

# **Waukegan Road TIF Redevelopment District**

**Annual Meeting of the  
Joint Review Board**

**- Fiscal Year 2009 -**



July 15, 2010



# Village of Morton Grove

## LEGAL NOTICE

The Joint Review Board  
of the  
Waukegan Road Tax Increment Financing (TIF)  
Redevelopment District  
will conduct an annual meeting  
beginning at 10:00 am on  
Thursday, July 15, 2010,  
in the Richard T. Flickinger Municipal Center  
Trustees Conference Room – Second Floor  
6101 Capulina Avenue  
Morton Grove, Illinois 60053

To review the financial activity within the Redevelopment District during fiscal year 2009, as required by State Statute.

*To ensure full accessibility and equal participation for all interested citizens, individuals with disabilities who plan to attend and who require certain accommodations in order to observe and/or participate in this meeting, or who have questions regarding the accessibility of these facilities, are requested to contact Susan or Marlene (847/470-5220) promptly to allow the Village to make reasonable accommodations.*





# Village of Morton Grove

## NOTICE/AGENDA

The Joint Review Board  
of the Waukegan Road Tax Increment Financing (TIF)  
Redevelopment District  
will conduct an annual meeting  
at 10:00 am on Thursday, July 15, 2010  
in the Richard T. Flickinger Municipal Center  
Trustees Conference Room – Second Floor  
6101 Capulina Avenue, Morton Grove, Illinois 60053

1. Call to Order - Joseph F. Wade, Village Administrator
2. Confirmation of public member
3. Election of chairperson for the day's meeting
4. Approval of minutes from June 25, 2009 (attached)
5. Financial report of activities for calendar year ending December 31, 2009
  - a. John D. Said, Director of Community and Economic Development
  - b. Ryan Horne, Finance Director/Treasurer
6. Summary of redevelopment activities for 2009 – John D. Said
7. Mayor's certification and legal counsel's opinion
8. Other business
9. Adjournment





# **Village of Morton Grove**

## **Waukegan Road TIF District Joint Review Board Annual Meeting July 15, 2010**

### **Table of Contents**

1. Members of Joint Review Board (JRB)
2. Minutes from previous JRB meeting (June 25, 2009)
3. Fiscal Year 2009 financial reports
  - State Comptroller's report
  - Tax increment cumulative summary
  - Certified audit report (attachment K & L)
  - Approved budget
  - Balance sheet and actual revenues and expenditures
4. Mayor's certification letter (attachment B)
5. Legal counsel's opinion letter (attachment C)
6. Activities statement (attachment D)
7. Site plans and legal descriptions



**Joint Review Board Members  
Waukegan Road TIF Redevelopment District**

<b>Taxing Agency</b>	<b>Representative</b>
Morton Grove School District #67 (Golf)	Superintendent
Niles Township School District 219	Gerry Yeggy
Community Resident	John Benstead
Morton Grove Public Library	Benjamin Schapiro
Morton Grove Park District	Brian Sullivan
Niles Township	Lee Tamraz
Oakton Community College	George Chirempes
Cook County Government	Todd Stroger
Cook County Dept of Planning and Development	Jacquelyn Harder
Cook County Department of Public Health	Raymond McDonald
Illinois DCEO	Michelle Michals
Metropolitan Water Reclamation District	Richard Lanyon
North Shore Mosquito Abatement District	Bob Berry
Cook County Forest Preserve District	Steve Bylina, Jr
Village of Morton Grove	Daniel J. Staackmann Daniel DiMaria Tony S. Kalogerakos Teresa Hoffman Liston Joseph F. Wade

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## **JOINT REVIEW BOARD MEETING MINUTES JUNE 25, 2009**

# Waukegan Road Tax Increment Financing (TIF) Redevelopment District Joint Review Board

## Meeting Minutes June 25, 2009

### In attendance:

Joe Wade, Village of Morton Grove  
Bill Neuendorf, Village of Morton Grove  
Ryan Horne, Village of Morton Grove  
John Schneider, Cook County

Ben Schapiro, Morton Grove Public Library  
Greg Buchanan, Golf School District #67  
Several residents and members of the press

- 
1. Joe Wade, Village Administrator called the meeting to order at 10:38 AM.
  2. Although unable to attend today's meeting, Mr. Nick Marino was confirmed as the public member of this board.
  3. Ben Schapiro, Executive Director of the Morton Grove Public Library was selected to be the chairperson for today's meeting.
  4. Mr. Schneider moved to approve the minutes from the June 26, 2008 meeting of the Joint Review Board. Mr. Buchanan seconded. The minutes were approved unanimously.
  5. Bill Neuendorf, Director of Community & Economic Development and Ryan Horne, Finance Director presented an overview of the financial performance for calendar year 2008.

Mr. Neuendorf noted that the report presented today is considered preliminary since the Village has not yet received final audited figures. The report follows the format requested by the State's Comptrollers Office and identifies the revenues, expenses, and activities in this redevelopment district during calendar year 2008. A final report will be distributed when available.

The TIF District collected \$799,861 in revenue and had \$671,546 in expenses.

In 2008, the Village formally recognized that \$1,658,930 of TIF expenses had been borne by the Village between 1998 and 2006 when the incremental taxes collected were insufficient to cover the debt payments. These funds began to be repaid in 2008. Repayment is anticipated to continue as funds are available.

6. Bill Neuendorf summarized the redevelopment activities for 2008.

The most significant project pursued was the proposed redevelopment of an existing restaurant site to be converted to a grocery store with additional retail tenant space. This included the relocation of a one-block portion of Churchill Street. Preliminary engineering was conducted in 2008. The project came to a halt in early 2009 when financing was unable to be obtained. Plans are on hold until financing is secured or a new project develops.

A second project consists of a new multi-tenant commercial/retail center at the site of the former Black Forest Restaurant. This project has been in the planning phase as the owner seeks new tenants. Construction is anticipated in 2009.

7. It was noted that drafts of the Mayor's Certification and Legal Council Opinion are included in the preliminary report. These documents will be completed with the final report.
8. Other Business – Mr. Arns asked whether enough TIF revenues will be collected to repay the entire debt and whether taxpayers will be on the hook for repayment in the event that sufficient revenues are not generated.

*Mr. Neuendorf responded that the Village has lent approximately \$1.6 million to the TIF District. While repayment has begun, it is uncertain whether the TIF will be able to repay this loan in full without additional projects. One or two new projects are expected to be necessary for the TIF District to finish in the black. As the TIF District nears the end of its 23-year life, the Village and Joint Review Board will have to consider the available options.*

Mr. Schneider noted the businesses attracted to the redevelopment sites not only increase the real estate tax base but also generate sales tax revenues that contribute to the Village's operating budget.

Mr. Poders asked whether the Village can keep pushing for new projects and begin acquiring sites for new businesses.

*Mr. Neuendorf noted that the Village continues to work with property owners and new businesses in order to bring new investment to Waukegan Road. While site assembly may be necessary in the future, this TIF District already has a debt burden and caution is needed before additional debt obligations are undertaken.*

9. The meeting was adjourned at 11:00 AM.



# 3

## FISCAL YEAR

### 2009 FINANCIAL REPORTS

- State Comptroller's Report
- Tax Increment Cumulative Summary
- Certified Audit Report (Attachment K & L)
- Approved Budget
- Balance Sheet and Actual Revenues and Expenditures

# STATE COMPTROLLER'S REPORT

**FY 2009****ANNUAL TAX INCREMENT FINANCE REPORT**

Name of Municipality	Morton Grove	Reporting Fiscal Year	2009
Unit Code	016/365/32	Fiscal Year End	12/31/2009
County	COOK		

**TIF Administrator Contact Information**

First Name:	Joseph F Wade, Village Administrator		
Address:	6101 Capulina Ave		
City:	Morton Grove, Illinois	Zip:	60053
Telephone:	(847) 965-4100	E-Mail:	

I attest to the best of my knowledge, this report of the redevelopment project areas in:

**Morton Grove Village**

is complete and accurate at the end of this reporting fiscal year under the Tax Increment Allocation  
Redevelopment Act [65 ILCS 5/11-74.4-3 et. Seq.]  
Or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. Seq.]

Written signature of the TIF Administrator

Date

**Section 1** (65 ILCS 5/11-74.4-5 (d) (1.5) and 65 ILCS 5/11-74.6-22 (d) (1.5)\*)**FILL OUT ONLY ONCE (PER MUNICIPALITY), ADD ADDITIONAL ROWS AS NECESSARY**

Name of Redevelopment Project Area	Date Designated	Date Terminated
Lehigh Ferris RPA	1/24/2000	
Waukegan Road	5/9/1995	

\*All statutory citations refer to one of two sections of the Illinois Municipal Code: the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. Seq.] or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

100 W. Randolph Street, Suite 15-500

Chicago, IL 60601-3252

Tel.: (877) 304 3899 Fax: (312) 814-2986 E-mail: locgov@mail.ioc.state.il.us



**SECTION 2 [Sections 2 through 5 must be completed for each redevelopment project area listed in Section 1.]**

<b>Name of Redevelopment Project Area: Waukegan Road Redevelopment Area</b>
<b>Primary Use of Redevelopment Project Area*: Retail/Commercial</b>
<b>If "Combination/Mixed" List Component Types: Retail/Commercial Uses</b>
<b>Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one):</b>
<b>Tax Increment Allocation Redevelopment Act <u>X</u> Industrial Jobs Recovery Law</b>

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)] <b>If yes, please enclose the amendment labeled Attachment A</b>	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] <b>Please enclose the CEO Certification labeled Attachment B</b>		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] <b>Please enclose the Legal Counsel Opinion labeled Attachment C</b>		X
Were there any activities undertaken in furtherance of the objectives of the redevelopment plan, including any project implemented in the preceding fiscal year and a description of the activities undertaken? [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)] <b>If yes, please enclose the Activities Statement labeled Attachment D</b>	X	
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] <b>If yes, please enclose the Agreement(s) labeled Attachment E</b>	X	
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] <b>If yes, please enclose the Additional Information labeled Attachment F</b>	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] <b>If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G</b>	X	
Were there any reports submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] <b>If yes, please enclose the Joint Review Board Report labeled Attachment H</b>	X	
Were any obligations issued by municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] <b>If yes, please enclose the Official Statement labeled Attachment I</b>	X	
Was analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage? [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)] <b>If yes, please enclose the Analysis labeled Attachment J</b>	X	
Cumulatively, have deposits equal or greater than \$100,000 been made into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2) <b>If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K</b>		X
Cumulatively, have deposits of incremental revenue equal to or greater than \$100,000 been made into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9) <b>If yes, please enclose a Certified audit report reviewing compliance with the Act labeled Attachment L</b>		X

\* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.

**SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))**  
**Provide an analysis of the special tax allocation fund.**

	Reporting Year	Cumulative
Fund Balance at Beginning of Reporting Period	\$	(1,173,419.46)

**Revenue/Cash Receipts Deposited in Fund During Reporting FY:**

			% of Total
Property Tax Increment	\$ 830,568	\$ 3,455,043	20%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	\$ 1,645	\$ 367,333	2%
Land/Building Sale Proceeds	\$ -	\$ 4,173,600	24%
Bond Proceeds		\$ 9,572,487	54%
Transfers from Municipal Sources			0%
Private Sources			0%
Other (identify source loan; if multiple other sources, attach schedule) Loan refinancing	\$ 4,920,000	\$ 1,306	0%

Total Amount Deposited in Special Tax Allocation Fund During Reporting Period	\$ 5,752,213
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Cumulative Total Revenues/Cash Receipts	\$ 17,569,769	100%
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Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)	\$ 5,624,299
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Distribution of Surplus	\$ -
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Total Expenditures/Disbursements	\$ 5,624,299
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NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	\$ 127,914
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FUND BALANCE, END OF REPORTING PERIOD	\$ (1,045,506)
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- if there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

**SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))**  
**ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND**  
 (by category of permissible redevelopment cost, amounts expended during reporting period)

**FOR AMOUNTS >\$5,000 SECTION 3.2 B MUST BE COMPLETED**

**Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]**

**Reporting Fiscal  
Year**

<b>1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)</b>		
Professional Service for issuance of 2009A refinancing bond	37,320	\$ 37,320
		\$ -
<b>2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6)</b>		\$ -
		\$ -
<b>3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3)</b>		\$ -
		\$ -
<b>4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4)</b>		\$ -
		\$ -
<b>5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)</b>		\$ -
Watermain replacement (between Waukegan & Emerson)	108,134	\$ 108,134
		\$ -
<b>6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY</b>		\$ -
		\$ -
<b>7. Cost of job training and retraining, including "welfare to work" programs Subsection (q)(5), (o)(7) and (o)(12)</b>		\$ -
		\$ -
<b>8. Financing costs. Subsection (q) (6) and (o)(8)</b>		\$ -
Debt payments on Notes to improve Development Sites A & B	681,870	
Bond issuance cost 2009A	11,975	
Payoff of 2002 Bonds	4,785,000	\$ 5,478,846
		\$ -
<b>9. Approved capital costs. Subsection (q)(7) and (o)(9)</b>		\$ -
		\$ -
<b>10. Cost of Reimbursing school districts for their increased costs caused by TIF assisted housing projects. Subsection (q)(7.5) - Tax Increment Allocation Redevelopment TIFs ONLY</b>		\$ -
		\$ -
<b>11. Relocation costs. Subsection (q)(8) and (o)(10)</b>		\$ -
		\$ -
<b>12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11)</b>		\$ -
		\$ -
<b>13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12)</b>		\$ -
		\$ -
<b>14. Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. Subsection (q)(11)(A-E) and (o)(13)(A-E)</b>		\$ -
		\$ -
<b>15. Costs of construction of new housing units for low income and very low-income households. Subsection (q)(11)(F) - Tax Increment Allocation Redevelopment TIFs ONLY</b>		\$ -
		\$ -
<b>16. Cost of day care services and operational costs of day care centers. Subsection (q) (11.5) - Tax Increment Allocation Redevelopment TIFs ONLY</b>		\$ -
		\$ -
<b>TOTAL ITEMIZED EXPENDITURES</b>		\$ 5,624,299

### Section 3.2 B

**List all vendors, including other municipal funds, that were paid in excess of \$5,000 during the current reporting year.**

**\_\_\_\_\_ There were no vendors, including other municipal funds, paid in excess of \$5,000 during the current reporting period.**

[illegible]

**SECTION 3.3 - (65 ILCS 5/11-74.4-5 (d) (5) 65 ILCS 11-74.6-22 (d) (5))****Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period  
(65 ILCS 5/11-74.4-5 (d) (5) (D) and 65 ILCS 5/11-74.6-22 (d) (5) (D))****FUND BALANCE, END OF REPORTING PERIOD****\$ (1,045,506)**

	<b>Amount of Original Issuance</b>	<b>Amount Designated</b>
<b>1. Description of Debt Obligations</b>		
TIF G.O. Notes (Area A - drug store & bank)	\$ 2,986,791	\$ 2,270,665
TIF Tax Exempt Note (Area B - car dealership)	\$ 5,300,000	\$ -
TIF 2009A G.O. Refunding Bond	\$ 4,920,000	\$ 5,911,156
<b>Total Amount Designated for Obligations</b>	<b>\$ 13,206,791</b>	<b>\$ 8,181,821</b>

**2. Description of Project Costs to be Paid**


**Total Amount Designated for Project Costs****\$ -****TOTAL AMOUNT DESIGNATED****\$ 8,181,821****SURPLUS\*/(DEFICIT)****\$ (9,227,327)**

\* NOTE: If a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing districts (See instructions and statutes)



**SECTION 4 [65 ILCS 5/11-74.4-5 (d) (6) and 65 ILCS 5/11-74.6-22 (d) (6)]**

Provide a description of all property purchased by the municipality during the reporting fiscal year within the redevelopment project area.

  X   No property was acquired by the Municipality Within the Redevelopment Project Area

**Property Acquired by the Municipality Within the Redevelopment Project Area**

Property (1):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (2):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (3):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

Property (4):	
Street address	
Approximate size or description of property:	
Purchase price:	
Seller of property:	

**SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)**

Please include a brief description of each project.

       **No Projects Were Undertaken by the Municipality Within the Redevelopment Project Area**

11/1/99 to Date	Estimated Investment for Subsequent Fiscal Year	Total Estimated to Complete Project
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<b>TOTAL:</b>			
Private Investment Undertaken (See Instructions)	\$ 15,325,000	\$ -	\$ 15,325,000
Public Investment Undertaken	\$ 6,752,637	\$ -	\$ 6,752,637
Ratio of Private/Public Investment	2.3 : 1		2.3 : 1

**Project 1:**  
**Walgreens / Bank Construction** - assembly of three properties including an outdated motel and redevelopment of a neighborhood pharmacy (Walgreens) and a community bank (St. Paul Federal / Charter One) in Redevelopment Area "A".

Private Investment Undertaken (See Instructions)	\$ 3,325,000		\$ 3,325,000
Public Investment Undertaken	\$ 2,645,899		\$ 2,645,899
Ratio of Private/Public Investment	1.3 : 1		1.3 : 1

**Project 2:**  
**Auto dealership** - assembly of three properties in the north portion of Redevelopment Area "B" including three outdated motels and redevelopment as a regional auto dealership (McGrath Acura of Morton Grove) that provides sale and service to customers throughout the north-suburban region of Chicago

Private Investment Undertaken (See Instructions)*	\$ 12,000,000		\$ 12,000,000
Public Investment Undertaken	\$ 4,106,738		\$ 4,106,738
Ratio of Private/Public Investment	2.9 : 1		2.9 : 1

\*The private investment for Project #2 was clarified in FY 2005 to include costs of development and construction

Optional: Information in the following sections is not required by law, but would be helpful in evaluating the performance of TIF in Illinois.

#### SECTION 6

Provide the base EAV (at the time of designation) and the EAV for the year reported for the redevelopment project area

Year redevelopment project area was designated	Base EAV	Reporting Fiscal Year EAV
1995	\$ 12,221,759	\$ 25,532,021

List all overlapping tax districts in the redevelopment project area.  
If overlapping taxing district received a surplus, list the surplus.

☒ The overlapping taxing districts did not receive a surplus.

Overlapping Taxing District	Surplus Distributed from redevelopment project area to overlapping districts
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -

#### SECTION 7

Provide information about job creation and retention

Number of Jobs Retained	Number of Jobs Created	Description and Type (Temporary or Permanent) of Jobs	Total Salaries Paid
			\$ -
			\$ -
N/A	N/A		\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -

#### SECTION 8

Provide a general description of the redevelopment project area using only major boundaries:

Project area includes most commercial properties that front Waukegan Rd from Dempster to Emerson (see attached map)

Optional Documents	Enclosed
Legal description of redevelopment project area	X
Map of District	X

TAX INCREMENT  
CUMULATIVE SUMMARY

VILLAGE OF MORTON GROVE, ILLINOIS  
WAUKEGAN ROAD TAX INCREMENT FINANCING PROJECT  
ANALYSIS OF SPECIAL TAX ALLOCATION FUND  
PERIOD ENDED DECEMBER 31, 2009

Beginning Balance, January 1, 2009 (1,103,419.46)

Revenue and Other Financing Sources

Incremental Property Taxes	830,567.88
Interest Income	1,644.93
Bond Proceeds	<u>4,920,000.00</u>
Total Revenue and Other Financing Sources	<u>5,752,212.81</u>

Expenditures and Other Financing Uses

Initial Start-up Costs	0.00
Redevelopment Area "A" (drugstore & bank)	
Contractual Services	0.00
Debt Service	<u>0.00</u>
Total Area "A" Costs	0.00

Redevelopment Area "B" (auto dealership)	
Contractual Services	0.00
Capital Outlay	108,134.00
Debt Service	<u>681,870.45</u>
Total Area "B" Costs	790,004.45

Other Projects	
Professional Services (Bonds issuance preparation)	49,294.82
Public improvement construction costs	0.00
Debt Service	<u>0.00</u>

Total Other Project Costs	49,294.82
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Payoff Loan	<u>4,785,000.00</u>
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Total Other Financing Uses	4,785,000.00
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Total Expenditures and Other Financing Uses	5,624,299.27
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Ending Balance, December 31, 2009 (975,505.92)

0.00

**VILLAGE OF MORTON GROVE, ILLINOIS  
WAUKEGAN ROAD TAX INCREMENT FINANCING PROJECT  
SUMMARY OF PROPERTY TAX INCREMENT**

2008 Equalized Assessed Valuation	25,532,021
2007 Equalized Assessed Valuation	24,794,735
2006 Equalized Assessed Valuation	21,115,988
2005 Equalized Assessed Valuation	21,194,934
2004 Equalized Assessed Valuation	20,562,882
2003 Equalized Assessed Valuation	13,906,206
2002 Equalized Assessed Valuation	14,295,210
2001 Equalized Assessed Valuation	12,912,432
2000 Equalized Assessed Valuation	10,902,778
1999 Equalized Assessed Valuation	12,222,518
1998 Equalized Assessed Valuation	14,284,454
1997 Equalized Assessed Valuation	13,051,193
1996 Equalized Assessed Valuation	13,649,322
1995 Equalized Assessed Valuation	13,450,461
1994 Equalized Assessed Valuation	11,991,335
1993 Equalized Assessed Valuation (Base Year)	12,221,759

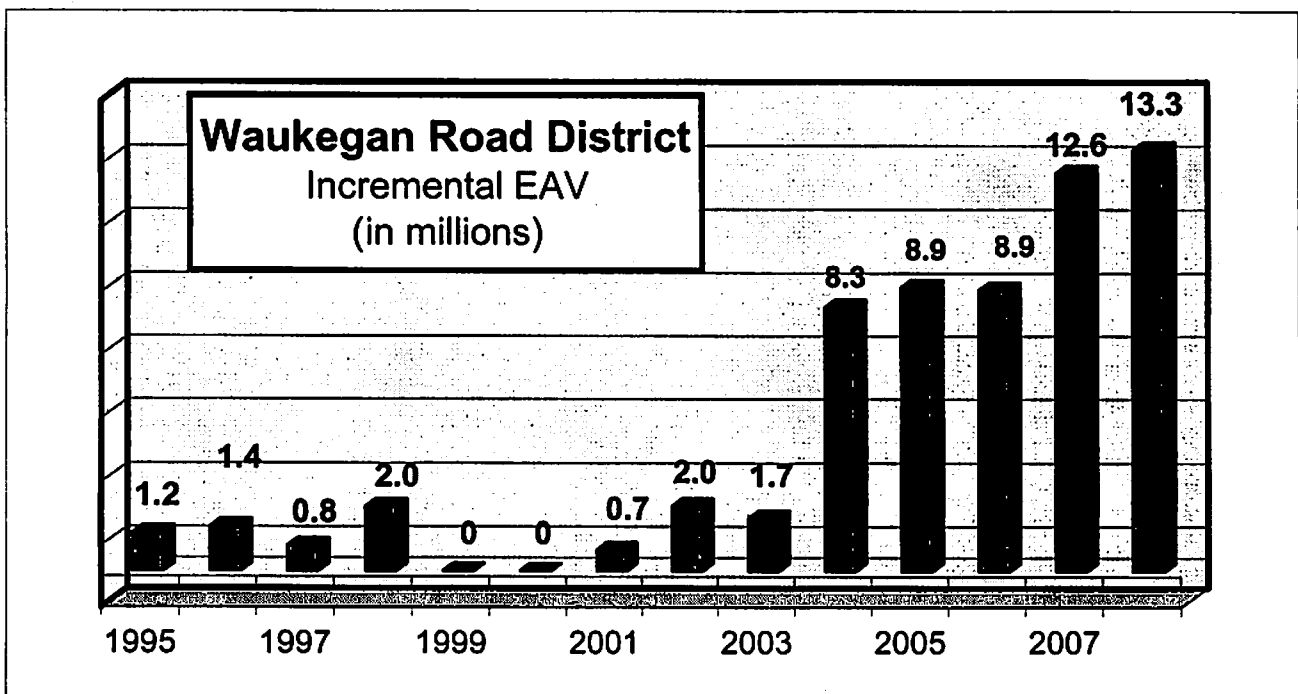
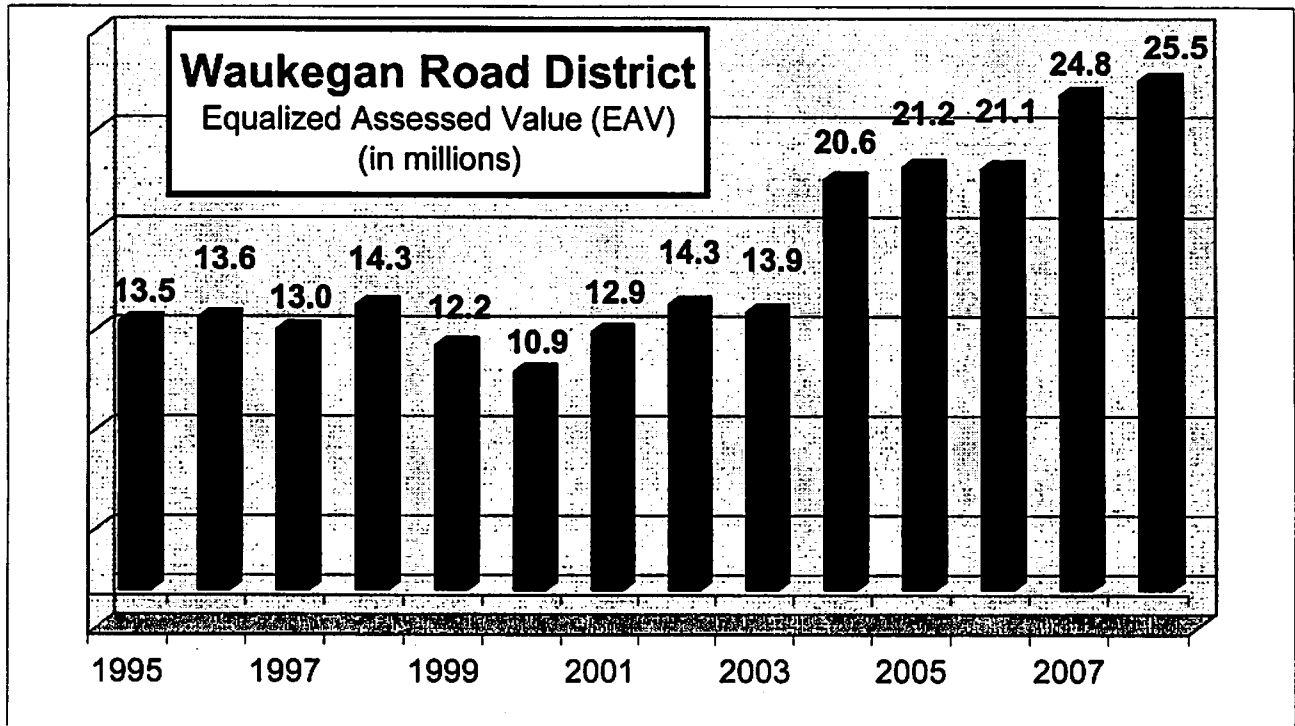
<b>2008 Incremental Equalized Assessed Valuation</b>	<b>13,310,262</b>
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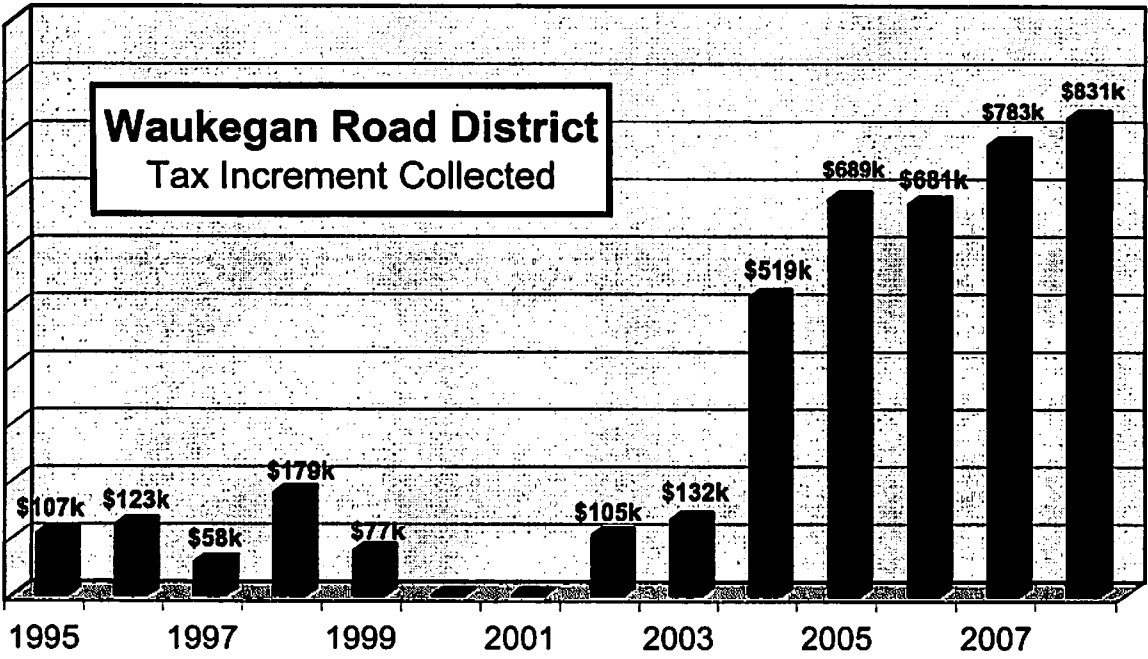
**Incremental Property Tax Revenue Collected**

for Calendar Year 2009	\$ 830,567.88
for Calendar Year 2008	\$ 783,827.19
for Calendar Year 2007	\$ 680,779.31
for Calendar Year 2006	\$ 689,467.32
for Calendar Year 2005	\$ 519,201.96
for Calendar Year 2004	\$ 132,421.00
for Calendar Year 2003	\$ 105,306.00
for Calendar Year 2002	\$ -
for Calendar Year 2001	\$ -
for Calendar Year 2000	\$ 77,106.00
for Calendar Year 1999	\$ 178,942.00
for Transition Year 1998	\$ 57,688.00
for FY 1997/98	\$ 123,265.00
for FY 1996/97	<u>\$ 107,039.00</u>

<b>Total (Cumulative) Incremental Tax Revenue</b>	<b><u>\$ 4,285,610.66</u></b>
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## Fiscal Year 2009 - JRB Report







**CERTIFIED AUDIT REPORT  
(ATTACHMENT K & L)**



998 Corporate Boulevard • Aurora, IL 60502

REPORT OF INDEPENDENT ACCOUNTANT'S ON COMPLIANCE

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

We have examined management's assertion that the Village of Morton Grove, Illinois, complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended December 31, 2009 for the Waukegan Road and the Lehigh/Ferris Tax Increment Financing Funds. As discussed in that representation letter, management is responsible for the Village of Morton Grove, Illinois' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village of Morton Grove, Illinois' compliance based on our examination.

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

In our opinion, management's assertion that the Village of Morton Grove, Illinois, complied with the aforementioned requirements for the year ended December 31, 2009, is fairly stated in all material respects.

This report is intended solely for the information and use of the Village Board, management, the joint review board, the Illinois State Comptroller, and the Illinois Department of Revenue and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read 'Sikich', written in a cursive style.

Aurora, Illinois  
July 23, 2010

**VILLAGE OF MORTON GROVE, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended  
December 31, 2009**

**Prepared by Finance Department**

**Ryan Horne  
Finance Director/Treasurer**

**Remy Navarrete  
Assistant Finance Director**

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

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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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-vii of this report.

#### **FINANCIAL HIGHLIGHTS**

- The Village's net assets decreased as a result of this year's operations. Net assets of governmental activities decreased by \$492,686, while net assets of the business-type activities increased by \$356,948 resulting in total ending net assets for the year of \$37,268,751.
- During the year, government-wide revenues before transfers for the governmental and business-type activities total \$33,703,763, while expenses totaled \$33,839,501, resulting in the decrease in net assets of \$135,738.
- The General Fund reported a deficiency for the year of \$2,702,238, a reflection of the larger economic condition at the present time.

#### **USING THIS ANNUAL REPORT**

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

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

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

The Statement of Net Assets reports information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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.



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

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The statement of activities presents information showing how the Village's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities reflect the Village's basic services, including general government, police, fire, public works, economic development, senior services, emergency 911 services, 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 only.

The Village includes one separate legal entity in its report. The Morton Grove Public Library is presented as a discretely component unit. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

## **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 state and 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of liquid resources, as well as on balances of liquid 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 fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The Village maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Lehigh/Ferris TIF

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

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Fund and the Waukegan Road TIF Fund, all of which are considered to be Major Funds. Data from the other 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 beginning on page 96 of this report.

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

**PROPRIETARY FUNDS**

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

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.

**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 Fire Pension Fund. Fiduciary Funds, and their resources, are not reflected in the Government-Wide Financial Statements. The resources of the Fiduciary Funds are not available to support the Village's own programs. The accounting 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 17 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 progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages beginning with page 75 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 can be found on pages beginning with page 92 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Morton Grove, assets exceeded liabilities by \$37,268,751 at December 31, 2009, compared to \$38,000,577 at December 31, 2008:

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

Village of Morton Grove Statement of Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08
Current and other assets	\$34,368	\$36,235	\$ 1,342	\$ 1,692	\$35,710	\$37,927
Capital assets	56,733	57,559	3,868	3,539	60,601	61,097
Total assets	91,102	93,794	5,210	5,231	96,312	99,024
Current and other Liabilities	12,020	12,804	271	296	12,291	13,100
Long-Term liabilities	44,660	45,580	2,092	2,344	46,752	47,924
Total liabilities	56,680	58,384	2,363	2,639	59,043	61,024
Net assets:						
Invested in capital assets,						
net of related debt	43,661	46,370	1,918	1,195	45,579	47,565
Restricted	15,698	1,491	-	-	15,698	1,491
Unrestricted	(24,936)	(12,451)	928	1,396	(24,008)	(11,055)
Total net assets	\$34,422	\$35,409	\$ 2,847	\$ 2,591	\$37,269	\$38,001

As detailed above, the largest portion of the Village's net assets reflects an investment in capital assets (for example, infrastructure, land, buildings and improvements, machinery, and equipment), less any related debt used to acquire such 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. As of December 31, 2009, capital assets net of related debt totaled \$45,579,234 or 122.3 % of total net assets. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$15,697,500 or 42.0%, 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 assets
- 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

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

an increase in related net debt, which will not change the investment in capital assets, net of related debt total.

- 4) *Spending Nonborrowed Current Assets on New Capital* – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase investment in capital assets, net of related debt.
- 5) *Principal Payment on Debt* – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase investment in capital assets, net of related debt.
- 6) *Reduction of Capital Assets through Depreciation* – which will reduce capital assets and reduce investment in capital assets, net of related debt.

Following is a table that summarizes the change in net assets of the Village at the close of the fiscal year, with a comparison to the preceding fiscal year.

Village of Morton Grove Changes in Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
Category	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,624	\$ 2,675	\$ 4,990	\$ 4,596	\$ 7,615	\$ 7,271
Operating Grants	804	700			804	700
Capital Grants	1	56	108		109	56
General revenues						
Taxes	24,322	25,960			24,322	25,960
Investment income	304	394	3	12	308	406
Miscellaneous	295	223	251	196	546	420
<b>Total revenues</b>	<b>28,351</b>	<b>30,008</b>	<b>5,353</b>	<b>4,805</b>	<b>33,704</b>	<b>34,812</b>
<b>Expenses</b>						
General government	3,988	4,587			3,988	4,587
Public safety	16,453	15,324			16,453	15,324
Streets and sidewalks	3,816	4,196			3,816	4,196
Sanitation	647	633			647	633
Vehicle maintenance	752	933			752	933
Health and human services	718	679			718	679
Community development	778	2,047			778	2,047
Building and inspectional services	813	693			813	693
Interest	880	1,254			880	1,254
Water and sewer			4,996	4,550	4,996	4,550
<b>Total expenses</b>	<b>28,844</b>	<b>30,348</b>	<b>4,996</b>	<b>4,550</b>	<b>33,840</b>	<b>34,898</b>
<b>Change in net assets</b>	<b>(493)</b>	<b>(340)</b>	<b>357</b>	<b>254</b>	<b>(136)</b>	<b>(85)</b>
<b>Prior period adjustment</b>	<b>(495)</b>	<b>(226)</b>	<b>(102)</b>		<b>(596)</b>	<b>(226)</b>
<b>Net assets - January 1</b>	<b>35,409</b>	<b>35,975</b>	<b>2,591</b>	<b>2,337</b>	<b>38,001</b>	<b>38,312</b>
<b>Net assets - December 31</b>	<b>\$ 34,423</b>	<b>\$ 35,409</b>	<b>\$ 2,847</b>	<b>\$ 2,591</b>	<b>\$ 37,269</b>	<b>\$ 38,001</b>

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

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## NORMAL IMPACTS

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

### Revenues:

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

### Expenses:

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

## GOVERNMENTAL ACTIVITIES

### Revenues:

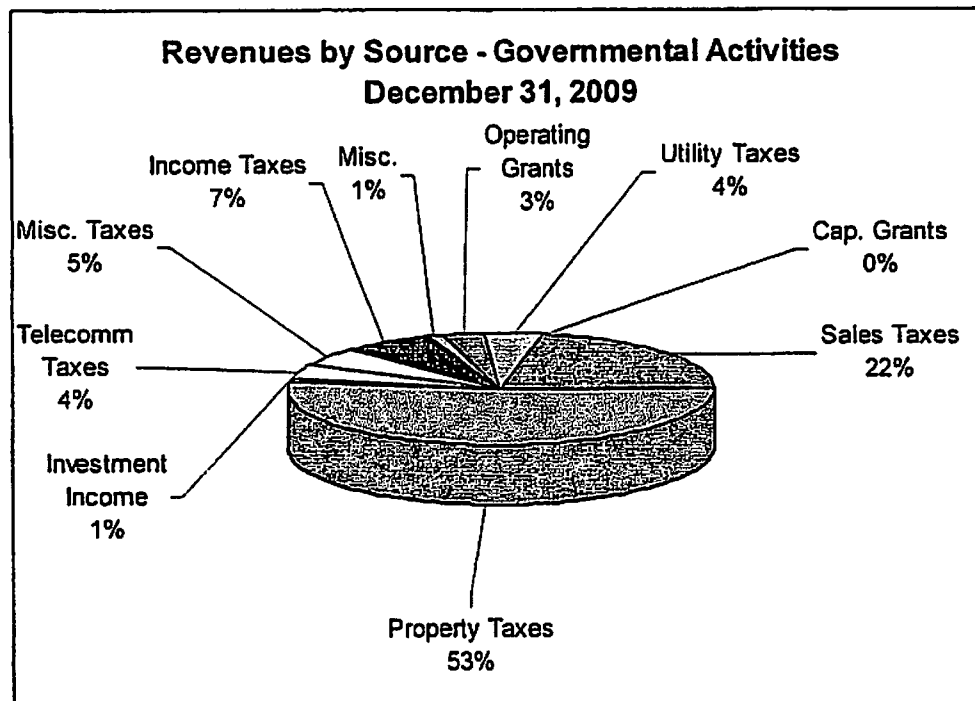
Revenues for governmental activities totaled \$28,350,954 at December 31, 2009 and \$30,007,913 at December 31, 2008, a decrease \$1,656,959. General Sales and Home Rule Sales Tax decreased \$857,618, or 15.73% from 2008 due in large part of declining economic environment. Another significant decrease in revenues for the governmental activities occurred in the Investment Income category. Investment earnings for the governmental activities totaled \$394,088 at December 31, 2008, while this total was only \$304,129 at December 31, 2009, a decrease of \$89,959, or 22.83%. The declining economic environment and drastically lower interest rates have greatly affected investment returns on the Village's holding. The Village has been working with an investment management firm

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

---

to address cash flow needs and long-term, investment returns in the hopes of improving investment returns and to position the Village to take advantage of higher interest rates when they do start to rebound.

The following table graphically depicts the major revenue sources of the Village. It depicts very clearly the reliance of Property Taxes and Sales Taxes to fund governmental activities. It also clearly identifies the less significant percentage the Village receives from Income Taxes, Telecommunication Taxes, and Utility Taxes.

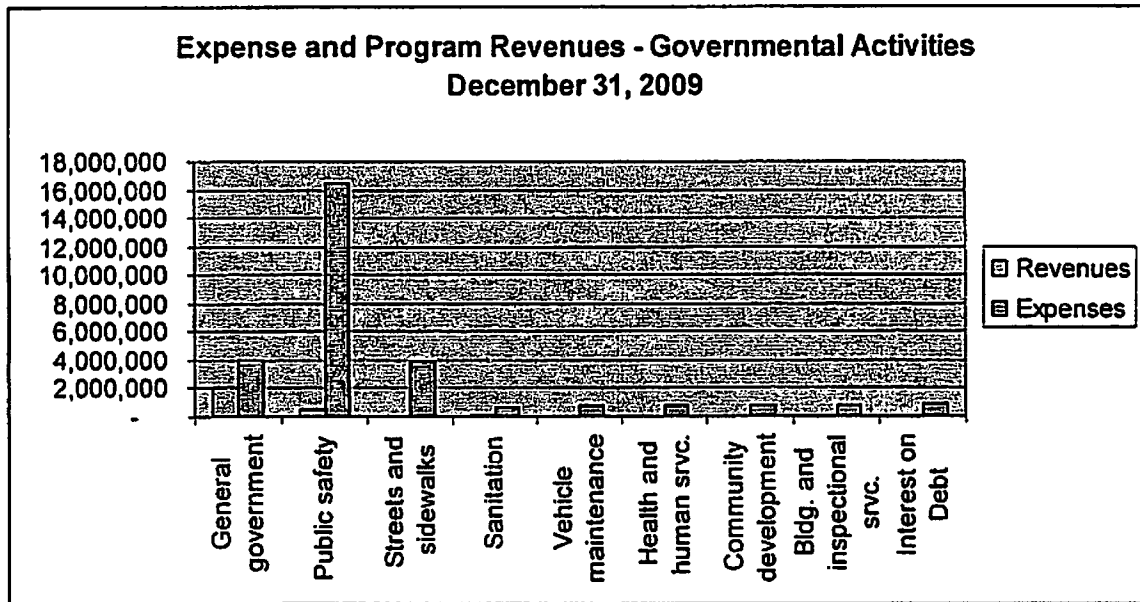


***Expenditures***

For the year ended December 31, 2009, governmental activities expenses totaled \$28,843,640 at December 31, 2009 and \$30,347,503 at December 31, 2008, a decrease of \$1,503,863 due in large part to the Village management's approach to closely managing expenditures in response to the projected decrease in several sources of revenues. The Village wide cost cutting initiatives included a hiring freeze and lower spending in the contractual services and commodities categories.

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

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



**BUSINESS-TYPE ACTIVITIES**

Business-Type activities posted total revenues of \$5,244,675, while the cost total \$4,995,861. This results in a surplus of \$248,814 prior to net contribution of \$108,134. In 2008, revenues of \$4,804,545 exceed expenses of \$4,550,240, resulting in a surplus of \$254,305.

*Revenues*

For the Calendar year ended December 31, 2009, revenues for the business-type activities totaled \$5,244,675, an increase of \$440,130, or 9.20%, due primarily to increased charges for services (\$4,990,281 in 2009 compared to \$4,596,063 in 2008).

*Expenses*

For the Calendar year ended December 31, 2009, expenses for the business-type activities totaled \$4,995,861, an increase of \$445,621, or 9.80%, due primarily to rate increased imposed by the City of Chicago where the Village purchases its water, and cost of commodities.

**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 available resources. Such information is useful in assessing the Village's financing requirement. In particular, unreserved 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 \$22,275,844, which is \$1,367,752, or 5.8% lower than last year's total of \$23,643,596. Of the \$22,275,844, total \$4,982,788 or approximately 22.0% of the fund balance constitutes unreserved fund balance.

**General Fund:** The General Fund is the primary operating fund of the Village. At the end of the fiscal year, the total fund balance in the General Fund was \$7,389,616 of which the unreserved fund balance was \$5,794,060 or approximately 78%. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26% of total expenditures, while total fund balance represents 33%.

The total fund balance in the General Fund decreased by \$2,702,238. The decrease is a reflection of economic conditions our country dealing at the present time. In order to maintain the customary level of Village services, the 2009 budget includes a planned drawdown of reserves of \$3,084,201.

**Lehigh Ferris TIF Fund:** Reported revenues exceeding expenditures by \$1,217,002 due to an increase in incremental property tax, and refinancing the 2006 Installment Notes for lower interest rates.

**Waukegan Road TIF Fund:** The Waukegan Road TIF Fund is meeting its entire obligation.

## PROPRIETARY FUNDS

The Village reports the Water Fund as its only proprietary fund. This Fund accounts for all of the operations of the municipal water system. Water is purchased from the City of Chicago at a rate of \$1.76 per thousand gallons. Water is then sold to all residential municipal customers at a rate of \$6.16 which covers both water and sewer. Rates for commercial customers vary based on the gallons of water consumed. The spread between the purchase and sales rates is intended to finance the operations of the water system, including labor costs, supplies and infrastructure maintenance.

## CAPITAL ASSETS

The Village's investment in net capital assets for its governmental and business type activities as of December 31, 2009 was \$60,601,289 (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 5 of this CAFR.



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

**Capital Assets - Net of Depreciation (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
Type of Debt	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08
Construction in Progress	\$ 55	\$ -	\$ 12	\$ 167	\$ 67	\$ 167
Right of Ways	42,913	42,913	-	-	42,913	42,913
Infrastructure	3,932	4,191	-	-	3,932	4,191
Buildings and Improvements	8,640	9,098	3,025	3,050	11,665	12,148
Machinery, Equipment and Vehicles	1,194	1,357	831	322	2,025	1,679
<b>Total</b>	<b>\$56,733</b>	<b>\$57,559</b>	<b>\$ 3,868</b>	<b>\$ 3,539</b>	<b>\$ 60,601</b>	<b>\$ 61,097</b>

**Debt Administration**

▪ **Long-Term Debt**

At the end of the year, Morton Grove had total bonded debt outstanding of \$27,128,630, as compared to \$29,840,948 the previous year, a decrease of \$2.7 million, or 9.10% which included bond refunding during the year, principal retirements that reduced the outstanding liability on the bonds. The following is a comparative statement of outstanding debt.

Village debt 2009 rated "Aa3" by Moody's Investor Services, Inc. In 2010 Standard and Poor assigned its "AA" long-term rating to the Village. As the Village is a home rule community, there is not legal limit for outstanding debt. Additional information on the Village's long-term debt can be found in Note 8 on pages 35-44 of this report

**Long Term Debt (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08
General Obligation Bonds	\$ 19,284	\$ 15,481	\$ 1,856	\$ 2,094	\$ 21,140	\$ 17,575
Revolving loans	1,213	1,633	76	150	1,289	1,783
Installment Notes	4,649	10,383	51	100	4,700	10,483
<b>Total Long Term Debt</b>	<b>\$25,145</b>	<b>\$27,497</b>	<b>\$ 1,983</b>	<b>\$ 2,344</b>	<b>\$27,129</b>	<b>\$29,841</b>

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

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▪ **Economic Factors and Future Prospects**

The Village's elected and appointed officials considered many factors when setting the Calendar year 2009 budget, tax rates, and fees that will charged for its governmental and business-type activities. One of those factors is the economy. Unemployment rate for the Village were 8.1% for 2009, an increase of 1.6% from 2008. Rising unemployment, declining interest rates and downturn in the stock market have created a tough economic environment which has not left the Village unscathed. All of these indicators were taken into account when adopting the 2010 budget. At the time of preparing the 2010 budget, it was projected that the Village would continue to experience decreases in revenues. Expenditures in most areas were also trimmed to the fullest extent possible without impacting core services provided. Plans for beyond 2010 are also being developed to ensure the Village's long-term economic sustainability.

▪ **Requests for Information**

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

VILLAGE OF MORTON GROVE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2009

	General Fund	Debt Service Fund	Lehigh/Ferris TIF Fund	Waukegan Road TIF Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,795,950	\$ 194,596	\$ 972,462	\$ 599,441	\$ 880,943	\$ 6,443,392
Investments	-	163,717	7,124,967	-	91,886	7,380,570
Receivables						
Property taxes	8,441,823	1,059,267	146,410	11,459	314,220	9,973,179
Sales tax	1,189,889	110,000	-	-	117,000	1,416,889
State income tax	373,479	-	-	-	-	373,479
Accrued interest	-	-	9,976	-	-	9,976
Accounts and allotments	778,037	-	-	7,200	129,695	914,932
Due from other governments	109,404	-	-	-	929,062	1,038,466
Due from other funds	86,429	-	-	-	-	86,429
Advances to other funds	1,588,930	-	-	-	-	1,588,930
IRMA excess surplus reserve	320,419	-	-	-	-	320,419
IPBC terminal reserve	109,060	-	-	-	-	109,060
Prepaid items	6,626	-	-	-	22,336	28,962
Land held for resale	-	-	6,183,415	-	-	6,183,415
<b>TOTAL ASSETS</b>	<b>\$ 16,800,046</b>	<b>\$ 1,527,580</b>	<b>\$ 14,437,230</b>	<b>\$ 618,100</b>	<b>\$ 2,485,142</b>	<b>\$ 35,868,098</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and retainage payable	\$ 139,377	\$ -	\$ 102,434	\$ 4,675	\$ 108,619	\$ 355,105
Accrued salaries and wages	629,239	-	-	-	-	629,239
Claims payable	34,538	-	-	-	-	34,538
Other payables	17,825	-	-	-	-	17,825
Unearned property tax revenue	8,258,242	1,035,310	-	-	307,455	9,601,007
Deposits - refundable	271,787	-	-	-	-	271,787
Other unearned revenue	56,892	-	-	-	947,972	1,004,864
Due to other funds	-	-	86,429	-	-	86,429
Due to fiduciary funds	2,530	-	-	-	-	2,530
Advances from other funds	-	-	-	1,588,930	-	1,588,930
<b>Total liabilities</b>	<b>9,410,430</b>	<b>1,035,310</b>	<b>188,863</b>	<b>1,593,605</b>	<b>1,364,046</b>	<b>13,592,254</b>
<b>FUND BALANCES</b>						
Reserved for prepaid items	-	-	-	-	22,336	22,336
Reserved for public safety	-	-	-	-	196,590	196,590
Reserved for land held for resale	-	-	6,183,415	-	-	6,183,415
Reserved for community development	-	-	8,064,952	-	203,755	8,268,707
Reserved for capital projects	-	-	-	-	488,113	488,113
Reserved for highways and streets	-	-	-	-	46,069	46,069
Reserved for debt service	-	492,270	-	-	-	492,270
Reserved for prepaid items	6,626	-	-	-	-	6,626
Reserved for advances	1,588,930	-	-	-	-	1,588,930
Unreserved - undesignated						
Undesignated - General Fund	5,794,060	-	-	-	-	5,794,060
Undesignated - Special Revenue Funds	-	-	-	(975,505)	164,233	(811,272)
<b>Total fund balances</b>	<b>7,389,616</b>	<b>492,270</b>	<b>14,248,367</b>	<b>(975,505)</b>	<b>1,121,096</b>	<b>22,275,844</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,800,046</b>	<b>\$ 1,527,580</b>	<b>\$ 14,437,230</b>	<b>\$ 618,100</b>	<b>\$ 2,485,142</b>	<b>\$ 35,868,098</b>

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

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

December 31, 2009

	Primary Government
FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 22,275,844
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	56,733,488
Interest payable is not due and payable in the current period and, therefore, not reported in the governmental funds	(102,768)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
General obligation bonds payable	(19,283,750)
Revolving loans payable	(1,212,720)
Installment notes payable	(4,648,818)
Intergovernmental agreement payable	(4,260,718)
Net pension obligation	(13,175,981)
Net other postemployment benefits obligation	(1,652,645)
Compensated absences	(453,339)
The unamortized bond premium is not a current financial resource and, therefore, is not reported in the governmental funds	(89,761)
The unamortized bond discount is not a current financial resource and, therefore, is not reported in the governmental funds	11,864
The unamortized loss on bond refunding is shown as a reduction of long-term liabilities on the statement of net assets	105,618
The unamortized bond issuance costs are not a current financial resource and, therefore, are not reported in the governmental funds	175,662
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 34,421,976</u>

See accompanying notes to financial statements.

VILLAGE OF MORTON GROVE, ILLINOIS

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

For the Year Ended December 31, 2009

	General Fund	Debt Service Fund	Lehigh/Ferris TIF Fund	Waukegan Road TIF Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 18,190,421	\$ 1,478,514	\$ 2,760,550	\$ 830,568	\$ 791,080	\$ 24,051,133
Licenses and permits	1,029,669	-	-	-	-	1,029,669
Intergovernmental	229,118	-	20,154	-	556,065	805,337
Surcharges	-	-	-	-	270,610	270,610
Charges for services	739,573	-	-	-	133,688	873,261
Fines	346,754	-	-	-	-	346,754
Investment income	7,826	3,574	285,596	1,645	5,488	304,129
Cable TV franchise fees	233,278	-	-	-	-	233,278
Miscellaneous	402,560	3,999	2,000	-	28,224	436,783
Total revenues	21,179,199	1,486,087	3,068,300	832,213	1,785,155	28,350,954
<b>EXPENDITURES</b>						
Current						
General government	3,235,134	-	-	-	-	3,235,134
Public safety	15,138,798	-	-	-	254,677	15,393,475
Streets and sidewalks	2,353,029	-	-	-	676,425	3,029,454
Sanitation	644,771	-	-	-	-	644,771
Vehicle maintenance	752,089	-	-	-	-	752,089
Health and human services	718,045	-	-	-	-	718,045
Community development	116,950	-	30,901	-	381,556	529,407
Building and inspectional services	807,146	-	-	-	-	807,146
Debt service						
Principal retirement	-	1,449,279	3,530,000	5,165,048	-	10,144,327
Interest and fiscal charges	-	168,594	614,476	301,822	-	1,084,892
Bond issuance costs	-	57,026	-	37,320	-	94,346
Capital outlay						
Capital projects	-	-	360,921	108,134	506,736	975,791
Total expenditures	23,765,962	1,674,899	4,536,298	5,612,324	1,819,394	37,408,877
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,586,763)	(188,812)	(1,467,998)	(4,780,111)	(34,239)	(9,057,923)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of refunding bonds	-	5,737,500	-	4,920,000	-	10,657,500
Discount on debt issuance	-	-	-	(11,975)	-	(11,975)
Issuance of refunding installment note	-	-	2,685,000	-	-	2,685,000
Payment to refunded bonds escrow agent	-	(5,661,824)	-	-	-	(5,661,824)
Proceeds from sale of capital assets	21,470	-	-	-	-	21,470
Transfers in	-	136,945	-	-	-	136,945
Transfers (out)	(136,945)	-	-	-	-	(136,945)
Total other financing sources (uses)	(115,475)	212,621	2,685,000	4,908,025	-	7,690,171
NET CHANGE IN FUND BALANCES	(2,702,238)	23,809	1,217,002	127,914	(34,239)	(1,367,752)
FUND BALANCES (DEFICIT), JANUARY 1	10,091,854	468,461	13,031,365	(1,103,419)	1,155,335	23,643,596
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 7,389,616	\$ 492,270	\$ 14,248,367	\$ (975,505)	\$ 1,121,096	\$ 22,275,844

See accompanying notes to financial statements.

# VILLAGE OF MORTON GROVE, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Reporting Entity

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

The Village's financial statements include pension trust funds.

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

The Village's municipal employees participate in the Municipal Employees' Retirement Fund (MERF). MERF functions for the benefit of these employees and is governed by the Village Board of Trustees. The Village and MERF participants are obligated to fund all MERF costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, the 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. Library employees are allowed to participate in the MERF that the Village sponsors. The MERF is reported as a pension trust fund.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Police Pension Employees Retirement System (PPERS)

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

Firefighters' Pension Employees Retirement System (FPERS)

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

Discretely Presented Component Unit

Morton Grove Public Library (the Library)

The Library's board consists of seven elected individuals, none of which are members of the Village's governing body. The Library's budget is subject to the acceptance of the Village's governing body. In addition, the taxing authority and issuance of debt is also subject to the acceptance of the Village's governing body. Additionally, the activities of the Library are open to all citizens and benefit the citizens of the Village.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

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

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

c. Government-Wide and Fund Financial Statements

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

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



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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Village reports the following major governmental funds:

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

The Debt Service Fund is used to account for the payment of governmental long-term debt.

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

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

The Village reports the following major proprietary fund:

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

The Village reports the following fiduciary funds:

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

e. Cash and Investments

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

f. Investments

Investments with a maturity of less than one year when purchased and nonnegotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is based on prices listed on national exchanges as of December 31, 2009 for debt and equity securities. Mutual funds, investment funds and insurance separate accounts are valued at contract value as of December 31, 2009.

g. Interfund Transactions

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Interfund Transactions (Continued)

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

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

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

h. Prepaid Items/Expenses

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

i. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm sewers and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and include capital assets acquired prior to 1980. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Capital Assets (Continued)

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

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

j. Compensated Absences

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

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

In addition, the Village has recorded \$398,509 for sick time payments to be made in the future to all civilian employees who are at least age 50 or are any age, but have 30 years of service and sworn personnel who are at least age 50 and have 20 years of service.

k. Rebtable Arbitrage

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Long-Term Obligations

In the government-wide financial statements, and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

m. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the Village's net assets are restricted as a result of enabling legislation adopted by the Village. Invested in capital assets, net of related debt, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

n. GASB Pronouncements

The Village has elected, under the provisions of GASB Statement No. 20, titled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Accounting Estimates

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

2. LEGAL COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances/Net Assets of Individual Funds

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

<u>Fund</u>	<u>Deficit Balance</u>
Major Governmental Funds	
Waukegan Road TIF	\$ 975,505

3. DEPOSITS AND INVESTMENTS

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

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Village Deposits

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

As of December 31, 2009, the Village had \$2,834,134 in uninsured/uncollateralized deposits out of \$5,171,452 at one financial institution.

Village Investments

As of December 31, 2009, the Village had the following debt security investments and maturities.

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
U. S. agency obligations	\$ 594,762	\$ 594,762	\$ -	\$ -	\$ -
Illinois Funds	2,954,563	2,954,563	-	-	-
Illinois Metropolitan Investment Fund	255,603	255,603	-	-	-
<b>TOTAL</b>	<b>\$ 3,804,928</b>	<b>\$ 3,804,928</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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

3. DEPOSITS AND INVESTMENTS (Continued)

Village Investments (Continued)

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

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

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

Concentration of credit risk - The Village's investment policy does not contain any specific guidelines on the diversification of the investment portfolio. At December 31, 2009, the Village had 45.86% of its investments in Illinois Funds and 40.94% in negotiable CD's.

Municipal Employee's Retirement Fund Investments

The Village's municipal employees participate in MERF. Continental Insurance Company (CNA) manages and maintains the activities of MERF.

As of December 31, 2009, MERF had the following investments and maturities.

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Annuity contracts	\$ 9,545,915	\$ 9,545,915	\$ -	\$ -	\$ -

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

3. DEPOSITS AND INVESTMENTS (Continued)

Police Pension Fund Deposits

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

Police Pension Fund Investments

As of December 31, 2009, the Police Pension Fund had the following debt security investments and maturities.

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Government bond index fund	\$ 12,622,134	\$ 12,622,134	\$ -	\$ -	\$ -
Illinois Funds	773,553	773,553	-	-	-
Money market mutual funds	477,468	477,468	-	-	-
<b>TOTAL</b>	<b>\$ 13,873,155</b>	<b>\$ 13,873,155</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

In accordance with its investment policy, the Police Pension 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 within a one-year period. The investment policy does not limit the maximum maturity length of investments in the Police Pension Fund.

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The government bond index fund, the money market mutual funds and the Illinois Funds are all rated AAA.

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Police Pension Fund Investments (Continued)

Concentration of credit risk - the Police Pension Fund's investment policy states investment parameters for each asset class. Percentage allocations are intended to serve as guidelines:

	Minimum	Maximum
Equities	10%	45%
International Equities	0%	10%
Fixed Income & Cash	5%	90%

In addition, the Police Pension Fund's investments of common, preferred or convertible preferred stock, separate accounts managed by life insurance companies and mutual funds shall not exceed 35% of the market value of the Police Pension Fund's net present assets and an additional 10% allowed to be invested in equities through a mutual fund or separate account of a life insurance company. At December 31, 2009, 51.52% of the Police Pension Fund investments were invested in the Northern Trust government bond index fund. 55.48% of the Police Pension Fund investments in equity mutual funds were invested in the Northern Trust S&P 500 Equity Fund.

Firefighters' Pension Fund Deposits

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

Firefighters' Pension Fund Investments

As of December 31, 2009, the Firefighters' Pension Fund had the following investments and maturities.

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Government bond index fund	\$ 11,279,257	\$ 11,279,257	\$ -	\$ -	\$ -
Money market mutual funds	473,192	473,192	-	-	-
TOTAL	\$ 11,752,449	\$ 11,752,449	\$ -	\$ -	\$ -

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

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3. DEPOSITS AND INVESTMENTS (Continued)

Firefighters' Pension Fund Investments (Continued)

In accordance with its investment policy, the Firefighters' Pension 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 within a one-year period. The investment policy does not limit the maximum maturity length of investments in the Firefighters' Pension Fund.

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The government bond index fund and the money market mutual funds are all rated AAA.

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

Concentration of credit risk - the Firefighters' Pension Fund's investment policy states that no more than 5% of the total portfolio may be invested in one individual security or in cash. Also, with the exception of U.S. Treasury securities, no more than 40% of the total fund's investment portfolio may be invested in a single security type. At December 31, 2009, 45.19% of the Firefighters' Pension Fund investments were invested in equity mutual funds; 5.00% in the Northern Trust Structured Small Cap Fund, 30.05% in the Northern Trust Collective Daily All Country Fund and 10.13% in the Northern Trust S&P 500 Equity Fund. 52.60% of the Firefighters' Pension Fund investments were invested in the Northern Trust government bond index fund.

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

4. RECEIVABLES

Property taxes for 2009 attach as an enforceable lien on January 1, 2009 on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2009 and August 1, 2009 and are payable in two installments, on or about March 1, 2009 and September 1, 2009. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 3% of the tax levy, to reflect actual collection experience. Since the 2009 levy is intended to fund the 2010 fiscal year, the levy has been recorded as a receivable and deferred revenue.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

Primary Government

	Beginning Balances January 1	Additions	Retirements	Ending Balances December 31
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land (including right of ways)	\$ 42,912,581	\$ -	\$ -	\$ 42,912,581
Construction in Progress	-	54,808	-	54,808
Total capital assets not being depreciated	42,912,581	54,808	-	42,967,389
Capital assets being depreciated				
Buildings and improvements	18,037,722	138,150	-	18,175,872
Vehicles and equipment	5,666,334	115,495	255,789	5,526,040
Infrastructure	26,464,942	-	-	26,464,942
Total capital assets being depreciated	50,168,998	253,645	255,789	50,166,854
Less accumulated depreciation for				
Buildings and improvements	8,939,421	596,710	-	9,536,131
Vehicles and equipment	4,309,415	255,478	233,198	4,331,695
Infrastructure	22,274,114	258,815	-	22,532,929
Total accumulated depreciation	35,522,950	1,111,003	233,198	36,400,755
Total capital assets being depreciated, net	14,646,048	(857,358)	22,591	13,766,099
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 57,558,629</b>	<b>\$ (802,550)</b>	<b>\$ 22,591</b>	<b>\$ 56,733,488</b>

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

5. CAPITAL ASSETS (Continued)

Primary Government (Continued)

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 452,143
Public safety	277,392
Streets, sidewalks and sewers	<u>381,468</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,111,003</u>

	Beginning Balances January 1	Additions	Retirements	Ending Balances December 31
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 166,598	\$ 11,805	\$ 166,598	\$ 11,805
Total capital assets not being depreciated	<u>166,598</u>	<u>11,805</u>	<u>166,598</u>	<u>11,805</u>
Capital assets being depreciated				
Buildings and improvements	9,524,443	108,134	-	9,632,577
Equipment	1,443,788	628,293	-	2,072,081
Total capital assets being depreciated	<u>10,968,231</u>	<u>736,427</u>	<u>-</u>	<u>11,704,658</u>
Less accumulated depreciation for				
Buildings and improvements	6,474,541	132,575	-	6,607,116
Equipment	1,121,490	120,056	-	1,241,546
Total accumulated depreciation	<u>7,596,031</u>	<u>252,631</u>	<u>-</u>	<u>7,848,662</u>
Total capital assets being depreciated, net	<u>3,372,200</u>	<u>483,796</u>	<u>-</u>	<u>3,855,996</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,538,798</u>	<u>\$ 495,601</u>	<u>\$ 166,598</u>	<u>\$ 3,867,801</u>

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

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6. 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 and natural disasters. These risks 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 or IRMA attributable to a membership year during which the Village was a member. Supplemental contributions may be required to fund these deficits. No supplemental contributions were due at December 31, 2009.

On January 1, 1990, the Village became self-insured for health insurance for all employees. The plan requires the employees to pay 10% of the premium cost with the Village paying the other 90%. The premium is based on projected claims by all employees for the calendar year. The Village is solely responsible to pay the claims for the corridor from the projected claim amount to the aggregate stop loss which is equal to 140% of the total projected claims. On January 1, 2008, the Village discontinued its self-insurance program. For the year ended December 31, 2009, the Village did not have claims in excess of projected claims. Settlement amounts have not exceeded commercial insurance coverage for the current year or the five prior years.

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

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6. RISK MANAGEMENT (Continued)

Intergovernmental Personnel Benefit Cooperative (IPBC)

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.

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.

7. LEASES

The Village is a lessor in an operating lease for the following property:

Adjacent to PW building 7828 Nagle	No cost allocated
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Future minimum rentals are as follows:

	<u>7828 Nagle</u>
2010	\$ 82,114

8. LONG-TERM DEBT

a. General Obligation Bonds

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



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

8. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

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

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
\$15,495,000 Corporate Purpose Serial Bonds dated February 1, 1999, due in annual installments of \$635,000 to \$1,765,000 plus interest at 4.0% to 6.0%, due on June 1 and December 1 of each year.	Water and Sewer	\$ 2,093,750	\$ -	\$ 2,093,750	\$ -	\$ -
	Debt Service	6,281,250	-	6,281,250	-	-
\$9,200,000 General Obligation Bonds dated November 1, 2007, due in annual installments of \$270,000 to \$560,000 plus interest at 4.0%, due on June 1 and December 1 of each year.	Debt Service	9,200,000	-	405,000	8,795,000	425,000
\$7,650,000 General Obligation Refunding Bonds dated April 1, 2009, due in annual installments of \$225,000 to \$1,690,000 plus interest at 1.0% to 2.6%, due on June 1 and December 1 of each year.	Water and Sewer	-	1,912,500	56,250	1,856,250	271,250
	Debt Service	-	5,737,500	168,750	5,568,750	813,750
\$4,920,000 General Obligation Bonds dated October 1, 2009, due in annual installments of \$355,000 to \$600,000 plus interest at 3.0% to 4.125%, due on June 1 and December 1 of each year.	Waukegan Road TIF	-	4,920,000	-	4,920,000	355,000
<b>TOTAL</b>		<b>\$ 17,575,000</b>	<b>\$ 12,570,000</b>	<b>\$ 9,005,000</b>	<b>\$ 21,140,000</b>	<b>\$ 1,865,000</b>

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

8. LONG-TERM DEBT (Continued)

b. Revolving Loans Payable

The Village entered into several installment contracts with the Illinois Environmental Protection Agency (IEPA) to provide funds for the construction of flood control projects. The contracts are for a 20 year period with equal semi-annual installments. Installment contracts currently outstanding are as follows:

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
IEPA revolving line of credit for Parkview and South Central sewer rehabilitation projects, payable semi-annually over 20 years upon presentation of invoice by IEPA with interest at 3.58%.	Debt Service	\$ 1,633,332	\$ -	\$ 420,612	\$ 1,212,720	\$ 435,803
	Water and Sewer	150,021	-	74,078	75,943	75,943
TOTAL		\$ 1,783,353	\$ -	\$ 494,690	\$ 1,288,663	\$ 511,746

c. Installment Notes Payable

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

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
Installment notes payable, secured by equipment, due in annual installments at various amounts over the next three years, plus interest ranging from 3.5% to 5.0%.	Debt Service	\$ 117,992	\$ -	\$ 57,602	\$ 60,390	\$ 60,390
	Water and Sewer	100,060	-	48,912	51,148	51,148
Installment notes payable, secured by equipment, due in annual installments at various amounts over the next three years, plus interest at 4.00%.	Debt Service	71,066	-	71,066	-	-

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

8. LONG-TERM DEBT (Continued)

c. Installment Notes Payable (Continued)

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
Installment notes payable, secured by equipment, due in annual installments at various amounts over the next five years, plus interest at 6.37%.	Lehigh/ Ferris TIF	\$ 2,625,000	\$ -	\$ 2,625,000	\$ -	\$ -
\$3,165,000 General Obligation Bank Promissory Note for projects related to the Tax Increment Financing Fund and the Economic Development Fund, principal due semi-annually through 2018 with interest at 5.32%.	Waukegan Road TIF	2,088,477	-	185,048	1,903,429	193,718
\$800,000 taxable bank note for the acquisition and redevelopment of properties within Lehigh/Ferris Tax Increment Financing Village, due in annual payments of \$100,000 beginning December 1, 2007 to 2008 with a balloon payment of \$500,000 due December 1, 2009. Interest is variable at LIBOR plus 70 basis points and is due beginning December 1, 2004.	Lehigh/ Ferris TIF	500,000	-	500,000	-	-
\$5,300,000 General Obligation Promissory Note, Series 2002, dated July 22, 2002, due in annual installments of \$10,000 to \$515,000 beginning December 1, 2002, plus interest at 4.620% through June 1, 2022.	Waukegan Road TIF	4,980,000	-	4,980,000	-	-

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

8. LONG-TERM DEBT (Continued)

c. Installment Notes Payable (Continued)

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
\$2,685,000 General Obligation Promissory Note, Series 2009, dated December 1, 2009, due in one installment of \$2,685,000 on December 15, 2011, plus interest at 3.45% through December 15, 2011.	Lehigh/ Ferris TIF	\$ -	\$ 2,685,000	\$ -	\$ 2,685,000	\$ -
TOTAL		\$ 10,482,595	\$ 2,685,000	\$ 8,467,628	\$ 4,699,967	\$ 305,256

d. Intergovernmental Agreement with School District 67

In 1996, the Village entered into an agreement with Morton Grove School District 67. The agreement calls for the Village to remit to the school district a portion of the proposed tax revenue due to projected growth in the equalized assessed valuation for existing properties located on Waukegan Road and existing on the date when the TIF was formed. Payments are made December 31 of each year and shall continue until the conclusion of the TIF at which time all future growth in the equalized assessed valuation will be released for distribution of property tax revenues to the overlapping taxing jurisdictions. During the year ended December 31, 2009, the Village made total intergovernmental payments of \$146,018. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

e. Intergovernmental Agreement with School District 70

In 2000, the Village entered into a second intergovernmental agreement, this time with Morton Grove School District 70. The agreement calls for the Village to remit to the school district a portion of the proposed tax revenue due to projected growth in the equalized assessed valuation for existing properties located in the Lehigh/Ferris TIF and existing on the date when the TIF was formed. As with the agreement with 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, 2009, the Village made total intergovernmental payments of \$76,239. The tax revenue is determined on an annual basis and the estimated future liability is shown below.

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

8. LONG-TERM DEBT (Continued)

e. Intergovernmental Agreement with School District 70 (Continued)

Year Ending	School District 67	School District 70	Total
2010	\$ 159,614	\$ 86,146	\$ 245,760
2011	173,720	96,374	270,094
2012	188,354	106,934	295,288
2013	203,538	117,838	321,376
2014	219,291	129,096	348,387
2015 - 2019	1,046,849	827,584	1,874,433
2020 - 2023	-	905,380	905,380
TOTAL	\$ 1,991,366	\$ 2,269,352	\$ 4,260,718

f. Debt Service Requirements to Maturity

Year Ending December 31,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,593,750	\$ 677,048	\$ 2,270,798	\$ 271,250	\$ 36,695	\$ 307,945
2011	1,836,250	588,926	2,425,176	338,750	33,304	372,054
2012	1,896,250	543,241	2,439,491	408,750	27,884	436,634
2013	2,185,000	497,005	2,682,005	415,000	20,323	435,323
2014	2,252,500	435,518	2,688,018	422,500	10,985	433,485
2015	1,050,000	366,669	1,416,669	-	-	-
2016	1,100,000	327,113	1,427,113	-	-	-
2017	1,155,000	284,238	1,439,238	-	-	-
2018	1,860,000	237,775	2,097,775	-	-	-
2019	645,000	174,200	819,200	-	-	-
2020	675,000	148,400	823,400	-	-	-
2021	710,000	121,400	831,400	-	-	-
2022	740,000	93,000	833,000	-	-	-
2023	775,000	63,400	838,400	-	-	-
2024	810,000	32,400	842,400	-	-	-
TOTAL	\$ 19,283,750	\$ 4,590,333	\$ 23,874,083	\$ 1,856,250	\$ 129,191	\$ 1,985,441

Year Ending December 31,	Total Outstanding Loans					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 435,803	\$ 39,550	\$ 475,353	\$ 75,943	\$ 1,427	\$ 77,370
2011	451,544	23,808	475,352	-	-	-
2012	325,373	7,499	332,872	-	-	-
TOTAL	\$ 1,212,720	\$ 70,857	\$ 1,283,577	\$ 75,943	\$ 1,427	\$ 77,370

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

8. LONG-TERM DEBT (Continued)

f. Debt Service Requirements to Maturity (Continued)

Year Ending December 31,	Total Installment Notes Payable					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 254,108	\$ 174,646	\$ 428,754	\$ 51,148	\$ 2,016	\$ 53,164
2011	2,886,754	160,774	3,047,528	-	-	-
2012	209,965	59,930	269,895	-	-	-
2013	218,833	51,062	269,895	-	-	-
2014	227,912	41,984	269,896	-	-	-
2015	237,366	32,529	269,895	-	-	-
2016	247,158	22,738	269,896	-	-	-
2017	257,466	12,429	269,895	-	-	-
2018	109,257	2,244	111,501	-	-	-
TOTAL	\$ 4,648,819	\$ 558,336	\$ 5,207,155	\$ 51,148	\$ 2,016	\$ 53,164

g. Changes in Long-Term Liabilities

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

Primary Government

	Balances January 1, Restated	Additions	Reductions	Balances December 31	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds payable	\$ 15,481,250	\$ 10,657,500	\$ 6,855,000	\$ 19,283,750	\$ 1,593,750
Unamortized premium on bonds	96,211	-	6,450	89,761	-
Unamortized discount on bonds	-	(11,975)	(111)	(11,864)	-
Unamortized refunding loss	-	(111,824)	(6,206)	(105,618)	-
Revolving loans payable	1,633,332	-	420,612	1,212,720	435,803
Installment notes payable	10,382,534	2,685,000	8,418,715	4,648,819	254,108
Intergovernmental agreement payable	4,482,974	-	222,256	4,260,718	245,760
Net pension obligation	12,227,338	948,643	-	13,175,981	-
Net other postemployment benefit obligation	1,180,855	471,790	-	1,652,645	-
*Compensated absences payable	590,325	453,339	590,325	453,339	45,334
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	<b>\$ 46,074,819</b>	<b>\$ 15,092,473</b>	<b>\$ 16,507,041</b>	<b>\$ 44,660,251</b>	<b>\$ 2,574,755</b>

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

8. LONG-TERM DEBT (Continued)

g. Changes in Long-Term Liabilities (Continued)

Primary Government (Continued)

	Balances January 1, Restated	Additions	Reductions	Balances December 31	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds payable	\$ 2,093,750	\$ 1,912,500	\$ 2,150,000	\$ 1,856,250	\$ 271,250
Unamortized refunding loss	-	(37,275)	(3,389)	(33,886)	-
Revolving loans payable	150,021	-	74,078	75,943	75,943
Installment notes payable	100,060	-	48,912	51,148	51,148
Net other postemployment benefit obligation	101,515	40,559	-	142,074	-
<b>TOTAL BUSINESS-TYPE DEBT</b>	<b>\$ 2,445,346</b>	<b>\$ 1,915,784</b>	<b>\$ 2,269,601</b>	<b>\$ 2,091,529</b>	<b>\$ 398,341</b>

\* Governmental activities' compensated absences are liquidated by the General Fund, the fund in which the related salary has been charged.

h. Legal Debt Margin

The Village is a home rule municipality.

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

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

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

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

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8. LONG-TERM DEBT (Continued)

i. Refunding Bonds

On April 1, 2009, the Village issued \$7,650,000 Series 2009 General Obligation Refunding Bonds, to advance refund, \$5,550,000 of the General Obligation Bonds, Series 1999. The proceeds of the 2009 issuance were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The defeased bonds were called and retired on May 15, 2009. As a result of the refunding, the Village achieved a cash flow savings and an economic gain on the refunding of \$511,231.

On October 1, 2009, the Village issued \$4,920,000 Series 2009A General Obligation Refunding Bonds, to advance refund, \$4,785,000 of the General Obligation Promissory Note, Series 2002. The proceeds of the 2009 issuance were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The defeased bonds are due annually on June 1 through June 1, 2022. At December 31, 2009, \$4,785,000 of the refunded bonds was outstanding. As a result of the refunding, the Village achieved a cash flow savings and an economic gain on the refunding of \$539,500.

On December 1, 2009, the Village issued \$2,685,000 Series 2009B General Obligation Refunding Installment Notes, to advance refund, \$2,625,000 of the Lehigh/Ferris TIF Installment Note, Series 2006. The proceeds of the 2009 issuance were placed in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. The defeased bonds were called and retired on December 1, 2009. As a result of the refunding, the Village achieved a cash flow savings and an economic gain on the refunding of \$137,265.

j. Economic Development and Redevelopment Agreements

1. CVS, Inc.

During June 2006, CVS, Inc. purchased the Osco Drug store with which the Village had previously entered into an economic development agreement. It was determined by legal counsel that the economic agreement that the Village had with Osco remains applicable with CVS. Payment to Osco during 2006 through date of sale totaled \$3,971. Amounts due to CVS under the terms of the agreement were \$70,716 for fiscal year 2009.



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

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8. LONG-TERM DEBT (Continued)

j. Economic Development and Redevelopment Agreements (Continued)

2. Gary D. McGrath

On January 14, 2002, the Village entered into a redevelopment agreement for the Waukegan Road TIF Village Redevelopment Area "B" with Gary D. McGrath, a local auto dealership owner. The agreement calls for Mr. McGrath to purchase properties of the north portion of Redevelopment Area "B" for \$1,799,412 and for the Village to remit to him a portion of the sales tax receipts collected on sales made by the new auto dealership, McGrath Acura, which is planned to be located on the purchased properties. Maximum amount to be remitted by the Village is \$500,000, provided that the Village does not require site improvements costing in excess of that amount. Amounts due to Gary D. McGrath under the terms of the agreement were \$71,696 for fiscal year 2009.

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

On June 1, 1999, the Village entered into a redevelopment agreement with Bond Drug Company of Illinois (Walgreens) and MRD - Morton Grove, LP to develop a site for a Walgreens Drug Store in the Village. The Village has required, as part of the redevelopment agreement, that certain infrastructure improvements be constructed. In order to comply with the Village's requirements for infrastructure improvement, the Village has agreed to enter into a sales tax revenue sharing program upon the commencement of retail operations to be public. The first \$110,000 of sales tax revenue shall be retained by the Village. The program will continue until the developer's receipt of \$253,320 or ten years following the opening of the store, whichever comes first. The Village will retain 100% of the sales tax on the first \$2,000,000 of annual sales and will share equally in the sales tax on annual sales exceeding \$2,000,000. Amounts due to Walgreens under the terms of the agreement were \$16,888 for fiscal year 2009.

k. Noncommitment Debt

Industrial Revenue Bonds

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

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

9. INTERFUND ASSETS/LIABILITIES

a. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
GOVERNMENTAL FUNDS		
Major Funds		
General	Lehigh/Ferris TIF	\$ 86,429
TOTAL GOVERNMENTAL FUNDS		\$ 86,429

Significant amounts due from/to other funds at December 31, 2009 are as follows:

- \$86,429 due from the Lehigh/Ferris TIF Fund to the General Fund. This balance consists of short-term loans due from the Lehigh/Ferris TIF Fund to the General Fund. Repayment is expected within one year.

b. Due From/To Fiduciary Funds

Receivable Fund	Payable Fund	Amount
PENSION TRUST FUNDS		
Municipal Employees Retirement	General	\$ 2,530
TOTAL		\$ 2,530

Significant amounts due from/to fiduciary funds at December 31, 2009 are as follows:

- \$2,530 due from General Fund to the Municipal Employees Retirement Pension Trust Fund for contributions due at year end.

c. Advances

The General Fund advanced funds to the Waukegan Road TIF Fund for prior years' debt payments in the amount of \$1,588,930. The advance will be paid back as funds become available.

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

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9. INTERFUND ASSETS/LIABILITIES (Continued)

d. Interfund Transfers

	Transfers In	Transfers Out
<b>GOVERNMENTAL ACTIVITIES</b>		
Major Funds		
General	\$ -	\$ 136,945
Debt Service	136,945	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 136,945</b>	<b>\$ 136,945</b>

The purposes of the significant interfund transfers are as follows:

- \$136,945 transferred from the General Fund to the Debt Service Fund. The transfers from the General Fund are to reimburse the Debt Service Fund to cover the cost of various equipment installment loan payments.

10. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

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

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

## 11. JOINT VENTURES

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

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

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

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

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

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

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

In accordance with the contract, the Village made payments totaling \$466,793 to SWANCC in 2009, which includes payment for debt contribution. The Village does not have an equity interest in SWANCC at December 31, 2009.

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

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11. JOINT VENTURES (Continued)

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

Commencing in 2008, the annual expense will be subject to change based upon the actual tonnage of refuse disposed of and current SWANCC costs. Beginning in 2004, the cost of brush collection was transferred to the residents. The Village continues to pay tipping fees averaging about \$35,000 a month or \$420,000 a year.

12. RELATED PARTIES

Regional Emergency Dispatch Center

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

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

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

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

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

13. POSTEMPLOYMENT BENEFITS

a. Plan Description

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

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

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13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

The Village provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under one of the Village's three retirement plans. The retirees pay the blended premium. Upon a retiree becoming eligible for Medicare, the amount payable under the Village's health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

c. Membership

At December 31, 2009, membership consisted of:

Retirees and beneficiaries currently receiving benefits	38
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>154</u>
 TOTAL	 <u>192</u>
 Participating employers	 <u>1</u>

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Village first had an actuarial valuation performed for the plan as of January 1, 2007 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2007.

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

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2007	\$ 978,885	\$ 292,603	29.9%	\$ 686,282
December 31, 2008	1,019,875	423,787	41.5%	1,282,370
December 31, 2009	1,075,812	560,463	52.1%	1,794,719

The net OPEB obligation as of December 31, 2008 was calculated as follows:

Annual required contribution	\$ 1,060,889
Interest on net OPEB obligation	57,707
Adjustment to annual required contribution	<u>(45,784)</u>
Annual OPEB cost	1,072,812
Contributions made	<u>560,463</u>
Increase in net OPEB obligation	512,349
Net OPEB obligation, beginning of year, restated	<u>1,282,370</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 1,794,719</u>

Funded Status and Funding Progress: The funded status and funding progress of the plan as of December 31, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 13,755,977
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,755,977
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 11,478,161
UAAL as a percentage of covered payroll	119.8%

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

In the December 31, 2009, actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included no investment rate of return and an initial healthcare cost trend rate of 10.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 4.5% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 29 years.



14. EMPLOYEE RETIREMENT SYSTEMS

a. Plan Descriptions

The Village contributes to five defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an Agent Multiple-Employer Public Employees Retirement System, the Sheriff's Law Enforcement Personnel Fund (SLEP), which is administered by IMRF, an agent multiple-employer public employee retirement system, the Municipal Employees' Retirement Fund (MERF), a single employer plan; the Police Pension Plan which is a single-employer pension plan and the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for the Police and Firefighters' Pension Plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans.

Illinois Municipal Retirement Fund (IMRF)

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

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Village is required to contribute at an actuarially determined rate. The employer rate for calendar year 2009 was 9.43% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2009 was 27 years.

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

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14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

For December 31, 2009, the Village's annual pension cost of \$239,238 was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included a) 7.50% investment rate of return (net of administrative expenses); b) projected salary increases of 4.00% a year, attributable to inflation; c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit and d) postretirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

Sheriff's Law Enforcement Personnel

Sheriff's Law Enforcement Personnel (SLEP), having accumulated at least 30 years of SLEP service and terminating IMRF participation on or after July 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% 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 ten 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. SLEP members are required to contribute 7.50% of their annual salary to SLEP. The Village is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution rate for the calendar year ended 2009 was 12.49% of covered payroll.

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

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14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (MERF)

All employees, including the Library employees, (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard (1,000 hours) must be enrolled in MERF as participating 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 10 years of participation) during which the participant received the highest compensation. Participating members are required to contribute 2.0% of their annual salary to MERF. The Village is required to contribute the remaining amounts necessary to fund the MERF as specified by the plan. The employer contribution for the year ended December 31, 2009 was 13.39% of covered payroll.

At December 31, 2009, the MERF membership consisted of:

Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	31
Inactive employees	17
	<hr/>
TOTAL	54

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 - Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2009, the Police Pension Plan membership consisted of:

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

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14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Retirees and beneficiaries currently receiving benefits	43
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	8
Current employees	
Vested	26
Nonvested	20
	<hr/>
TOTAL	97

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly pension 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 3.00% of the original pension and 3.00% simple interest annually thereafter.

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 as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended December 31, 2009, the Village's contribution was 37.76% of covered payroll.

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

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14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40 - Article 5/4) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2009, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	40
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	1
Current employees	
Vested	24
Nonvested	18
	<hr/>
TOTAL	83
	<hr/>

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by 1/12 of 2.50% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension 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 paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

Covered employees are required to contribute 9.455% of their 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 as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2009, the Village's contribution was 46.69% of covered payroll.

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

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14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets for either the Police or the Firefighters' Pension Plans.

The costs of administering the Police and Firefighters' Pension Plans are financed through employer and employee contributions.

The benefits and refunds of the Police and Firefighters' Pension Plans are recognized when due and payable in accordance with the terms of the Police and Firefighters' Pension Plans.

c. Annual Pension Cost

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel
Actuarial valuation date	December 31, 2007	December 31, 2007
Actuarial cost method	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	27 Years, Closed	27 Years, Closed

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs (Continued)

	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel	
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually	
b) Projected salary increase attributable to inflation	4.00% Compounded Annually	4.00% Compounded Annually	
c) Additional projected salary increases - seniority/merit	.40% to 10.00%	.40% to 10.00%	
	Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	January 1, 2009	December 31, 2008	December 31, 2008
Actuarial cost method	Projected Unit Credit	Entry-age Normal	Entry-age Normal
Asset valuation method	Market	Smoothed Market	Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	29 Years, Closed	30 Years, Closed	30 Years, Closed

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Cost (Continued)

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	5.00% Compounded Annually	5.00% Compounded Annually
c) Additional projected salary increases - seniority/merit	1.00%	1.00%	1.00%
d) Postretirement benefit increases	None	3.00%	3.00%

The Village's annual pension cost and net pension obligation (asset) for the current year ended December 31, 2009 were as follows:

	Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Annual required contributions	\$ 461,300	\$ 1,644,689	\$ 1,794,274
Interest on net pension obligation	29,539	420,217	475,862
Adjustment to annual required contribution	118,386	(339,381)	(384,321)
Annual pension cost	609,225	1,725,525	1,885,815
Contributions made	298,658	1,390,415	1,582,849
Increase in net pension obligation (asset)	310,567	335,110	302,966
Net pension obligation (asset), beginning of year	279,618	5,602,895	6,344,825
NET PENSION OBLIGATION (ASSET), END OF YEAR	\$ 590,185	\$ 5,938,005	\$ 6,647,791



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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

e. Trend Information

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

		Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date		January 1, 2009	December 31, 2008	December 31, 2008
Actuarial cost method		Projected Unit Credit	Entry-age Normal	Entry-age Normal
Asset valuation method		Market	Smoothed Market	Smoothed Market
Amortization method		Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period		29 Years, Closed	30 Years, Closed	30 Years, Closed
	Fiscal Year	Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2007	\$ 475,787	\$ 1,286,241	\$ 1,600,074
	2008	594,511	1,498,968	1,710,348
	2009	609,225	1,725,525	1,885,815
Actual contribution	2007	\$ 324,483	\$ 1,030,738	\$ 1,262,030
	2008	541,636	1,344,344	1,569,399
	2009	298,658	1,390,415	1,582,849
Percentage of APC contributed	2007	68.20%	80.14%	78.87%
	2008	91.11%	89.68%	91.76%
	2009	49.02%	80.58%	83.93%
Net pension obligation (asset)	2007	\$ 226,743	\$ 5,448,271	\$ 6,203,876
	2008	279,618	5,602,895	6,344,825
	2009	590,185	5,938,005	6,647,791

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

The funded status and funding progress of the plans as of December 31, 2009 were as follows:

	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel	Municipal Employees' Retirement	Police Pension	Firefighters' Pension
Actuarial accrued liability (AAL)	\$ 1,928,193	\$ -	\$ 9,813,527	\$ 44,566,626	\$ 42,331,261
Actuarial value of plan assets	1,263,960	(21,320)	5,865,716	25,154,010	22,359,358
Unfunded actuarial accrued liability (UAAL)	664,233	21,320	3,947,811	19,412,616	19,971,903
Funded ratio (actuarial value of plan assets/AAL)	65.55%	0.00%	59.77%	56.4%	52.8%
Covered payroll (active plan members)	\$ 2,536,985	\$ 69,944	\$ 2,230,466	\$ 3,682,297	\$ 3,390,072
UAAL as a percentage of covered payroll	26.18%	30.48%	176.99%	527.19%	589.13%

g. Summary Financial Information

The following is summary financial information for the Municipal Employees' Retirement, Police and Firefighters' Pension Plans.

Statement of Net Assets

	Pension Trust Funds			
	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,439,409	\$ 640,513	\$ 2,079,922
Investments				
Equity mutual funds	-	10,626,009	9,689,997	20,316,006
Government bond index fund	-	12,622,134	11,279,257	23,901,391
Annuity contracts	9,545,915	-	-	9,545,915
Receivables				
Accrued interest	-	24	148	172
Other	-	20,457	-	20,457
Due from primary government	2,530	-	-	2,530
<b>Total assets</b>	<b>9,548,445</b>	<b>24,708,033</b>	<b>21,609,915</b>	<b>55,866,393</b>

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

g. Summary Financial Information (Continued)

Statement of Net Assets (Continued)

	Pension Trust Funds			
	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Total
LIABILITIES				
Accounts payable	\$ -	\$ 6,990	\$ 2,620	\$ 9,610
Total liabilities	-	6,990	2,620	9,610
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 9,548,445	\$ 24,701,043	\$ 21,607,295	\$ 55,856,783

Changes in Plan Net Assets

	Pension Trust Funds			
	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Total
ADDITIONS				
Contributions				
Employer	\$ 489,154	\$ 1,390,415	\$ 1,582,849	\$ 3,462,418
Employee	56,079	365,782	338,236	760,097
Total contributions	545,233	1,756,197	1,921,085	4,222,515
Investment income				
Net appreciation in fair value of investments	-	3,301,694	2,754,512	6,056,206
Interest	440,754	4,133	2,547	447,434
Total investment income	440,754	3,305,827	2,757,059	6,503,640
Less investment expense	(28,335)	(24,787)	(29,134)	(82,256)
Net investment income	412,419	3,281,040	2,727,925	6,421,384
Total additions	957,652	5,037,237	4,649,010	10,643,899

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

g. Summary Financial Information (Continued)

Changes in Plan Net Assets (Continued)

	Pension Trust Funds			
	Municipal Employees' Retirement	Police Pension	Firefighters' Pension	Total
DEDUCTIONS				
Retirement benefits	\$ 440,790	\$ 1,987,390	\$ 1,306,954	\$ 3,735,134
Duty/nonduty disability benefits	-	69,158	461,980	531,138
Surviving spouse benefits	-	164,530	185,468	349,998
Administrative expenses	-	24,748	63,410	88,158
Total deductions	440,790	2,245,826	2,017,812	4,704,428
NET INCREASE	516,862	2,791,411	2,631,198	5,939,471
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
January 1	9,031,583	21,909,632	18,976,097	49,917,312
December 31	\$ 9,548,445	\$ 24,701,043	\$ 21,607,295	\$ 55,856,783

15. PRIOR PERIOD ADJUSTMENTS

The Village has restated net assets as of January 1, 2009 as follows:

	Government- Wide	Business-Type Activities/ Enterprise Fund
FUND BALANCES/NET ASSETS, JANUARY 1 (as previously reported)	\$ 35,409,235	\$ 2,591,342
Restated for:		
Accounting correction of net other postemployment benefit obligation	(494,573)	(101,515)
FUND BALANCES/NET ASSETS, JANUARY 1, RESTATED	\$ 34,914,662	\$ 2,489,827

VILLAGE OF MORTON GROVE, ILLINOIS

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

For the Year Ended December 31, 2009  
(with comparative actual for 2008)

	2009		2008
	Original and Final Budget	Actual	Actual
<b>REVENUES</b>			
Property taxes	\$ 660,000	\$ 830,568	\$ 783,827
Investment income	15,000	1,645	16,033
Total revenues	675,000	832,213	799,860
<b>EXPENDITURES</b>			
Capital outlay	350,000	108,134	4,245
Debt service			
Principal	381,001	5,165,048	273,670
Interest and fiscal charges	309,400	301,822	323,630
Bond issuance costs	5,000	37,320	-
Total expenditures	1,045,401	5,612,324	601,545
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(370,401)	(4,780,111)	198,315
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of refunding bonds	-	4,920,000	-
Discount on debt issuance	-	(11,975)	-
Total other financing sources (uses)	-	4,908,025	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (370,401)</u>	127,914	198,315
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>		(1,103,419)	(1,301,734)
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<u>\$ (975,505)</u>	<u>\$ (1,103,419)</u>

(See independent auditor's report.)

## APPROVED BUDGET



Village of Morton Grove, Illinois  
Waukegan TIF Fund  
Budget Summary



	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>	<i>FY09</i>	<i>FY2010</i>
	<i>Actual</i>	<i>Actual</i>	<i>Adopted</i>	<i>Projection</i>	<i>Proposed</i>
<i>Revenues by Category</i>					
Taxes	680,779	783,827	660,000	725,000	725,000
Licenses and Permits	-	-	-	-	-
Fines	-	-	-	-	-
Charges for Services	-	-	-	-	-
Grant Revenue	-	-	-	-	-
Investment	89,662	16,034	15,000	2,000	2,500
Installment Loan Proceeds	-	-	-	-	-
Sale of Real Property	-	-	-	-	-
<b>Total Revenues</b>	<b>770,441</b>	<b>799,861</b>	<b>675,000</b>	<b>727,000</b>	<b>727,500</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Resources Available</b>	<b>770,441</b>	<b>799,861</b>	<b>675,000</b>	<b>727,000</b>	<b>727,500</b>
<i>Expenditure by Category</i>					
Operations and Maintenance:					
Personal Services	-	-	-	-	-
Contractual Services	10	4,265	5,000	15,000	25,000
Commodities	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Reserves	-	-	-	-	-
<b>Total Operations and Maintenance</b>	<b>10</b>	<b>4,265</b>	<b>5,000</b>	<b>15,000</b>	<b>25,000</b>
Capital Outlay	-	-	350,000	105,000	1,250,000
Debt Payments	581,012	597,280	690,401	690,401	705,866
Capital Projects	-	-	-	-	-
	581,012	597,280	1,040,401	795,401	1,955,866
<b>Total Expenditures</b>	<b>581,022</b>	<b>601,546</b>	<b>1,045,401</b>	<b>810,401</b>	<b>1,980,866</b>
<b>Transfers Out</b>	<b>1,658,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<b>Total Resources Utilized</b>	<b>2,239,952</b>	<b>601,546</b>	<b>1,045,401</b>	<b>810,401</b>	<b>2,020,866</b>
<b>Change in Fund Balance</b>	<b>(1,469,511)</b>	<b>198,315</b>	<b>(370,401)</b>	<b>(83,401)</b>	<b>(1,293,366)</b>
<b>Fund Balance, January 1</b>				<b>(1,103,419)</b>	<b>(1,186,820)</b>
<b>Fund Balance, December 31</b>				<b>(1,186,820)</b>	<b>(2,480,186)</b>
<b>As a % of Total Operations and Maintenance</b>				<b>-7912.14%</b>	<b>-9920.75%</b>

## WAUKEGAN ROAD TIF DISTRICT FUND

### DEPARTMENT ACTIVITY/DESCRIPTION

The Waukegan Road Tax Increment Financing (TIF) Redevelopment District was created in 1995 with the intention of promoting the redevelopment of certain parcels to a higher and more productive land use so as to achieve the commercial potential of this business corridor. The District will expire in 2017.

### PERFORMANCE ASSESSMENT- PROGRESS ON CALENDAR YEAR 2009 GOALS AND OBJECTIVES

1. Preliminary study of the potential relocation of Churchill Street was completed.
2. The reconstruction of Churchill Street is on hold pending the submission of firm development plans from the affected businesses.
3. New water main was installed to promote business investment at Waukegan & Emerson.
4. Existing debt was refinanced to provide a net savings in excess of \$500,000.

### ANNUAL GOALS AND OBJECTIVES FOR CALENDAR YEAR 2010

1. Continue to work with business owners to make improvements to the properties at the Waukegan and Churchill intersection.
2. Complete public infrastructure improvements to compliment private investment near Waukegan & Churchill.
3. Promote re-investment in under-utilized parcels, including the south portion of Redevelopment Area "B".
4. Attract new commercial businesses to this corridor.

### REVENUES:

Property Tax-TIF-Waukegan    17-00-00-41-1011

Property tax revenue for the TIF is estimated based upon the amount collected and projected during the 2009 fiscal year.

Total	\$725,000.00
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Interest Income    17-00-00-46-1010

Total	\$2,500.00
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### EXPENSES:

Professional Services    17-10-45-55-2110



An appropriation to provide for engineering design of roadway and infrastructure improvements in the Waukegan TIF District.

Total	\$25,000.00
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Capital Acquisitions/buildings 17-10-45-57-1020

An appropriation to provide for potential property assembly to promote redevelopment within the Waukegan TIF District.

Total	\$900,000.00
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Street Improvement 17-10-45-57-3300

An appropriation to provide for street and infrastructure improvements within the Waukegan TIF District.

Total	\$350,000.00
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Note Redemption 17-10-45-59-1030

Total	\$413,717.00
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Note Interest 17-10-45-59-1040

Total	\$292,149.00
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Transfer to General Fund 17-10-45-81-1010

Total	\$40,000.00
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**FUND 17      Waukegan Road TIF**

<b>ACCOUNT NO. ACCT DESCRIPTION</b>	<b>FY 08 ACTUAL</b>	<b>FY 09 BUDGET</b>	<b>FY 09 YTD</b>	<b>FY 09 Projected</b>	<b>FY 2010 REQUEST</b>
17-00-00-41-1011 Incremental Property Tax	783,827	660,000	439,187	725,000	725,000
17-00-00-46-1010 Interest Income	16,034	15,000	1,495	2,000	2,500
<b>REV Total</b>	<b>799,861</b>	<b>675,000</b>	<b>440,682</b>	<b>727,000</b>	<b>727,500</b>
17-10-45-55-2110 Professional Services	4,245	5,000	2,001	15,000	25,000
17-10-45-55-2111 Cook County Property Taxes	-	-	-	-	-
17-10-45-55-2130 Printing And Publishing	-	-	-	-	-
17-10-45-55-4110 Maintenance Of Buildings	-	-	-	-	-
17-10-45-55-5140 Community Relations	-	-	-	-	-
17-10-45-55-6120 Additional Legal Fees	-	-	-	-	-
17-10-45-55-8130 Bank Fees and Charges	20	-	-	-	-
<b>Contractual Total</b>	<b>4,265</b>	<b>5,000</b>	<b>2,001</b>	<b>15,000</b>	<b>25,000</b>
17-10-45-57-1020 Capital Acquisitions/buildings	-	-	-	-	900,000
17-10-45-57-3300 Street Improvement	-	350,000	-	105,000	350,000
<b>Capital Total</b>	<b>-</b>	<b>350,000</b>	<b>-</b>	<b>105,000</b>	<b>1,250,000</b>
17-10-45-59-1030 Note Redemption	273,670	381,001	381,027	381,001	413,717
17-10-45-59-1040 Note Interest	323,610	309,400	198,538	309,400	292,149
<b>P&amp;I Total</b>	<b>597,280</b>	<b>690,401</b>	<b>579,565</b>	<b>690,401</b>	<b>705,866</b>
17-10-45-81-1010 Transfer to General Fund	-	-	-	-	40,000
<b>Transfer Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<b>Grand Total</b>	<b>601,546</b>	<b>1,045,401</b>	<b>581,566</b>	<b>810,401</b>	<b>2,020,866</b>

**BALANCE SHEET  
AND ACTUAL REVENUES AND  
EXPENDITURES**

# General Ledger

## Balance Sheet

User: mnavarrete

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Period Ending 13

Fiscal Period 13, 2009

Village of Morton Grove  
6101 Capulina  
Morton Grove, IL 60053

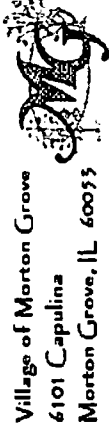


Description	Amount
Waukegan TIF	
Assets	
Cash - MMA Illinois Funds 8193	599,440.56
Other Accounts Receivable	7,200.00
Property Tax Receivable	11,458.52
Total Assets	618,099.08
Liabilities	
Accounts Payable	4,675.00
Waukegan Road TIF Advance	1,588,930.00
Total Liabilities	1,593,605.00
Fund-Balance	
Fund Balance	(1,103,419.46)
Total Fund-Balance	(1,103,419.46)
Retained Earnings:	127,913.54
Total Fund Balance and Retained Earnings:	(975,505.92)
Total Liabilities, Fund-Balance and Retained Earnings:	618,099.08

# General Ledger

## Summary Trial Balance

User: mnavarete  
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 Period 1 to 13, 2009



Account Number	Description	Budget Amount	Beginning Balance	Debit This Period	Credit This Period	Ending Balance
<b>Fund: 17</b>						
<b>ASSETS</b>	Waukegan TIF					
17-00-00-11-5010	Cash - MB Operating 8904	0.00		5,614,848.96		0.00
17-00-00-11-5015	Cash - MB Savings 3975	0.00	59,002.75	259.31	59,262.06	0.00
17-00-00-11-5030	Cash - MMA Illinois Funds 8193	0.00	418,888.38	832,348.63	651,796.45	599,440.56
17-00-00-11-5051	Cash-mma:la Salle Igcif Trust	0.00	0.00	0.00	0.00	0.00
17-00-00-13-1020	Other Accounts Receivable	0.00	0.00	7,200.00	0.00	7,200.00
17-00-00-13-2010	Property Tax Receivable	0.00	11,864.74	11,458.52	11,864.74	11,458.52
17-00-00-15-1030	Property Tax Escrow - Area A	0.00	0.00	0.00	0.00	0.00
	<b>ASSETS Totals:</b>		489,755.87	6,466,115.42	6,337,772.21	618,099.08
<b>LIABILITIES</b>						
17-00-00-21-1010	Accounts Payable	0.00		755,958.07	760,633.07	(4,675.00)
17-00-00-21-2020	Vouchers Payable (misc.)	0.00	0.00	0.00	0.00	0.00
17-00-00-23-1020	Due To/from General Fund	0.00	(4,245.33)	4,245.33	0.00	0.00
17-00-00-23-1025	Waukegan Road TIF Advance	0.00	(1,588,930.00)	0.00	0.00	(1,588,930.00)
17-00-00-23-1320	Due To/from 1999 Bond Fund	0.00	0.00	0.00	0.00	0.00
17-00-00-24-1080	TIF Plan Escrow	0.00	0.00	0.00	0.00	0.00
17-00-00-25-1040	Accrued Interest - Tif A	0.00	0.00	0.00	0.00	0.00
17-00-00-25-1050	Accrued Interest - Notes B	0.00	0.00	0.00	0.00	0.00
17-00-00-26-1010	Other ST Loans Payable	0.00	0.00	0.00	0.00	0.00
	<b>LIABILITIES Totals:</b>		(1,593,175.33)	760,203.40	760,633.07	(1,593,605.00)
<b>FUND BALANCE</b>						
17-00-00-27-1025	Waukegan Road TIF Advance	0.00	0.00	0.00	0.00	0.00
17-00-00-31-9000	Fund Balance	0.00	1,103,419.46	0.00	0.00	1,103,419.46
	<b>FUND BALANCE Totals:</b>		1,103,419.46	0.00	0.00	1,103,419.46

Account Number	Description	Budget Amount	Beginning Balance	Debit This Period	Credit This Period	Ending Balance
<b>REVENUE</b>						
17-00-00-41-1011	Incremental Property Tax	660,000.00	0.00	11,864.74	842,432.62	(830,567.88)
17-00-00-46-1010	Interest Income	15,000.00	0.00	0.00	1,644.93	(1,644.93)
17-00-00-46-1020	Interest Undistributed Propert	0.00	0.00	0.00	0.00	0.00
17-00-00-46-5012	Net Incr(Decr) FV IMET	0.00	0.00	0.00	0.00	0.00
17-00-00-47-2021	Note Proceeds	0.00	0.00	0.00	4,920,000.00	(4,920,000.00)
17-00-00-49-1015	Sale Of Real Property	0.00	0.00	0.00	0.00	0.00
17-00-00-49-1040	Misc Income	0.00	0.00	0.00	0.00	0.00
17-00-00-49-9999	Available Fund Balance	0.00	0.00	0.00	0.00	0.00
<b>REVENUE Totals:</b>						
		675,000.00	0.00	11,864.74	5,764,077.55	(5,752,212.81)
<b>EXPENSE</b>						
<b>Dept: 10</b>						
17-10-43-55-2110	Administration	0.00	0.00	0.00	0.00	0.00
17-10-44-55-2110	Professional Services	0.00	0.00	0.00	0.00	0.00
17-10-44-55-4110	Maintenance Of Buildings	0.00	0.00	0.00	0.00	0.00
17-10-44-55-5140	Community Relations	0.00	0.00	0.00	0.00	0.00
17-10-44-55-6120	Additional Legal Fees	0.00	0.00	0.00	0.00	0.00
17-10-44-59-1040	Note Interest	0.00	0.00	0.00	0.00	0.00
17-10-45-55-2110	Professional Services	5,000.00	0.00	44,519.51	7,200.00	37,319.51
17-10-45-55-2111	Cook County Property Taxes	0.00	0.00	0.00	0.00	0.00
17-10-45-55-2130	Printing And Publishing	0.00	0.00	0.00	0.00	0.00
17-10-45-55-4110	Maintenance Of Buildings	0.00	0.00	0.00	0.00	0.00
17-10-45-55-5140	Community Relations	0.00	0.00	0.00	0.00	0.00
17-10-45-55-6120	Additional Legal Fees	0.00	0.00	0.00	0.00	0.00
17-10-45-55-8130	Bank Fees and Charges	0.00	0.00	0.00	0.00	0.00
17-10-45-57-1020	Capital Acquisitions/buildings	0.00	0.00	0.00	0.00	0.00
17-10-45-57-3300	Street Improvement	350,000.00	0.00	108,134.00	0.00	108,134.00
17-10-45-59-1030	Note Redemption	381,001.00	0.00	5,166,027.11	0.00	5,166,027.11
17-10-45-59-1040	Note Interest	309,400.00	0.00	300,843.34	0.00	300,843.34
17-10-45-59-1079	Bond issuance cost/Bond disc.	0.00	0.00	110,875.31	98,900.00	11,975.31
17-10-45-81-1010	Transfer to General Fund	0.00	0.00	0.00	0.00	0.00
17-10-79-55-1120	Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00
17-10-79-55-1130	Meetings And Conferences	0.00	0.00	0.00	0.00	0.00
17-10-79-55-2110	Professional Services	0.00	0.00	0.00	0.00	0.00
17-10-79-55-2120	Postage & Meter Rental	0.00	0.00	0.00	0.00	0.00
17-10-79-55-6120	Additional Legal Fees	0.00	0.00	0.00	0.00	0.00
<b>Dept 10 EXPENSE Totals:</b>						
		1,045,401.00	0.00	5,730,399.27	106,100.00	5,624,299.27

Account Number	Description	Budget Amount	Beginning Balance	Debit This Period	Credit This Period	Ending Balance
	EXPENSE Totals:	1,045,401.00	0.00	5,730,399.27	106,100.00	5,624,299.27
	Fund 17 Totals:	(370,401.00)	0.00	12,968,582.83	12,968,582.83	0.00
	Report Totals:	(370,401.00)	0.00	12,968,582.83	12,968,582.83	0.00

**4**

**MAYOR'S CERTIFICATION LETTER  
(ATTACHMENT B)**





# Village of Morton Grove

Office of the Mayor  
and Board of Trustees

## Waukegan Road Tax Increment Financing Redevelopment District

### Certificate of Compliance

REPORT PERIOD: January 1, 2009 to December 31, 2009

DATE OF REPORT: July 9, 2010

In accordance with the Tax Increment Allocation Redevelopment Act of the State of Illinois (65 ILCS 5/11-74.4), I am submitting this certified statement as to the following:

*I have reviewed the audit performed by Sikich Gardner & Co. LLP on behalf of the Village of Morton Grove as well as public records, proceedings, and documents regarding the Waukegan Road Tax Increment Financing District. Based upon this review I certify the Village of Morton Grove is in full compliance with the Act.*

Sincerely,

Daniel J. Staackmann  
Village President

Cc: Village Board of Trustees

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Richard T. Flickinger Municipal Center  
6101 Capulina Avenue • Morton Grove, Illinois 60053-2985  
Tel: (847) 965-4100 Fax: (847) 965-4162



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# **5**

## **LEGAL COUNSEL'S OPINION LETTER (ATTACHMENT C)**



# Village of Morton Grove

Office of the Corporation Counsel

Telephone 847/663-3003

Fax 847/965-4162

July 9, 2010

The Honorable Daniel J. Staackmann, Mayor  
Village of Morton Grove  
6101 Capulina Avenue  
Morton Grove, IL 60053

**RE: Audit of the Financial Statements  
Fiscal Year ending December 31, 2009  
Waukegan Road Tax Increment Financing Redevelopment District**

Dear Mayor Staackmann:

## OPINION OF CORPORATION COUNSEL

I, Teresa Hoffman Liston, Corporation Counsel for the Village of Morton Grove, Cook County, Illinois, was the Corporation Counsel for the fiscal year beginning January 1, 2009, and ending December 31, 2009, and have reviewed information provided to me by the Village's administration and staff pertaining to the Waukegan Road Tax Increment Financing Redevelopment Project Area.

Based solely upon the information with which I have been provided and without making any independent review or investigation of that information, and relying on the accuracy, authenticity, and genuineness of all of the said information provided, it is my opinion that, as to the matters of which I am aware and have been specifically brought to my attention, the Village of Morton Grove, Cook County, Illinois has complied with the requirements of the Illinois Tax Increment Redevelopment Allocation Act (65 ILCS 5/11-74.4-1 et. seq.).

This opinion relates only to the time period of this report and is based upon the information with which I have been provided by the Village's administration and staff.

Sincerely,

Teresa Hoffman Liston  
Corporation Counsel

Cc: Village Board of Trustees

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Richard T. Flickinger Municipal Center  
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# **6**

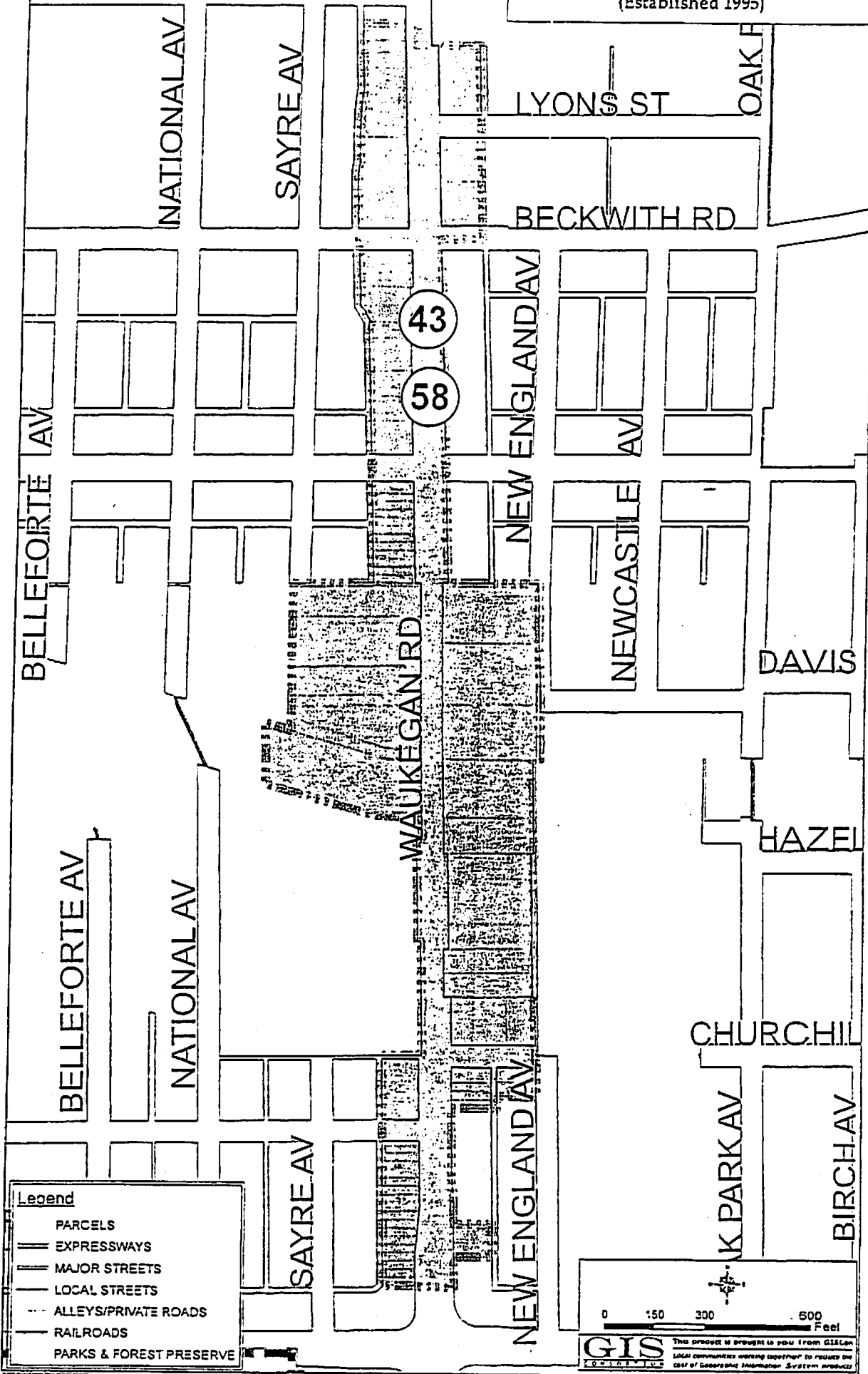
## **ACTIVITIES STATEMENT (ATTACHMENT D)**

# **7**

## **SITE PLANS AND LEGAL DESCRIPTIONS**

Village of Morton Grove

Waukegan Rd TIF District  
(Established 1995)



## Waukegan Road TIF District

### Legal Description

That part of the Western  $\frac{1}{2}$  of Section 18, Township 41 North, Range 13 East of the Third Principal Meridian defined as follows: Commencing at the Northeast corner of Lot 17 in Fourth Addition to Mills Park Estates, a Subdivision of part of Lot 3 in Assessor's Division of the Northwest  $\frac{1}{4}$  of Section 18 aforesaid; thence West along the North line and said North line extended West to the Westerly line of the first 20 foot North and South public alley lying West of Waukegan Road; thence Southerly along said Westerly line and said Westerly line extended across Beckwith Road, East and West 16 foot public alley first North of Church Street, Church Street and the East and West 20 foot public alley first South of Church Street to the Southeast corner of Lot 13 in Block 13 in Golf View Gardens, a Subdivision in the Western  $\frac{1}{2}$  of Section 18 aforesaid; thence West along the South line and said South line extended West to the West line of Lot 7 extended North in Dilg's Subdivision of the North  $\frac{1}{2}$  of Section 18 aforesaid; thence South along said extended West line, the West line of said Lot 7 and the West line of Lot 6 in Dilg's Subdivision aforesaid, 314.50 feet to a point; thence Southwesterly to the point of intersection of the West line of the East  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of Section 18 aforesaid and the Northerly line of the 175 feet right-of-way of the Commonwealth Edison Company; thence Southerly along said West line to the Southerly line of said 175 feet right-of-way; thence Southeasterly and Easterly along said 175 feet right-of-way to the West line of Waukegan Road; thence Southerly along the said West line to a point in the North line of Lot 1 in The Forest View, being George Landeck's Subdivision of part of Lots 3 and 4 in Fink & Other's Subdivision of part of Section 18 aforesaid and part of Section 19, Township 41 North, Range 13 East of the Third Principal Meridian; thence West along said North line and said North line extended West to the West line of the first North and South 16 foot public alley lying West of Waukegan Road; thence South along said West line and said West line extended South across Greenwood Avenue to its intersection with the South line extended West of Lot 24 in The Forest View aforesaid; thence East along said extended South line; the South line and the South line extended East of said Lot 24 to the Easterly line of Waukegan Road; thence Northerly along said Easterly line to a point in the South line of Lot 152 in Dempster Waukegan Road Subdivision of Lots 1 and 2 in Owner's Subdivision in Section 18 aforesaid; thence East along said South line and said South line extended East to the East line of the first North and South 16 foot public alley lying East of Waukegan Road; then North along said East line to the North line, extended East of Lot 155 in said Dempster Waukegan Road Subdivision; thence West along said extended North line and the North line of said Lot 155 to the Easterly line of Waukegan Road; thence Northerly along said Easterly line to a point in the North line of Lot 170 in said Dempster Waukegan Road Subdivision; thence East along said North line and said North line extended East to the East line of the first North and South 16 foot public alley lying East of Waukegan Road; thence North along said East line to the Southwest corner of Lot 126 in said Dempster Waukegan Road Subdivision; thence East along the South

line of said Lot 126 to the West line of New England Avenue; thence North along said West line, and said West line extended North across Churchill Street to the North line of said Churchill Street; thence East along said North line to the East line of the first North and South alley lying East of Waukegan Road; thence North along said East line and said East line extended North to the South line of Lot 5 in Dilg's Subdivision aforesaid; thence East along the said South line to the West line of DeMicheles and DiMatteo's Subdivision of part of Lot 5 of Dilg's Subdivision aforesaid; thence North along said West line to the Northwest corner of said DeMicheles and DiMatteo's Subdivision; thence West along the North line, extended West, of said DeMicheles and DiMatteo's Subdivision to the Easterly line of Waukegan Road; thence Northerly along said Easterly line and said Easterly line extended across Church Street and Beckwith Road to the North line of Beckwith Road; thence East along said North line and said North line extended East to the East line of the first North and South 20 foot alley lying East of Waukegan Road; thence North along said East line and said East line extended across Lyons Street to the North line of Third Add. to Mills Park Estates in Section 18 aforesaid; thence West along said North line to the East line of Waukegan Road; thence North along said East line to the North line, extended East, of said Lot 17 in Fourth Add. to Mills Park Estates; thence West along said extended North line to the point of beginning in Cook County, Illinois.