2,130,221
	16,848,026	16,848,026	17,216,702
Intergovernmental			
Sales Tax	4,100,000	4,100,000	4,722,759
State Income Tax	2,250,000	2,250,000	2,228,476
Local Use Tax	500,000	500,000	683,568
Grants	152,000	152,000	84,693
	7,002,000	7,002,000	7,719,496
Charges for Services			
Cable Franchise Fee	350,000	350,000	340,608
Miscellaneous	1,008,850	1,008,850	904,330
	1,358,850	1,358,850	1,244,938
Licenses and Permits	1,801,500	1,801,500	1,897,530
Fines and Forfeits	806,500	806,500	778,916
Interest			
Interest Income	80,000	80,000	114,849
Miscellaneous	1,282,600	1,282,600	582,115
Total Revenues	29,179,476	29,179,476	29,554,546

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended December 31, 2018

	Budget		Actual
	Original	Final	
General Government			
Legislative			
Personnel Services	\$ 63,400	63,400	51,752
Contractual Services	49,100	49,100	45,681
Commodities	2,500	2,500	1,740
	115,000	115,000	99,173
Administration			
Personnel Services	609,874	609,874	565,294
Contractual Services	34,875	34,875	22,306
Commodities	3,000	3,000	4,120
	647,749	647,749	591,720
Finance			
Personnel Services	618,074	618,074	546,857
Contractual Services	1,821,890	1,821,890	1,645,226
Commodities	8,500	8,500	13,339
Less Administrative Fees			
Water and Sewer Fund	(153,000)	(153,000)	(153,000)
Municipal Parking Fund	(10,200)	(10,200)	19,800
	2,285,264	2,285,264	2,072,222
Management and Information Services			
Personnel Services	216,748	216,748	219,037
Contractual Services	394,293	394,293	370,980
Commodities	1,340	1,340	1,128
Capital Outlay	54,600	54,600	54,561
	666,981	666,981	645,706
Legal			
Personnel Services	145,648	145,648	143,901
Contractual Services	165,500	165,500	133,246
	311,148	311,148	277,147

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended December 31, 2018

	Budget		Actual
	Original	Final	
General Government - Continued			
Other Expenditures			
Other	\$ 246,965	246,965	311,109
Total General Government	4,273,107	4,273,107	3,997,077
Public Safety			
Police			
Personnel Services	7,031,856	7,031,856	7,258,160
Contractual Services	3,607,142	3,607,142	3,556,865
Commodities	138,730	138,730	85,591
Capital Outlay	195,700	195,700	165,521
	10,973,428	10,973,428	11,066,137
Fire			
Personnel Services	5,540,411	5,540,411	6,027,312
Contractual Services	2,993,905	2,993,905	3,029,785
Commodities	175,225	175,225	103,649
	45,200	45,200	11,936
	8,754,741	8,754,741	9,172,682
Civil Preparedness			
Contractual Services	5,265	5,265	1,910
Commodities	1,000	1,000	-
	6,265	6,265	1,910
Total Public Safety	19,734,434	19,734,434	20,240,729
Streets and Sidewalks			
Streets and Sidewalks			
Personnel Services	1,718,500	1,718,500	1,743,589
Contractual Services	592,900	592,900	522,579
Commodities	169,100	169,100	150,307
Capital Outlay	5,500	5,500	-
Less Administrative Fees			
Motor Fuel Tax Fund	(381,000)	(381,000)	(381,000)
Commuter Parking Facility Tax	(120,000)	(120,000)	(120,000)
	1,985,000	1,985,000	1,915,475

VILLAGE OF MORTON GROVE, ILLINOIS**General Fund****Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended December 31, 2018**

	Budget		Actual
	Original	Final	
Streets and Sidewalks - Continued			
Engineering			
Personnel Services	\$ 421,166	421,166	419,947
Contractual Services	22,200	22,200	1,440
Commodities	2,150	2,150	1,935
	<u>445,516</u>	<u>445,516</u>	<u>423,322</u>
 Total Streets and Sidewalks	 <u>2,430,516</u>	 <u>2,430,516</u>	 <u>2,338,797</u>
 Vehicle and Maintenance			
Personnel Services	331,602	331,602	321,603
Contractual Services	100,400	100,400	58,708
Commodities	375,235	375,235	316,351
	<u>807,237</u>	<u>807,237</u>	<u>696,662</u>
 Total Vehicle and Maintenance	 <u>807,237</u>	 <u>807,237</u>	 <u>696,662</u>
 Health and Human Services			
Personnel Services	-	-	16,159
Contractual Services	12,300	12,300	11,054
Commodities	1,000	1,000	744
	<u>13,300</u>	<u>13,300</u>	<u>27,957</u>
 Total Health and Human Services	 <u>13,300</u>	 <u>13,300</u>	 <u>27,957</u>
 Community Development			
Personnel Services	248,300	248,300	248,622
Contractual Services	36,400	36,400	12,799
Commodities	2,500	2,500	784
	<u>287,200</u>	<u>287,200</u>	<u>262,205</u>
 Total Community Development	 <u>287,200</u>	 <u>287,200</u>	 <u>262,205</u>
 Building and Inspection Services			
Building and Inspection Services			
Personnel Services	372,300	372,300	340,115
Contractual Services	322,050	322,050	270,248
Commodities	3,400	3,400	453
	<u>697,750</u>	<u>697,750</u>	<u>610,816</u>

VILLAGE OF MORTON GROVE, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended December 31, 2018

	Budget		Actual
	Original	Final	
Building and Inspection Services - Continued			
Municipal Buildings			
Personnel Services	\$ 196,046	196,046	198,737
Contractual Services	255,192	255,192	242,308
Commodities	22,000	22,000	20,012
Capital Outlay	530,000	530,000	76,780
	<u>1,003,238</u>	<u>1,003,238</u>	<u>537,837</u>
 Total Building and Inspection Services	 <u>1,700,988</u>	 <u>1,700,988</u>	 <u>1,148,653</u>
 Total Expenditures	 <u>29,246,782</u>	 <u>29,246,782</u>	 <u>28,712,080</u>

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 586,019	586,019	596,935
Intergovernmental			
Sales Taxes	150,000	150,000	150,000
Other	70,000	70,000	67,988
Interest Income	500	500	14,147
Miscellaneous	-	-	594
Total Revenues	806,519	806,519	829,664
Expenditures			
Debt Service			
Principal Retirement	397,936	397,936	397,936
Interest and Fiscal Charges	442,621	442,621	421,646
Total Expenditures	840,557	840,557	819,582
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,038)	(34,038)	10,082
Other Financing Sources			
Transfers In	163,783	163,783	163,783
Net Change in Fund Balance	129,745	129,745	173,865
Fund Balance - Beginning			118,339
Fund Balance - Ending			292,204

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ -	-	(81)
Personal Property Replacement Taxes	34,100	34,100	36,136
Intergovernmental			
Sales Taxes	25,000	25,000	25,000
Other	120,000	120,000	-
Interest Income	-	-	92,786
Total Revenues	179,100	179,100	153,841
Expenditures			
Capital Outlay			
Capital Projects			
Street Improvements	1,357,500	1,357,500	78,820
Net Change in Fund Balance	(1,178,400)	(1,178,400)	75,021
Fund Balance - Beginning			1,076,628
Fund Balance - Ending			1,151,649

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet December 31, 2018

	Motor Fuel Tax	Commuter Parking Facility
ASSETS		
Cash and Investments	\$ 907,536	1,099
Receivables - Net of Allowances		
Other Taxes	50,539	-
Due from Other Funds	-	-
Total Assets	958,075	1,099
LIABILITIES		
Accounts Payable	41,936	458
Accrued Payroll	-	-
Deposits Payable	-	-
Due to Other Funds	-	-
Total Liabilities	41,936	458
FUND BALANCES		
Restricted	916,139	-
Committed	-	641
Unassigned	-	-
Total Fund Balances	916,139	641
Total Liabilities and Fund Balances	958,075	1,099

911 Emergency Telephone System	Economic Development	Fire Alarm	Seizure	Dempster/ Waukegan TIF	Totals
242,619	-	662,387	704,409	294,780	2,812,830
-	168,029	-	-	-	218,568
-	-	-	7,370	-	7,370
242,619	168,029	662,387	711,779	294,780	3,038,768
234	58,987	25,569	50,732	11,129	189,045
-	-	107	-	-	107
-	-	-	-	306,194	306,194
-	953,404	-	-	344,077	1,297,481
234	1,012,391	25,676	50,732	661,400	1,792,827
242,385	-	636,711	661,047	-	2,456,282
-	-	-	-	-	641
-	(844,362)	-	-	(366,620)	(1,210,982)
242,385	(844,362)	636,711	661,047	(366,620)	1,245,941
242,619	168,029	662,387	711,779	294,780	3,038,768

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, 2018

	Motor Fuel Tax	Commuter Parking Facility
Revenues		
Taxes	\$ -	-
Intergovernmental	602,421	-
Charges for Services	-	120,190
Interest Income	10,380	-
Total Revenues	612,801	120,190
Expenditures		
Public Safety	-	-
Streets and Sidewalks	611,664	143,479
Community Development	-	-
Total Expenditures	611,664	143,479
Net Change in Fund Balances	1,137	(23,289)
Fund Balances - Beginning	915,002	23,930
Fund Balances - Ending	916,139	641

911 Emergency Telephone System	Economic Development	Fire Alarm	Seizure	Dempster/ Waukegan TIF	Totals
-	-	-	-	45,368	45,368
-	669,821	-	177,352	-	1,449,594
378,841	-	212,649	-	-	711,680
-	43,752	-	1,576	-	55,708
378,841	713,573	212,649	178,928	45,368	2,262,350
262,464	-	166,852	173,645	-	602,961
-	-	-	-	-	755,143
-	1,203,676	-	-	54,187	1,257,863
262,464	1,203,676	166,852	173,645	54,187	2,615,967
116,377	(490,103)	45,797	5,283	(8,819)	(353,617)
126,008	(354,259)	590,914	655,764	(357,801)	1,599,558
242,385	(844,362)	636,711	661,047	(366,620)	1,245,941

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Taxes	\$ 605,614	605,614	595,611
Miscellaneous	-	-	6,810
Interest Income	-	-	10,380
Total Revenues	605,614	605,614	612,801
Expenditures			
Streets and Sidewalks			
Contractual Services	98,000	98,000	72,681
Commodities	120,000	120,000	157,983
Administrative Fees			
General Fund	381,000	381,000	381,000
Total Expenditures	599,000	599,000	611,664
Net Change in Fund Balance	6,614	6,614	1,137
Fund Balance - Beginning			915,002
Fund Balance - Ending			916,139

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services	\$ 138,600	138,600	120,190
Expenditures			
Streets and Sidewalks			
Contractual Services	20,200	20,200	29,219
Commodities	11,750	11,750	13,760
Administrative Fees			
General Fund	120,000	120,000	90,000
Water and Sewer Fund	10,500	10,500	10,500
Total Expenditures	162,450	162,450	143,479
Net Change in Fund Balance	(23,850)	(23,850)	(23,289)
Fund Balance - Beginning			23,930
Fund Balance - Ending			641

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services			
Telecommunications Surcharges	\$ 275,000	275,000	378,841
Expenditures			
Public Safety			
Contractual Services	261,750	261,750	262,464
Net Change in Fund Balance	<u>13,250</u>	<u>13,250</u>	116,377
Fund Balance - Beginning			<u>126,008</u>
Fund Balance - Ending			<u>242,385</u>

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, 2018

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Sales Taxes	\$ 660,000	660,000	669,821
Interest Income	-	-	43,752
Total Revenues	660,000	660,000	713,573
Expenditures			
Community Development			
Contractual Services	1,078,884	1,078,884	1,203,676
Net Change in Fund Balance	(418,884)	(418,884)	(490,103)
Fund Balance - Beginning			(354,259)
Fund Balance - Ending			(844,362)

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, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services	\$ 171,000	171,000	212,649
Interest Income	100	100	-
Total Revenues	171,100	171,100	212,649
Expenditures			
Public Safety			
Personnel Services	34,600	34,600	35,668
Contractual Services	125,400	125,400	94,364
Commodities	22,000	22,000	11,820
Administrative Fees			
General Fund	25,000	25,000	25,000
Total Expenditures	207,000	207,000	166,852
Net Change in Fund Balance	(35,900)	(35,900)	45,797
Fund Balance - Beginning			590,914
Fund Balance - Ending			636,711

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, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental	\$ 61,200	61,200	177,352
Interest Income	500	500	1,576
Total Revenues	61,700	61,700	178,928
Expenditures			
Public Safety			
Contractual Services	366,180	366,180	173,645
Net Change in Fund Balance	(304,480)	(304,480)	5,283
Fund Balance - Beginning			655,764
Fund Balance - Ending			661,047

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, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 65,000	65,000	45,368
Expenditures			
Community Development			
Personnel Services	21,000	21,000	13,000
Contractual Services	221,900	221,900	41,187
Capital Outlay	1,100,000	1,100,000	-
Total Expenditures	1,342,900	1,342,900	54,187
Net Change in Fund Balance	(1,277,900)	(1,277,900)	(8,819)
Fund Balance - Beginning			(357,801)
Fund Balance - Ending			(366,620)

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, 2018

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Water Sales	\$ 7,500,000	7,500,000	7,340,340
Sewer Charges	785,250	785,250	761,772
Miscellaneous	120,500	120,500	109,359
Total Operating Revenues	8,405,750	8,405,750	8,211,471
Operating Expenses			
Operations			
Personnel Services	1,995,000	1,995,000	1,631,261
Contractual Services	3,212,338	3,212,338	1,541,356
Capital Outlay	507,000	507,000	-
Water Purchases	4,597,000	4,597,000	4,111,033
Commodities	446,325	446,325	433,343
Administrative Fees	153,000	153,000	153,000
Other	5,000	5,000	-
Depreciation	350,000	350,000	444,508
Total Operating Expenses	11,265,663	11,265,663	8,314,501
Operating Income (Loss)	(2,859,913)	(2,859,913)	(103,030)
Nonoperating Revenues (Expenses)			
Connection Fees	5,505	5,505	36,378
Interest Income	3,000	3,000	31,768
Other Income	180,000	180,000	151,901
Principal Payments	(191,400)	(191,400)	-
Interest Expense	(163,062)	(163,062)	(163,428)
	(165,957)	(165,957)	56,619
Income (Loss) Before Grants	(3,025,870)	(3,025,870)	(46,411)
Capital Grants	60,000	60,000	53,419
Change in Net Position	(2,965,870)	(2,965,870)	7,008
Net Position - Beginning as Restated			5,978,978
Net Position - Ending			5,985,986

VILLAGE OF MORTON GROVE, ILLINOIS**Nonmajor Enterprise Funds****Combining Statement of Net Position
December 31, 2018**

	Solid Waste	Municipal Parking	Morton Grove Days	Totals
ASSETS				
Current Assets				
Cash and Investments	\$ 719,179	365,407	29,463	1,114,049
Receivables - Net of Allowances				
Accounts	70,759	-	5,440	76,199
Prepays	54,694	-	-	54,694
Total Assets	844,632	365,407	34,903	1,244,942
LIABILITIES				
Current Liabilities				
Accounts Payable	631	19	(10)	640
Other Liabilities	-	35,465	-	35,465
Total Liabilities	631	35,484	(10)	36,105
NET POSITION				
Unrestricted	844,001	329,923	34,913	1,208,837

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended December 31, 2018

	Solid Waste	Municipal Parking	Morton Grove Days	Totals
Operating Revenues				
Charges for Services	\$ 2,001,847	61,025	137,846	2,200,718
Operating Expenses				
Operations	1,868,109	10,769	148,263	2,027,141
Operating Income (Loss)	133,738	50,256	(10,417)	173,577
Nonoperating Revenues				
Interest Income	606	-	-	606
Change in Net Position	134,344	50,256	(10,417)	174,183
Net Position - Beginning	709,657	279,667	45,330	1,034,654
Net Position - Ending	844,001	329,923	34,913	1,208,837

VILLAGE OF MORTON GROVE, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Cash Flows For the Fiscal Year Ended December 31, 2018

	Solid Waste	Municipal Parking	Morton Grove Days	Totals
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 1,980,608	61,025	132,406	2,174,039
Payments to Suppliers	(2,052,410)	(11,182)	(151,406)	(2,214,998)
	(71,802)	49,843	(19,000)	(40,959)
Cash Flows from Investing Activities				
Interest Income	606	-	-	606
Net Change in Cash and Cash Equivalents	(71,196)	49,843	(19,000)	(40,353)
Cash and Cash Equivalents - Beginning	790,375	315,564	48,463	1,154,402
Cash and Cash Equivalents - Ending	719,179	365,407	29,463	1,114,049
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	133,738	50,256	(10,417)	173,577
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities				
(Increase) Decrease in Assets	(21,239)	-	(5,440)	(26,679)
Increase (Decrease) in Liabilities	(184,301)	(413)	(3,143)	(187,857)
Net Cash Provided (Used) by Operating Activities	(71,802)	49,843	(19,000)	(40,959)

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, 2018**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Waste	\$ 2,025,252	2,025,252	2,001,847
Operating Expenses			
Operations			
Contractual Services	2,018,468	2,018,468	1,733,109
Administrative Fees	135,000	135,000	135,000
Total Operating Expenses	2,153,468	2,153,468	1,868,109
Operating Income (Loss)	(128,216)	(128,216)	133,738
Nonoperating Revenues			
Interest Income	250	250	606
Change in Net Position	(127,966)	(127,966)	134,344
Net Position - Beginning			709,657
Net Position - Ending			844,001

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, 2018

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Parking	\$ 56,000	56,000	61,025
Miscellaneous	50	50	-
Total Operating Revenues	56,050	56,050	61,025
Operating Expenses			
Operations			
Contractual Services	2,700	2,700	186
Commodities	900	900	383
Administrative Fees	10,200	10,200	10,200
Total Operating Expenses	13,800	13,800	10,769
Operating Income	42,250	42,250	50,256
Nonoperating Revenues			
Interest Income	100	100	-
Change in Net Position	42,350	42,350	50,256
Net Position - Beginning			279,667
Net Position - Ending			329,923

VILLAGE OF MORTON GROVE, ILLINOIS

Morton Grove Days - Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual For the Fiscal Year Ended December 31, 2018

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Morton Grove Days	\$ 145,000	145,000	137,846
Operating Expenses			
Operations			
Contractual Services	120,000	120,000	102,206
Commodities	25,000	25,000	46,057
Total Operating Expenses	145,000	145,000	148,263
Change in Net Position	-	-	(10,417)
Net Position - Beginning			45,330
Net Position - Ending			34,913

VILLAGE OF MORTON GROVE, ILLINOIS**Pension Trust Funds****Combining Statement of Fiduciary Net Position
December 31, 2018**

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Totals
ASSETS				
Cash and Cash Equivalents	\$ -	825,121	213,167	1,038,288
Investments				
U.S. Government Obligations	-	5,684,478	1,702,102	7,386,580
U.S. Agency Obligations	-	1,310,723	10,566,428	11,877,151
Municipal Bonds	-	812,821	1,895,918	2,708,739
Corporate Bonds	-	8,622,550	1,448,148	10,070,698
Annuity Contracts	11,088,307	-	-	11,088,307
Equities	-	11,441,154	18,101,988	29,543,142
Common Stock	-	4,702,012	-	4,702,012
Receivables - Net				
Accounts	6,686	-	-	6,686
Accrued Interest	-	118,505	105,813	224,318
Prepays	-	4,233	2,431	6,664
Total Assets	11,094,993	33,521,597	34,035,995	78,652,585
LIABILITIES				
Accounts Payable	-	15,891	24,840	40,731
NET POSITION				
Net Position Restricted for Pensions	11,094,993	33,505,706	34,011,155	78,611,854

VILLAGE OF MORTON GROVE, ILLINOIS

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended December 31, 2018

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Totals
Additions				
Contributions - Employer	\$ 1,409,558	2,695,291	2,660,276	6,765,125
Contributions - Plan Members	236,737	465,264	398,444	1,100,445
Total Contributions	1,646,295	3,160,555	3,058,720	7,865,570
Investment Income				
Interest Earned	251,729	827,710	1,549,818	2,629,257
Net Change in Fair Value	-	(2,010,147)	(2,946,490)	(4,956,637)
	251,729	(1,182,437)	(1,396,672)	(2,327,380)
Less Investment Expenses	(20,404)	(65,034)	(89,680)	(175,118)
Net Investment Income	231,325	(1,247,471)	(1,486,352)	(2,502,498)
Total Additions	1,877,620	1,913,084	1,572,368	5,363,072
Deductions				
Administration	-	42,905	38,658	81,563
Benefits and Refunds	1,338,545	3,660,559	3,213,171	8,212,275
Total Deductions	1,338,545	3,703,464	3,251,829	8,293,838
Change in Fiduciary Net Position	539,075	(1,790,380)	(1,679,461)	(2,930,766)
Net Position Restricted for Pensions				
Beginning	10,555,918	35,296,086	35,690,616	81,542,620
Ending	11,094,993	33,505,706	34,011,155	78,611,854

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, 2018**

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 1,332,126	1,332,126	1,409,558
Contributions - Plan Members	195,900	195,900	236,737
Total Contributions	1,528,026	1,528,026	1,646,295
Investment Income			
Interest Earned	275,000	275,000	251,729
Net Change in Fair Value	-	-	-
	275,000	275,000	251,729
Less Investment Expenses	(23,000)	(23,000)	(20,404)
Net Investment Income	252,000	252,000	231,325
Total Additions	1,780,026	1,780,026	1,877,620
Deductions			
Administration	3,000	3,000	-
Benefits and Refunds	1,150,000	1,150,000	1,338,545
Total Deductions	1,153,000	1,153,000	1,338,545
Change in Fiduciary Net Position	627,026	627,026	539,075
Net Position Restricted for Pensions			
Beginning			10,555,918
Ending			11,094,993

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, 2018**

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 2,677,108	2,677,108	2,695,291
Contributions - Plan Members	435,000	435,000	465,264
Total Contributions	3,112,108	3,112,108	3,160,555
Investment Income			
Interest Earned	500	500	827,710
Net Change in Fair Value	1,300,000	1,300,000	(2,010,147)
	1,300,500	1,300,500	(1,182,437)
Less Investment Expenses	(60,000)	(60,000)	(65,034)
Net Investment Income	1,240,500	1,240,500	(1,247,471)
Total Additions	4,352,608	4,352,608	1,913,084
Deductions			
Administration	54,200	54,200	42,905
Benefits and Refunds	3,643,000	3,643,000	3,660,559
Total Deductions	3,697,200	3,697,200	3,703,464
Change in Fiduciary Net Position	655,408	655,408	(1,790,380)
Net Position Restricted for Pensions			
Beginning			35,296,086
Ending			33,505,706

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, 2018

	Budget		Actual
	Original	Final	
Additions			
Contributions - Employer	\$ 2,647,365	2,647,365	2,660,276
Contributions - Plan Members	390,000	390,000	398,444
Total Contributions	3,037,365	3,037,365	3,058,720
Investment Income			
Interest Earned	400,000	400,000	1,549,818
Net Change in Fair Value	900,000	900,000	(2,946,490)
	1,300,000	1,300,000	(1,396,672)
Less Investment Expenses	(80,000)	(80,000)	(89,680)
Net Investment Income	1,220,000	1,220,000	(1,486,352)
Total Additions	4,257,365	4,257,365	1,572,368
Deductions			
Administration	76,250	76,250	38,658
Benefits and Refunds	2,960,000	2,960,000	3,213,171
Total Deductions	3,036,250	3,036,250	3,251,829
Change in Fiduciary Net Position	1,221,115	1,221,115	(1,679,461)
Net Position Restricted for Pensions			
Beginning			35,690,616
Ending			34,011,155

VILLAGE OF MORTON GROVE, ILLINOIS**Consolidated Year-End Financial Report
December 31, 2018**

CSFA #	Program Name	State	Federal	Other	Totals
482-00-0894	EMS Assistance Fund Grant	\$ -	1,867	-	1,867
492-27-1157	Liquor Commission Operations	3,000	-	-	3,000
492-35-1161	State (ILCC) Tobacco Enforcement	172	-	-	172
494-00-1488	Motor Fuel Tax Program	611,664	-	-	611,664
494-10-0343	State and Community Highway Safety/ National Priority Safety Program	1,026	-	-	1,026
494-42-0495	Local Surface Transportation Program	82,826	-	-	82,826
	Other Grant Programs and Activities	-	-	-	-
	All Other Costs Not Allocated	-	-	48,681,636	48,681,636
	Totals	698,688	1,867	48,681,636	49,382,191



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING
STANDARDS**

July 25, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated July 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. According, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

SUPPLEMENTAL SCHEDULES

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2010B

December 31, 2018

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 Date	December 15
Payable at	Amalgamated Bank of Chicago

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Totals
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
	6,425,000	2,369,575	8,794,575
	3,598,000	Debt Service Fund	
	2,827,000	Water and Sewer Fund	
	6,425,000		

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2014 December 31, 2018

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

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Totals
2019	\$ 470,000	33,890	503,890
2020	470,000	22,632	492,632
2021	475,000	11,376	486,376
	1,415,000	67,898	1,482,898

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond of 2015 December 31, 2018

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 Date	December 15
Payable at	Amalgamated Bank of Chicago

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Totals
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
	7,430,000	1,151,800	8,581,800

VILLAGE OF MORTON GROVE, ILLINOIS

Long-Term Debt Requirements

General Obligation Promissory Note Payable of 2013 December 31, 2018

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

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Totals
2019	\$ 157,423	6,360	163,783
2020	160,571	3,211	163,782
	317,994	9,571	327,565

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, 2018 (Unaudited)**

	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 43,660,888	40,455,570	44,804,287	44,017,021
Restricted	15,697,500	19,784,173	11,645,390	13,415,241
Unrestricted	(24,936,412)	(23,196,704)	(18,379,105)	(20,475,242)
Total Governmental Activities Net Position	34,421,976	37,043,039	38,070,572	36,957,020
Business-Type Activities				
Net Investment in Capital Assets	1,918,346	3,844,337	4,490,571	4,108,087
Unrestricted	928,429	177,104	409,939	2,044,418
Total Business-Type Activities Net Position	2,846,775	4,021,441	4,900,510	6,152,505
Primary Government				
Net Investment in Capital Assets	45,579,234	44,299,907	49,294,858	48,125,108
Restricted	15,697,500	19,784,173	11,645,390	13,415,241
Unrestricted	(24,007,983)	(23,019,600)	(17,969,166)	(18,430,824)
Total Primary Government Net Position	37,268,751	41,064,480	42,971,082	43,109,525

* Accrual Basis of Accounting

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

Data Source: Audited Financial Statements

2013	2014	2015	2016	2017	2018
45,225,759	44,444,400	44,953,060	39,217,439	42,544,431	42,539,916
14,644,385	15,893,795	17,293,933	19,744,965	15,640,410	15,740,469
(23,595,025)	(23,603,372)	(71,822,364)	(75,847,646)	(79,477,082)	(93,830,870)
36,275,119	36,734,823	(9,575,371)	(16,885,242)	(21,292,241)	(35,550,485)
4,945,237	5,875,794	5,778,164	5,960,197	6,556,655	6,807,293
2,835,446	3,765,559	1,925,554	1,182,811	1,776,058	387,530
7,780,683	9,641,353	7,703,718	7,143,008	8,332,713	7,194,823
50,170,996	50,320,194	50,731,224	45,177,636	49,101,086	49,347,209
14,644,385	15,893,795	17,293,933	19,744,965	15,640,410	15,740,469
(20,759,579)	(19,837,813)	(69,896,810)	(74,664,835)	(77,701,024)	(93,443,340)
44,055,802	46,376,176	(1,871,653)	(9,742,234)	(12,959,528)	(28,355,662)

VILLAGE OF MORTON GROVE, ILLINOIS

Changes in Net Position - Last Ten Fiscal Years*
December 31, 2018 (Unaudited)

	2009	2010	2011	2012
Expenses				
Governmental Activities				
General Government	\$ 3,987,630	3,394,369	2,989,799	5,634,828
Public Safety	16,452,967	16,785,158	18,359,859	18,526,759
Streets and Highways	3,815,984	4,312,475	4,685,104	3,547,591
Sanitation	646,686	74,942	-	-
Vehicle Maintenance	752,089	720,434	738,039	816,073
Health and Human Services	717,693	383,133	254,522	266,405
Community Development	778,130	695,599	331,224	470,695
Building and Inspection al Services	812,585	511,905	533,941	699,282
Interest	879,876	1,018,423	1,043,389	862,272
Total Governmental Activities Expenses	28,843,640	27,896,438	28,935,877	30,823,905
Business-Type Activities				
Waterworks and Sewerage	4,995,861	5,204,329	5,371,031	6,286,120
Solid Waste	-	1,352,270	1,818,505	1,820,057
Municipal Parking	-	-	-	370
Morton Grove Days	-	-	-	-
Total Business-Type Activities Expenses	4,995,861	6,556,599	7,189,536	8,106,547
Total Primary Government Expenses	33,839,501	34,453,037	36,125,413	38,930,452
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	2,068,374	2,928,022	2,889,549	2,870,140
Public Safety	478,189	522,603	722,977	668,063
Other Activities	77,835	98,009	7,981	3,657
Operating Grants/Contributions	804,094	978,467	882,240	1,002,278
Capital Grants/Contributions	1,244	216,450	728,738	157,618
Total Governmental Activities Program Revenues	3,429,736	4,743,551	4,781,485	4,701,756
Business-Type Activities				
Charges for Services				
Waterworks and Sewerage	4,990,281	5,451,711	5,773,298	7,106,948
Solid Waste	-	1,207,409	1,830,623	1,888,288
Municipal Parking	-	-	13,660	44,325
Morton Grove Days	-	-	-	-
Capital Grants/Contributions	-	811,519	64,122	64,122
Total Business-Type Activities Program Revenues	4,990,281	7,470,639	7,681,703	9,103,683
Total Primary Government Program Revenues	8,420,017	12,214,190	12,463,188	13,805,439
Net (Expenses) Revenues				
Governmental Activities	(25,413,904)	(23,152,887)	(24,154,392)	(26,122,149)
Business-Type Activities	(5,580)	914,040	492,167	997,136
Total Primary Government Net (Expenses) Revenues	(25,419,484)	(22,238,847)	(23,662,225)	(25,125,013)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property	12,799,051	13,005,988	12,796,737	12,620,923
Sales	5,604,221	5,576,524	5,602,819	5,940,931
Utility	1,144,676	1,159,513	1,154,124	1,119,227
Other	2,308,750	2,280,628	2,231,857	2,471,292
Intergovernmental - Unrestricted				
Income Taxes	1,824,794	1,766,942	1,797,158	2,044,675
Local Use	272,041	303,687	338,416	366,352
Personal Property Replacement	368,208	395,543	348,557	349,197
Interest Income	304,129	114,990	73,661	26,846
Miscellaneous	295,348	1,170,135	813,078	262,112
Gain on Disposal of Capital Assets	-	-	25,518	-
Total Governmental Activities General Revenues	24,921,218	25,773,950	25,181,925	25,201,555
Business-Type Activities				
Interest Income	3,469	6,296	15,454	13,740
Contributions	108,134	8,100	-	-
Miscellaneous	250,925	246,230	297,636	296,582
Gain on Disposal of Capital Assets	-	-	-	-
Total Business-Type Activities General Revenues	362,528	260,626	313,090	310,322
Total Primary Government General Revenues	25,283,746	26,034,576	25,495,015	25,511,877
Changes in Net Position				
Governmental Activities	(492,686)	2,621,063	1,027,533	(920,594)
Business-Type Activities	356,948	1,174,666	805,257	1,307,458
Total Primary Government Changes in Net Position	(135,738)	3,795,729	1,832,790	386,864

* Accrual Basis of Accounting

Data Source: Audited Financial Statements

2013	2014	2015	2016	2017	2018
3,826,691	3,749,953	5,122,457	4,952,670	5,117,197	4,099,466
18,773,860	19,225,281	25,760,081	26,283,790	24,371,736	20,851,590
5,823,268	4,043,649	7,364,136	6,569,693	5,889,348	8,753,053
-	-	-	-	-	-
846,686	793,103	701,174	687,317	662,341	696,662
270,450	282,897	220,531	16,446	9,059	27,957
467,393	980,882	1,118,066	688,354	1,594,966	3,069,076
845,669	794,883	714,270	896,333	1,042,263	960,551
805,158	781,321	943,022	642,697	584,476	418,766
31,659,175	30,651,969	41,943,737	40,737,300	39,271,386	38,877,121
6,770,519	7,356,131	10,269,076	9,499,761	8,168,387	8,477,929
1,869,140	1,857,923	1,869,199	1,788,287	1,835,572	1,868,109
11,721	11,380	11,348	12,585	11,158	10,769
-	-	-	-	150,433	148,263
8,651,380	9,225,434	12,149,623	11,300,633	10,165,550	10,505,070
40,310,555	39,877,403	54,093,360	52,037,933	49,436,936	49,382,191
3,120,247	3,426,448	3,273,344	2,864,038	2,989,856	3,142,468
905,530	961,296	1,087,239	1,118,677	1,127,232	1,547,758
8,306	2,403	8,102	176,970	122,461	120,190
758,925	829,051	1,077,504	606,115	611,558	602,421
462,298	158,042	141,474	63,670	206,238	84,693
5,255,306	5,377,240	5,587,663	4,829,470	5,057,345	5,497,530
7,857,661	8,678,471	8,691,690	8,441,426	8,485,210	8,247,849
1,956,253	1,983,404	2,014,617	1,985,744	2,042,578	2,001,847
54,091	59,633	57,935	58,507	49,120	61,025
-	-	-	-	195,763	137,846
59,024	59,473	59,601	59,112	58,543	53,419
9,927,029	10,780,981	10,823,843	10,544,789	10,831,214	10,501,986
15,182,335	16,158,221	16,411,506	15,374,259	15,888,559	15,999,516
(26,403,869)	(25,274,729)	(36,356,074)	(35,907,830)	(34,214,041)	(33,379,591)
1,275,649	1,555,547	(1,325,780)	(755,844)	665,664	(3,084)
(25,128,220)	(23,719,182)	(37,681,854)	(36,663,674)	(33,548,377)	(33,382,675)
12,559,743	12,444,336	12,861,602	13,010,453	13,474,303	13,757,494
6,277,412	6,413,855	6,801,069	7,642,127	7,713,258	8,099,670
1,166,101	1,228,883	1,272,845	2,039,489	1,506,508	1,649,183
2,287,247	2,186,679	2,659,951	2,283,702	2,872,210	2,719,557
2,217,174	2,227,959	2,476,003	2,265,196	2,137,330	2,228,476
400,868	454,615	517,569	565,191	601,914	683,568
387,116	398,843	405,808	402,648	470,075	390,862
12,248	15,843	17,912	60,078	776,459	304,846
414,059	363,420	236,286	329,075	224,985	599,709
-	-	-	-	-	-
25,721,968	25,734,433	27,249,045	28,597,959	29,777,042	30,433,365
2,665	2,966	2,322	11,330	15,972	32,374
-	-	-	-	-	-
300,864	284,657	315,446	173,804	194,279	151,901
49,000	17,500	6,300	-	-	-
352,529	305,123	324,068	185,134	210,251	184,275
26,074,497	26,039,556	27,573,113	28,783,093	29,987,293	30,617,640
(681,901)	459,704	(9,107,029)	(7,309,871)	(4,436,999)	(2,946,226)
1,628,178	1,860,670	(1,001,712)	(570,710)	875,915	181,191
946,277	2,320,374	(10,108,741)	(7,880,581)	(3,561,084)	(2,765,035)

VILLAGE OF MORTON GROVE, ILLINOIS

Fund Balances of Governmental Funds - Last Ten Fiscal Years* December 31, 2018 (Unaudited)

	2009	2010	2011	2012
General Fund				
Nonspendable				
Advance to Other Funds	\$ 1,588,930	1,549,007	1,508,930	1,546,190
Prepaid Items	6,626	-	-	103,495
Restricted				
Public Safety	-	-	116,805	116,805
Retirement	-	-	-	-
Specific Property Tax Levies	-	-	-	7,357
Unrestricted/Unassigned	5,794,060	5,931,760	5,684,663	5,093,952
Total General Fund	7,389,616	7,480,767	7,310,398	6,867,799
All Other Governmental Funds				
Nonspendable				
Prepaid Items	22,336	-	-	-
Advance to Other Funds	-	-	-	35,714
Restricted				
Public Safety	196,590	191,843	459,385	482,443
Capital Improvements				
Unspent Bond Proceeds	488,113	6,483,518	4,284,205	2,481,828
Community Development	14,452,122	12,671,491	10,771,232	12,360,035
Economic Development	-	-	-	-
Highways and Streets	46,069	204,343	297,968	448,601
Debt Service	492,270	232,978	-	-
Unrestricted				
Committed for Community Development	-	-	133,110	-
Committed for Commuter Improvements	164,233	167,904	189,114	180,440
Assigned for Capital Improvements	-	-	683,421	543,242
Special Revenue Funds	-	-	-	-
Unassigned	(975,505)	(1,079,187)	(1,494,055)	(1,956,874)
Total All Other Governmental Funds	14,886,228	18,872,890	15,324,380	14,575,429
Total Governmental Funds	22,275,844	26,353,657	22,634,778	21,443,228

* Modified Accrual Basis of Accounting

Data Source: Audited Financial Statements

2013	2014	2015	2016	2017	2018
1,506,190	1,514,751	2,781,489	3,276,359	1,148,930	1,148,930
-	589,507	192	192	192	192
14,559	-	-	-	-	-
-	-	4,961	-	-	66,273
-	-	-	-	-	-
5,744,509	5,745,220	5,891,331	6,678,041	10,201,704	11,084,114
7,265,258	7,849,478	8,677,973	9,954,592	11,350,826	12,299,509
-	-	297,983	-	-	-
-	44,364	-	44,364	-	-
498,175	805,492	1,168,217	1,266,779	1,372,686	1,540,143
1,078,056	18	3,597,581	1,753,252	1,076,628	1,151,649
13,493,724	14,228,109	15,018,344	15,830,847	12,189,640	11,802,511
-	-	-	-	-	-
637,927	860,194	765,044	841,869	915,002	916,139
-	-	337,367	100,190	118,339	292,204
-	-	-	-	-	-
105,648	59,855	61,734	66,331	23,930	641
-	-	-	-	-	-
-	-	-	-	-	-
(2,150,549)	(1,905,351)	(2,860,210)	(3,370,901)	(3,314,637)	(3,402,498)
13,662,981	14,092,681	18,386,060	16,532,731	12,381,588	12,300,789
20,928,239	21,942,159	27,064,033	26,487,323	23,732,414	24,600,298

VILLAGE OF MORTON GROVE, ILLINOIS

Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years*
December 31, 2018 (Unaudited)

	2009	2010	2011	2012
Revenues				
Taxes	\$ 21,586,089	21,775,843	21,551,420	21,879,247
Intergovernmental	3,270,381	3,661,090	3,645,110	4,010,271
Charges for Services	873,261	1,014,532	1,152,456	1,067,979
License and Permits	1,029,669	1,569,517	1,587,662	1,472,977
Fines and Forfeitures	346,754	561,349	531,010	609,450
Surcharge Fees	270,610	246,812	234,115	273,226
Investment Income	304,129	114,990	73,661	26,846
Cable TV	233,278	260,205	259,862	322,937
Miscellaneous	436,783	1,313,163	902,535	240,378
Total Revenues	28,350,954	30,517,501	29,937,831	29,903,311
Expenditures				
General Government	3,235,134	2,941,777	2,299,975	2,960,966
Public Safety	15,393,475	15,899,654	16,948,038	16,841,291
Streets and Sidewalks	3,029,454	2,754,279	2,752,341	2,974,086
Sanitation	644,771	74,942	-	-
Vehicle Maintenance	752,089	720,434	738,039	816,073
Health and Human Services	718,045	395,984	255,880	263,187
Community Development	529,407	557,192	545,904	766,988
Building and Inspection Services	807,146	514,832	555,482	698,263
Debt Service				
Principal Retirement	10,144,327	2,434,899	5,390,149	2,649,987
Interest	1,084,892	1,081,772	1,026,638	859,489
Other Charges	94,346	-	-	-
Capital Outlay	975,791	4,680,419	3,173,842	2,342,331
Total Expenditures	37,408,877	32,056,184	33,686,288	31,172,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,057,923)	(1,538,683)	(3,748,457)	(1,269,350)
Other Financing Sources (Uses)				
Transfers In	136,945	62,630	-	-
Transfers (Out)	(136,945)	(62,630)	-	-
Issuance of Bonds	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	-	-	-	-
Disposal of Capital Assets	21,470	33,867	29,578	77,800
	7,690,171	5,616,496	29,578	77,800
Net Change in Fund Balances	(1,367,752)	4,077,813	(3,718,879)	(1,191,550)
Debt Service as a Percentage of Noncapital Expenditures	30.68%	12.21%	19.95%	11.36%

* Modified Accrual Basis of Accounting

Data Source: Audited Financial Statements

2013	2014	2015	2016	2017	2018
22,290,504	22,273,754	23,595,467	20,170,610	20,728,811	21,049,186
4,290,145	4,250,153	4,618,358	8,851,872	8,965,474	9,412,078
1,061,973	1,139,875	1,204,934	1,375,439	1,409,280	1,616,010
1,498,507	1,741,148	1,826,803	1,689,844	1,801,637	1,897,530
835,461	827,515	717,300	654,226	626,021	778,916
249,121	246,727	283,028	-	-	-
12,248	15,843	17,912	60,078	776,459	304,846
322,822	340,991	336,620	368,533	369,732	340,608
416,493	275,667	236,286	329,075	224,985	599,709
30,977,274	31,111,673	32,836,708	33,499,677	34,902,399	35,998,883
2,983,917	2,969,658	3,259,332	3,645,330	3,648,820	3,997,077
16,871,340	17,705,168	18,491,369	18,807,704	19,397,065	20,843,690
3,147,491	3,732,439	3,322,002	3,189,534	3,036,929	3,093,940
-	-	-	-	-	-
846,686	793,103	701,174	687,317	662,341	696,662
284,289	282,897	217,248	16,446	9,059	27,957
765,500	1,322,606	1,385,112	1,095,015	1,488,315	1,742,062
858,707	790,256	707,754	896,333	1,062,123	1,148,653
2,627,833	2,846,995	1,665,200	2,158,501	3,499,742	1,061,989
793,459	783,179	932,247	876,035	787,431	645,251
-	-	-	-	-	-
3,431,829	315,560	2,173,640	2,714,242	1,483,829	1,873,718
32,611,051	31,541,861	32,855,078	34,086,457	35,075,654	35,130,999
(1,633,777)	(430,188)	(18,370)	(586,780)	(173,255)	867,884
-	-	-	493,658	2,537,988	433,783
-	-	-	(493,658)	(2,537,988)	(433,783)
-	-	10,010,000	-	-	-
-	-	1,472,259	-	-	-
-	-	-	-	-	-
-	-	(6,359,521)	-	-	-
-	-	-	-	-	-
1,060,000	1,415,000	-	-	-	-
58,788	29,108	17,506	10,070	(2,581,654)	-
1,118,788	1,444,108	5,140,244	10,070	(2,581,654)	-
(514,989)	1,013,920	5,121,874	(576,710)	(2,754,909)	867,884
11.02%	11.84%	8.64%	9.10%	12.62%	4.90%

VILLAGE OF MORTON GROVE, ILLINOIS

Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years December 31, 2018 (Unaudited)

Fiscal Year	Tax Levy Year	Residential Property	Farm	Commercial Property
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	485,947,584	89,446	135,675,717
2017	2016	587,543,773	89,527	145,322,663
2018	2017	583,828,478	89,621	149,799,822

Data Source: Office of the County Clerk

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

		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable Value	
\$	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%	
	74,127,176	695,839,923	1.504	2,087,519,978	33.333%	
	80,042,849	812,998,812	1.300	2,438,996,680	33.333%	
	83,035,320	816,753,241	1.331	2,450,259,968	33.333%	

VILLAGE OF MORTON GROVE, ILLINOIS

Direct and Overlapping Property Tax Rates - Last Ten Tax Levy Years December 31, 2018 (Unaudited)

	2008	2009	2010
Village Direct Rates			
General	0.486	0.465	0.528
Police Pension	0.138	0.162	0.179
Fire Pension	0.157	0.179	0.199
Bonds and Interest	0.053	0.049	0.075
IMRF	-	-	-
Purchase Agreement	0.002	0.052	0.002
IEPA Agreement	0.049	-	0.027
Capital Improvement	0.029	0.030	0.011
Total Direct Rates	0.914	0.937	1.021
Overlapping Rates			
Morton Grove Library	0.259	0.269	0.335
School District #68	1.882	1.999	2.133
School District #69	3.247	3.768	4.357
School District #67	1.807	1.943	2.203
School District #63	2.233	2.235	2.499
School District #70	2.484	2.574	2.890
High School District #207	1.577	1.617	1.782
High School District #219	2.120	2.267	2.538
Community College District #535	0.140	0.140	0.160
Cook County	0.415	0.394	0.423
Cook County Forest Preserve	0.051	0.049	0.051
Consolidated Elections	-	0.021	-
Metro Water Reclamation District	0.252	0.261	0.274
Morton Grove Park District	0.272	0.284	0.311
Skokie Park District	0.386	0.383	0.423
Glenview Park District	0.429	0.422	0.483
Maine Township	0.112	0.117	0.131
Niles Township	0.030	0.032	0.036
North Shore Mosquito Abatement	0.008	0.008	0.009

Data Source: Office of the County Clerk

2011	2012	2013	2014	2015	2016	2017
0.597	0.658	0.725	0.779	0.710	0.574	0.548
0.182	0.191	0.258	0.265	0.302	0.289	0.338
0.205	0.216	0.284	0.284	0.314	0.287	0.334
0.126	0.136	0.143	0.121	0.122	0.102	0.075
0.021	0.022	0.030	0.041	0.041	0.035	0.035
0.002	0.002	0.003	-	-	-	-
-	-	-	-	-	-	-
0.006	0.006	0.008	0.015	0.015	0.013	-
1.139	1.231	1.451	1.505	1.504	1.300	1.331
0.349	0.377	0.444	0.458	0.419	0.419	0.421
2.452	2.723	3.144	3.121	2.863	2.863	2.827
4.866	5.481	6.214	5.926	5.696	5.696	5.806
2.449	2.961	3.497	3.427	2.957	2.957	2.962
2.775	3.100	3.864	3.811	3.492	3.492	3.556
3.261	3.669	4.351	4.344	3.797	3.797	3.838
1.995	2.215	2.722	2.739	2.507	2.507	2.529
2.904	3.256	3.707	3.650	3.460	4.460	3.409
0.196	0.219	0.256	0.258	0.231	0.231	0.232
0.462	0.531	0.560	0.568	0.533	0.533	0.496
0.058	0.063	0.069	0.069	0.063	0.063	0.062
0.025	0.531	0.031	-	-	-	0.031
0.320	0.370	0.417	0.430	0.406	0.406	0.402
0.365	0.382	0.468	0.463	0.431	0.431	0.444
0.476	0.518	0.581	0.477	0.440	0.440	0.440
0.538	0.579	0.662	0.661	0.563	0.563	0.567
0.149	0.168	0.210	0.210	0.108	0.108	0.105
0.042	0.048	0.056	0.057	0.046	0.046	0.054
0.010	0.010	0.007	0.011	0.010	0.010	0.010

VILLAGE OF MORTON GROVE, ILLINOIS

Principal Property Tax Payers - Current Tax Levy Year and Nine Tax Levy Years Ago December 31, 2018 (Unaudited)

Taxpayer	2017 Tax Levy Year			2008 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
Schwinge Family Ltd	\$ 12,746,671	1	1.56%	\$ 13,791,493	5	1.42%
CMK 9000 Waukegan LLC	10,934,474	2	1.34%			
CRP Holdings CLP	9,272,036	3	1.14%			
Tower Real Estate	9,063,430	4	1.11%			
Fluid Handling LLC	7,911,606	5	0.97%			
Public Storage	7,834,404	6	0.96%	5,239,658	10	0.54%
Avon Products Inc.	7,791,264	7	0.95%	11,888,375	6	1.23%
Menards	7,677,493	8	0.94%	13,650,714	3	1.41%
John Crane Inc	7,046,261	9	0.86%	11,826,807	7	1.22%
MG Property Holdings	6,972,392	10	0.85%			
Rose Real Estate				24,901,456	1	2.57%
Federal Center, Inc.				19,709,822	2	2.03%
Bell & Gossett				13,013,203	4	1.34%
Kraft				6,475,026	8	0.67%
Capital Property Management				5,858,787	9	0.60%
	<u>87,250,031</u>		<u>10.68%</u>	<u>112,563,848</u>		<u>11.61%</u>

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels and it is possible that some parcels and their valuations have been 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, 2018 (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
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%
2017	2016		10,463,012		10,296,872	98.41%	-	10,296,872 98.41%
2018	2017		10,866,072		10,576,641	97.34%	-	10,576,641 97.34%

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, 2018 (Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Revolving Loans Payable	Installment Notes Payable	Intergovernmental Agreements Payable
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
2017	14,345,795	-	581,383	1,564,381
2018	13,363,163	-	317,994	1,096,497

(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)
\$ 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
3,014,007		-		-		19,505,566	2.48%	833.11
2,822,973		-		-		17,600,627	2.27%	760.55

VILLAGE OF MORTON GROVE, ILLINOIS

Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years December 31, 2018 (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	General Obligation Bonds	General Obligation Bonds							
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		52,218		20,771,250	2.99%		884.00
2017		14,345,795		3,014,007		86,454		17,273,348	2.12%		737.77
2018		13,363,163		2,822,973		263,754		15,922,382	1.95%		688.03

(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, 2018 (Unaudited)

Governmental Unit	Gross Debt	Percentage of Debt Applicable to Village (1)(2)	Village's Share of Debt
Village of Morton Grove	\$ 14,777,654	100.000%	\$ 14,777,654
Schools			
School District #63	51,190,000	15.66%	8,016,354
School District #67	8,871,803	72.44%	6,426,734
School District #69	20,430,000	17.73%	3,622,239
School District #70	2,135,000	98.62%	2,105,537
High School District #207	13,455,000	3.64%	489,762
High School District #219	121,678,952	15.66%	19,054,924
Community College District #535	32,130,000	3.58%	1,150,254
Total Schools	249,890,755		40,865,804
Others			
Cook County	2,950,121,750	0.54%	15,974,909
Cook County Forest Preserve	142,360,000	0.54%	770,879
Metropolitan Metro Water Reclamation District of Greater Chicago	2,348,253,000	0.55%	12,962,357
Glenview Park District	29,090,000	0.31%	89,917
Skokie Park District	19,348,484	0.53%	103,127
Total Others	5,489,173,234		29,901,190
Total Overlapping Debt	269,239,239		70,766,994
Total Direct and Overlapping Debt	284,016,893		85,544,648

(1) Overlapping debt percentages based on 2017 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

Legal Debt Margin

December 31, 2018 (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, 2018 (Unaudited)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2017	23,413	785,108,129	33,533	3.70%
2018	23,142	773,937,906	33,443	3.70%

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, 2018 (Unaudited)

Employer	2018			2009		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Xylem	475	1	2.05%			
Integrated Merchandising	157	2	0.68%			
John Crane Inc	492	3	2.13%	1,350	1	6.00%
Schwartz Paper Co	244	4	1.05%	445	4	2.00%
Active Disposal Lake Shore	225	5	0.97%			
MG Phamaceutical	176	6	0.76%	250	6	1.10%
Bella Terra	205	7	0.89%			
Shore Koenig Training Center	200	8	0.86%	210	7	0.90%
Quantum Color Graphics	163	9	0.70%	135	10	0.60%
IBJI	150	10	0.65%			
Avon Products Inc				1,100	2	4.90%
ITT Bell & Gossett				750	3	3.30%
Sunstone				412	5	1.80%
Malko Electric				180	8	0.80%
Paul J Krez Electric				180	9	0.80%
	<u>2,487</u>		<u>10.75%</u>	<u>5,012</u>		<u>22.20%</u>

Data Source: Village business licenses, 2017 Illinois Manufacturers Directory and 2017 Illinois Services Directory

VILLAGE OF MORTON GROVE, ILLINOIS

**Full-Time Equivalent Village Government Employees by Function - Last Ten Fiscal Years
December 31, 2018 (Unaudited)**

See Following Page

VILLAGE OF MORTON GROVE, ILLINOIS

Full-Time Equivalent Village Government Employees by Function/Program - Last Ten Fiscal Years December 31, 2018 (Unaudited)

Function/Program	2009	2010	2011
General Government			
Administrative	3.5	3.0	3.0
Community Development	1.5	1.0	1.0
Legal	0.5	0.5	0.5
Management Information	1.0	1.0	1.0
Finance	5.5	5.5	5.5
Health and Human Services	-	-	-
Family Services	11.5	4.5	4.5
Building/Code Enforcement	7.0	4.0	4.0
Public Safety			
Police			
Officers	45.0	45.0	46.0
Civilians	22.0	20.0	18.5
Fire			
Firefighters and Officers	40.0	41.0	41.0
Civilians	30.0	2.5	2.5
Public Works			
Street Maintenance	17.5	17.5	17.5
Engineering	3.0	3.0	3.0
Vehicle Maintenance	4.0	4.1	4.0
Water and Sewer	12.0	12.0	12.0
Totals	204.0	164.6	164.0

Data Source: Village Budget Office

2012	2013	2014	2015	2016	2017	2018
4.0	4.0	4.5	4.0	4.0	5.0	4.0
1.0	1.0	2.5	2.0	2.0	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	1.5	1.5
5.0	6.0	6.0	6.0	6.0	6.0	6.0
-	-	0.5	0.5	-	-	-
4.5	3.5	2.5	2.5	2.5	2.5	2.5
2.5	4.0	5.0	4.0	4.0	4.0	3.5
45.0	45.0	46.0	46.0	47.0	47.0	47.0
18.5	21.0	17.0	15.0	15.0	15.0	15.0
40.0	42.0	41.0	39.0	42.0	42.0	42.0
1.5	3.5	3.0	2.5	2.5	2.5	2.5
17.5	17.5	20.0	20.0	19.0	19.0	19.0
3.0	3.0	3.0	3.0	3.0	3.0	3.0
4.0	4.0	4.0	4.0	4.0	4.0	4.0
12.0	12.0	12.0	13.5	12.5	12.5	12.5
160.0	168.0	168.5	163.5	165.0	166.5	165.0

VILLAGE OF MORTON GROVE, ILLINOIS

Operating Indicators by Function/Program - Last Ten Fiscal Years December 31, 2018 (Unaudited)

Function/Program	2009	2010	2011
Public Safety			
Police			
Physical Arrests	651	647	574
Parking Violations	6,075	8,331	8,933
Traffic Violations	5,092	4,587	4,440
Fire			
Emergency Responses	3,249	3,265	3,419
Fires Extinguished	70	59	60
Public Works			
Street Resurfacing (Miles)	1.33	3.03	4.90
Potholes Repaired	180.00	189.00	170.75
Water			
New Connections	1	27	8
Water Mains Breaks	91	81	64
Average Daily Consumption	2,999,484	2,969,923	2,670,613
Peak Daily Consumption	4,374,000	4,167,000	4,498,000

Data Source: Various Village Departments

2012	2013	2014	2015	2016	2017	2018
580	513	551	438	430	377	421
6,751	6,465	4,530	3,814	3,736	2,861	4,241
3,686	3,849	3,072	3,292	2,234	2,546	3,688
3,360	3,470	3,631	3,694	3,771	3,927	3,992
48	63	69	39	34	35	61
6.65	5.70	1.50	3.90	3.50	0.80	1.90
12.50	132.00	160.00	104.00	109.00	102.00	122.00
9	7	9	-	-	-	-
70	122	80	72	63	69	82
2,745,553	2,601,227	2,869,367	2,698,000	2,681,000	2,547,000	2,787,000
4,412,000	4,238,000	3,628,000	5,086,000	3,650,000	3,381,000	3,898,000

VILLAGE OF MORTON GROVE, ILLINOIS

Capital Asset Statistics by Function/Program - Last Ten Fiscal Years December 31, 2018 (Unaudited)

Function/Program	2009	2010	2011
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

2012	2013	2014	2015	2016	2017	2018
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	357	357	357
13	13	13	13	13	13	13
98.9	98.9	98.9	98.9	99.0	99.0	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	40.6
70.6	70.6	70.6	70.6	70.6	70.6	44.8
23.6	23.6	23.6	23.6	23.6	23.6	21.3