WOLF TESAR
& COMPANY, P.C.
Certified Public Accountants

Village of Morton
Morton, IL

Annual Financial Report
April 30, 2017

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VILLAGE OF MORTON
TABLE OF CONTENTS

Page

Independent Auditor's Report 1-2

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position – Modified Cash Basis 3

Statement of Activities – Modified Cash Basis 4

Fund Financial Statements:

Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis – Governmental Funds 5

Reconciliation of the Assets, Liabilities, and Fund Balance – Governmental Funds to the Statement of Net Position – Modified Cash Basis 6

Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds 7

Reconciliation of the Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis 8

Statement of Net Position – Modified Cash Basis – Proprietary Funds 9

Statement of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis – Proprietary Funds 10

Statement of Cash Flows – Modified Cash Basis – Proprietary Fund 11

Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds 12

Statement of Changes in Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds 13

Notes to Basic Financial Statements 14-31

Supplementary Information

Budgetary Comparison Schedules – Major Funds 32-35

Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis – General Fund 36

Combining Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balances – Modified Cash Basis – General Fund 37

Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis – Non-major Governmental Funds 38

Combining Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balances – Modified Cash Basis – Non-major Governmental Funds 39

Budgetary Comparison Schedules – Non-major Funds 40-41

Notes to the Supplementary Information 42

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Statement of Revenues, Expenditures, and Changes in Net Position – Modified Cash Basis – Waterworks and Sewerage Fund 43

Combining Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds 44

Combining Statement of Changes in Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds 45

Other Information (Unaudited)

Defined Benefit Plan Information 46

Assessed Valuations, Rates, Extensions, and Collections 47

Schedule of Legal Debt Margin 47

WOLF TESAR
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Morton, IL

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Village of Morton, IL, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Morton, IL, as of April 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Morton's basic financial statements. The budgetary comparative information and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparative information and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparative information and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The defined benefit plan information, the schedule of assessed calculations, rates, extensions, and collections, and the schedule of legal debt margin have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wolf, Tesar + Company, P.C.

Pekin, Illinois

October 15, 2017

Village of Morton
Statement of Net Position - Modified Cash Basis
April 30, 2017

	Governmental Activities	Business - Type Activities	Total
ASSETS			
Current Assets			
Cash	$ 8,675,486	$ 19,976,415	$ 28,651,901
Accounts receivable	210,009	1,230,408	1,440,417
Notes receivable	133,333	-	133,333
Inventories	15,194	86,376	101,570
Total current assets	9,034,022	21,293,199	30,327,221
Noncurrent Assets			
Notes receivable	1,600,001	-	1,600,001
Land	2,645,490	422,494	3,067,984
Construction in progress	1,931,543	266,407	2,197,950
Capital assets, net of depreciation	50,946,362	39,558,172	90,504,534
Total noncurrent assets	57,123,396	40,247,073	97,370,469
Total Assets	66,157,418	61,540,272	127,697,690
LIABILITIES			
Current Liabilities			
Accounts payable	-	20,811	20,811
Accrued liabilities	4,801	-	4,801
Customer deposits	7,750	134,551	142,301
Current portion of note payable	272,949	-	272,949
Total current liabilities	285,500	155,362	440,862
Non current liabilities			
Notes payable	1,600,001	-	1,600,001
Total noncurrent liabilities	1,600,001	-	1,600,001
Total Liabilities	1,885,501	155,362	2,040,863
NET POSITION			
Net investment in capital assets	55,383,779	40,247,073	95,630,852
Restricted	3,681,609	-	3,681,609
Unrestricted	5,206,529	21,137,837	26,344,366
Total net position	$ 64,271,917	$ 61,384,910	$ 125,656,827

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Activities - Modified Cash Basis
For the Year Ending April 30, 2017

	Program Revenues				Net (Expenses) Revenues and Change in Net Position Primary Government		
Functions/Program	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 1,814,507	$ 507,572	$ 115,782	$ 1,009,712	$ (181,441)	$ -	$ (181,441)
Public works	357,499	20,735	-	-	(336,764)	-	(336,764)
Public safety	5,560,743	946,479	11,150	-	(4,603,114)	-	(4,603,114)
Transportation	3,563,525	-	-	840,450	(2,723,075)	-	(2,723,075)
Interest expense	56,022	-	-	-	(56,022)	-	(56,022)
Total governmental activities	11,352,296	1,474,786	126,932	1,850,162	(7,900,416)	-	(7,900,416)
Business - type activities:							
Municipal gas	2,076,386	3,089,076	-	-	-	1,012,690	1,012,690
Water and sewer	5,966,296	6,132,660	-	-	-	166,364	166,364
Storm water	874,075	1,149,557	-	-	-	275,482	275,482
Total business-type activities	8,916,757	10,371,293	-	-	-	1,454,536	1,454,536
Total primary government	$ 20,269,053	$ 11,846,079	$ 126,932	$ 1,850,162	(7,900,416)	1,454,536	(6,445,880)
General revenues:							
Taxes							
Property tax					1,825,291	-	1,825,291
Sales tax					4,564,080	-	4,564,080
Income Tax					1,548,827	-	1,548,827
Utility franchise tax					1,172,758	-	1,172,758
TV franchise tax					214,214	-	214,214
Telecommunication tax					470,902	-	470,902
Municipal hotel tax					291,094	-	291,094
Replacement tax					198,547	-	198,547
Motor fuel tax					426,536	-	426,536
Investment revenue					37,734	84,708	122,442
Gain (loss) on asset disposal					11,235	12,500	23,735
Miscellaneous income					54,993	9,006	63,999
Total general revenues					10,816,211	106,214	10,922,425
Change in net position					2,915,795	1,560,750	4,476,545
Net position, beginning of year					61,359,227	59,824,160	121,183,387
Decrease in inventories					(3,105)	-	(3,105)
Net position, end of year					$ 64,271,917	$ 61,384,910	$ 125,656,827

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Assets, Liabilities, and Fund Balance - Modified Cash Basis
Governmental Funds
For the Year Ending April 30, 2017

	General Fund	Motor Fuel Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS:				
Cash	$ 5,160,333	$ 2,710,587	$ 804,566	$ 8,675,486
Accounts receivable	210,009	-	-	210,009
Inventory	15,194	-	-	15,194
Total assets	$ 5,385,536	$ 2,710,587	$ 804,566	$ 8,900,689
LIABILITIES:				
Accrued liabilities	$ 4,801	$ -	$ -	$ 4,801
Customer deposits	6,000	-	1,750	7,750
Total liabilities	10,801	-	1,750	12,551
FUND BALANCES:				
Nonspendable:				
Inventory	15,194	-	-	15,194
Restricted for:				
General government	153,012	-	802,816	955,828
Transportation	-	2,710,587	-	2,710,587
Committed to:				
Public safety	5,377	-	-	5,377
Assigned to:				
Public safety	46,156	-	-	46,156
Transportation	74,733	-	-	74,733
Unassigned	5,080,263	-	-	5,080,263
Total fund balance	5,374,735	2,710,587	802,816	8,888,138
Total liabilities and fund balance	$ 5,385,536	$ 2,710,587	$ 804,566	$ 8,900,689

See independent auditor's report and accompanying notes.

Village of Morton
Reconciliation of the Statement of Assets, Liabilities, and Fund Balance - Governmental Funds to the Statement of Net Position - Modified Cash Basis
April 30, 2017

Total Fund Balances - Governmental Funds		$ 8,888,138
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Long-term receivables are not due and receivable in the current period and therefore are not reported in the governmental funds		1,733,334
Capital assets used in governmental activities are not reported in the governmental funds balance sheet		
Capital Assets	86,501,807	
Less accumulated depreciation	(30,978,412)	
		55,523,395
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		(1,872,950)
Net Position of Governmental Activities		$ 64,271,917

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the Year Ending April 30, 2017

	General Fund	Motor Fuel Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUE:				
Taxes:				
Property tax	$ 1,231,155	$ -	$ 594,136	$ 1,825,291
Sales tax	4,564,080	-	-	4,564,080
Income Tax	1,548,827	-	-	1,548,827
Utility franchise tax	1,172,758	-	-	1,172,758
TV franchise tax	214,214	-	-	214,214
Telecommunication tax	470,902	-	-	470,902
Municipal hotel tax	-	-	291,094	291,094
Replacement tax	176,708	-	21,839	198,547
Motor fuel tax	-	426,536	-	426,536
Charges for service	1,255,220	-	-	1,255,220
Licenses and permits	153,587	-	-	153,587
Fines	65,979	-	-	65,979
Grant revenue	126,932	-	789,712	916,644
Other revenue	425,132	450,000	240,311	1,115,443
Investment revenue	18,463	11,437	7,834	37,734
Total revenue	11,423,957	887,973	1,944,926	14,256,856
EXPENDITURES:				
Current:				
General government	699,753	-	875,073	1,574,826
Public works	340,025	-	-	340,025
Public safety	4,959,378	-	-	4,959,378
Transportation	1,522,440	31,900	-	1,554,340
Capital Outlay	2,217,902	944,002	2,660,274	5,822,178
Debt Service				
Principal	630,170	-	-	630,170
Interest	56,022	-	-	56,022
Total expenditures	10,425,690	975,902	3,535,347	14,936,939
Excess revenue over (under) expenditures	998,267	(87,929)	(1,590,421)	(680,083)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	-	400,000	500,000
Transfers out	(400,000)	-	(100,000)	(500,000)
Proceeds from sale of assets	154,280	-	-	154,280
Intergovernmental agreements	(67,983)	-	-	(67,983)
Total financing sources	(213,703)	-	300,000	86,297
Net change in fund balance	784,564	(87,929)	(1,290,421)	(593,786)
Fund balance - beginning	4,593,276	2,798,516	2,093,237	9,485,029
Decrease in inventories	(3,105)	-	-	(3,105)
Fund balance - ending	$ 5,374,735	$ 2,710,587	$ 802,816	$ 8,888,138

See independent auditor's report and accompanying notes.

Village of Morton
Reconciliation of the Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Modified Cash Basis
April 30, 2017

Amounts reported for governmental activities in the Statement of Activities differ as follows:		
Net change in fund balances - total governmental funds		$ (593,786)
Repayment of notes receivable related to capital assets is a proceeds from the sale of assets in the governmental funds, but the repayment reduces the notes receivable asset in the Statement of Net Position.		(133,333)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	5,822,178	
Book value of assets sold	(78,020)	
Accumlated depreciation on assets sold	63,308	
Depreciation expense	(2,799,722)	
		3,007,744
The statement of activities reports gain arising fron the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on the trade-in of capital assets		
Trade-in allowance received	5,000	
Net book value of asset traded-in	-	
		5,000
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		630,170
Change in Net Position of Governmental Funds		$ 2,915,795

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Net Position - Modified Cash Basis
Proprietary Funds
April 30, 2017

	Municipal Gas Fund	Water and Wastewater Fund	Storm Water Fund	Total
ASSETS				
Current Assets				
Cash	$ 11,383,220	$ 7,385,302	$ 1,207,893	$ 19,976,415
Accounts receivables	624,478	510,903	95,027	1,230,408
Inventories	86,376	-	-	86,376
Total current assets	12,094,074	7,896,205	1,302,920	21,293,199
Noncurrent Assets				
Land	122,495	299,999	-	422,494
Construction in progress	-	66,679	199,728	266,407
Capital assets, net depreciation	1,855,604	27,053,771	10,648,797	39,558,172
Total noncurrent assets	1,978,099	27,420,449	10,848,525	40,247,073
Total Assets	14,072,173	35,316,654	12,151,445	61,540,272
LIABILITIES				
Current Liabilities				
Accounts payable	20,811	-	-	20,811
Customer deposits	93,501	41,050	-	134,551
Total current liabilities	114,312	41,050	-	155,362
Total Liabilities	114,312	41,050	-	155,362
NET POSITION				
Net investment in capital assets	1,978,099	27,420,449	10,848,525	40,247,073
Unrestricted	11,979,762	7,855,155	1,302,920	21,137,837
Total net position	$ 13,957,861	$ 35,275,604	$ 12,151,445	$ 61,384,910

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Revenues, Expenses, and Changes in Fund Balance - Modified Cash Basis
Proprietary Funds
For the Year Ending April 30, 2017

	Municipal Gas Fund	Water and Wastewater Fund	Storm Water Fund	Total
Operating Revenues				
Charges for service and sales	$ 6,916,373	$ 6,084,048	$ 1,149,557	$ 14,149,978
Less: cost of gas	(3,893,959)	-	-	(3,893,959)
Gross profit	3,022,414	6,084,048	1,149,557	10,256,019
Penalties and fees	66,662	48,612	-	115,274
Total operating revenue	3,089,076	6,132,660	1,149,557	10,371,293
Operating Expenses				
Personnel	772,714	1,820,230	229,991	2,822,935
Contractual services	1,039,722	2,135,581	271,065	3,446,368
Commodities	67,769	880,298	41,276	989,343
Other	27,887	58,350	1,000	87,237
Total expenses	1,908,092	4,894,459	543,332	7,345,883
Operating income (loss) before depreciation	1,180,984	1,238,201	606,225	3,025,410
Depreciation	168,294	1,071,837	330,743	1,570,874
Operating income (loss)	1,012,690	166,364	275,482	1,454,536
Nonoperating Revenue (Expenses)				
Interest revenue	42,355	36,924	5,429	84,708
Other revenue	598	8,402	6	9,006
Gain (loss) on sale of capital assets	6,500	-	6,000	12,500
Total nonoperating revenues (expenses)	49,453	45,326	11,435	106,214
Change in net position	1,062,143	211,690	286,917	1,560,750
Net position, beginning	12,895,718	35,063,914	11,864,528	59,824,160
Net position, ending	$ 13,957,861	$ 35,275,604	$ 12,151,445	$ 61,384,910

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ending April 30, 2017

	Municipal Gas Fund	Water and Wastewater Fund	Storm Water Fund	Total
Cash flows from operating activities:				
Cash received from customers	$ 2,847,005	$ 6,037,729	$ 1,147,626	$ 10,032,360
Other cash receipts	66,662	48,612	-	115,274
Payments to suppliers	(1,061,606)	(3,992,504)	(367,335)	(5,421,445)
Payments to employees	(540,530)	(901,955)	(175,997)	(1,618,482)
Net cash provided by (used in) operating activities	1,311,531	1,191,882	604,294	3,107,707
Cash flows from non-capital financing activities:				
Increase (decrease) in interfund balances	-	(9,719)	(4,119)	(13,838)
Nonoperating miscellaneous income	598	8,402	6	9,006
Net cash provided by (used in) non-capital financing activities	598	(1,317)	(4,113)	(4,832)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(132,862)	(2,763,092)	(639,665)	(3,535,619)
Net cash provided by (used in) capital and related financing activities	(132,862)	(2,763,092)	(639,665)	(3,535,619)
Cash flows from investing activities:				
Interest received on investments	42,355	36,924	5,429	84,708
Net cash provided by (used in) investing activities	42,355	36,924	5,429	84,708
Net increase (decrease) in cash and cash equivalents	1,221,622	(1,535,603)	(34,055)	(348,036)
Cash and cash equivalents at the beginning of the year	10,161,598	8,920,905	1,241,948	20,324,451
Cash and cash equivalents at the end of the year	$ 11,383,220	$ 7,385,302	$ 1,207,893	$ 19,976,415

Reconciliation of operating income to net cash provided by (used in) operating activities

Operating income	$ 1,012,690	$ 166,364	$ 275,482	$ 1,454,536
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	168,294	1,071,837	330,743	1,570,874
Change in assets and liabilities				
(Increase) in accounts receivable	(174,853)	(47,094)	(1,931)	(223,878)
(Increase) decrease in inventory	307,886	-	-	307,886
Incr.(decrease) in accounts payable	(1,930)	-	-	(1,930)
Incr (decrease) in customer deposits	(556)	775	-	219
Total adjustments	298,841	1,025,518	328,812	1,653,171
Net cash provided by (used in) operating activities	$ 1,311,531	$ 1,191,882	$ 604,294	$ 3,107,707

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Net Position - Modified Cash Basis
Fiduciary Funds
April 30, 2017

	Pension Trust Funds
ASSETS	
Current Assets	
Cash	$ 704,223
Investments	11,552,585
Total Assets	12,256,808
NET POSITION	
Held in trust for pension benefits	12,256,808
Total net position	$ 12,256,808

See independent auditor's report and accompanying notes.

Village of Morton
Statement of Changes in Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ending April 30, 2017

	Pension Trust Funds
Additions	
Employer contributions	
Property tax	$ 576,823
Replacement tax	49,243
Other	31,004
Plan members' contributions	157,327
Net investment revenue	
Interest revenue	76,414
Investment revenue	
Interest	4,251
Dividends and capital gains	123,298
Realized gains (losses)	138,730
Net increase (decrease) in fair market value of investments	508,286
Total additions	1,665,376
Deductions	
Benefits paid	582,480
Administrative expenses	59,189
Total deductions	641,669
Change in net position	1,023,707
Net position, beginning	11,233,101
Net position, ending	$ 12,256,808

See independent auditor's report and accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Morton is a governmental entity located in central Illinois. Revenues are substantially generated as a result of taxes assessed and allocated to the Village of Morton (examples would be property taxes, sales taxes, income taxes, and motor fuel taxes) and charges for services performed for constituents of the Village. The Village of Morton's revenues are therefore primarily dependent on the economy within its territorial boundaries. The Village operates under an elected Major-Board form of government. The Village's major operations include maintaining the Village hall, municipal gas and waterworks and sewerage utilities, law enforcement, street construction and maintenance, and general administrative services.

The following is a summary of the more significant accounting policies affecting the financial statement presentation.

A. THE FINANCIAL REPORTING ENTITY

For financial reporting purposes, the Village of Morton has included all funds, organizations, agencies, boards, commissions and authorities for which the Village is financially accountable. The Village has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Village to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Village. The Village of Morton has no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 contributions that are restricted to meet the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net assets; and unrestricted net assets. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. It does not include the unspent proceeds of capital debt. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. BASIS OF PRESENTATION - Continued

Fund Financial Statements

The accounts of the Village are organized on the basis of funds, each of which are considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities arising from cash transactions, fund equity, cash receipts and disbursements. Village resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The focus of the fund financial statements is on major funds. All major individual governmental funds are reported as separate columns in the fund financial statements. A fund is considered major if it is the primary operating fund of the Village or it meeting the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and

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

Governmental Fund Types

Governmental Funds are those through which governmental functions of the Village are financed. The acquisition, use, and balance of the Village's expendable resources are accounted for through governmental funds. The Village reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid for from the General Fund. During the year, the qualifications of the special revenue funds were reviewed. The Emergency Management Fund did not meet the qualifications of separate reporting special revenue fund and will be combined into the General Fund for the current and subsequent financial statements.

Motor Fuel Tax Fund - The Motor Fuel Tax Fund was established to account for the operations of the Village's Street Department in connection with road construction and maintenance projects as authorized by the Illinois Department of Transportation. Financing is provided by the Village's share of the Illinois state motor fuel tax.

The Village also reports other governmental funds, which are individually nonmajor in total. They are the Convention and Tourism Fund, the Illinois Municipal Retirement and Social Security Fund, and the Business District Tax Fund.

Proprietary Fund Types

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. BASIS OF PRESENTATION - Continued

The Village complies with all Financial Accounting Standards Board statements currently in effect for proprietary fund activities. The Village reports the following major proprietary funds:

Municipal Gas Fund – the Municipal Gas Fund was established to account for the provision of gas services to the residents and businesses of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing collection.

Waterworks and Sewerage Fund – The Waterworks and Sewerage Fund was established to account for the provision of water and sewer services to the residents and businesses of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Storm Water Fund - The Storm Water Fund was established to account for the provision of water and sewer services to the residents and businesses of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. The Village reports the following fiduciary fund type:

Pension Trust Funds – The Pension Trust Funds account for the activities of the Police Pension and the Firemen Pension, which accumulate resources for pension benefit payments to qualified police and fire employees.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for good or services received but not yet paid or other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Village utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental fund would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

D. CASH, DEPOSITS, AND CASH EQUIVALENTS

Governmental Funds

Governmental funds record cash and certificates of deposits together and use the title "cash and deposits". Deposits are carried at cost.

Proprietary Funds

Proprietary funds use the title "cash and cash equivalents". Cash equivalents consist of short-term, highly liquid investments which have a maturity term of three months or less. Cash equivalents include savings accounts and short-term certificates of deposit. Certificates of deposit with terms longer than three months are recorded as investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers are loans and transfers of money between the separate funds of the Village. In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities the internal balances and activity in the fund statements has been combined and eliminated or reclassified.

F. INVESTMENTS

Investments are stated at fair market value.

G. ACCOUNTS RECEIVABLE

The Village's accounts receivable results from bills sent to residents for services rendered that have yet to be received by the end of the fiscal year. Ambulance/paramedic customers and utility customers are billed monthly for the prior month's services plus penalties, if applicable. The Village uses the direct write off method for all of its accounts receivables.

H. INVENTORIES

The Village's inventories are valued at the lower of cost or market, which is determined using the first-in, first-out (FIFO) method. Cost is recorded at the time of purchase.

I. CAPITAL ASSETS

The Village's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Village has no written policy for capitalization thresholds or useful lives, but uses the following guidelines for asset capitalization. Capital assets are defined by the Village as assets with an initial, individual cost of more than $10,000 for the Municipal Gas, Waterworks and Sewerage, and Storm Water Funds. The assets purchased in all the other funds are capitalized if more than $2,000 per item.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. CAPITAL ASSETS - Continued

Capital assets are depreciated using the straight-line method over the estimated useful lives as follows:

Category of Asset	Estimated Life
Distribution system	5-50 years
Sewerage system	5-50 years
Infrastructure	20-40 years
Buildings	15-50 years
Land improvements	20 years
Machinery, equipment, vehicles, furniture, and fixtures	5-30 years

J. ACCOUNTS PAYABLE

The balance the Village reports as account payable as of April 30, 2017 arises from taxes/fees based on customer services revenue which have not yet been paid as of the end of the fiscal year. The Village also reports customer deposit liabilities for resident deposits collected for services provided.

K. ACCUMULATED UNPAID VACATION, SICK PAY, AND COMPENSATORY TIME

It is the Village's policy to permit employees to accumulate earned but unused vacation benefits; however, accrued compensated absences at April 30, 2017 are not recorded by the Village under the modified cash basis of accounting.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. NET POSITION AND FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components

1. *Net investment in capital assets*. Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. NET POSITION AND FUND BALANCE CLASSIFICATIONS - Continued

The Village currently uses the method suggested by GASB which is to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. The Village has no set policy for this allocation of expenditures.

Fund Financial Statements

Governmental Funds

In the governmental fund financial statements, fund balances are classified as:

Nonspendable - amounts that cannot be spent either because they are either (a) in a nonspendable form or (b) they are legally or contractually required to be maintained intact.

Restricted - amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (which as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village has classified property taxes as restricted because their use is restricted by state laws and regulations. The Village also has restricted cash balances classified as restricted fund balance due to the funds being restricted by creditors.

Committed - amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Village Board. These amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned - amounts that are constrained by the Village's intent to be used for specific purpose but are neither restricted nor committed. This intent can be expressed by the Village Board or through the Village Board delegating this responsibility to a Board member or the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund.

Unassigned – the residual funds balance of the General Fund and any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

As of the end of the fiscal year, the Village had no policy for the allocation of expenditures when all the above fund balances are available. Currently the method suggested by GASB 54 has been applied in which the amounts will first be spent out of the committed funds, and then the assigned funds, and finally the unassigned funds unless the Village Board has provided otherwise in its commitment or assignment actions.

As of March 31, 2017, the governmental fund financial statements reported fund balances as restricted due to property tax revenues received but not yet expended for their levied purposes. The restricted purposes for these balances are as presented on the face of the governmental fund financial statements.

Proprietary Funds

The difference among assets, deferred outflows of resources, liabilities, and deferred inflows of resources of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements as previously described.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 in the year in which the taxes are levied. The tax levy must be filed with the County Clerk by the last Tuesday in December each year. The Board adopts the levy in December. Due dates, by statute, are June 1 and September 1 of the following year. Occasionally, tax bills are mailed late and due dates for payments are extended accordingly. Pursuant to the Board of Trustees resolution, property tax levies passed in December 2016 are allocated and will be recognized as revenue in the fiscal year 2017.

NOTE 2 – CASH AND DEPOSITS

The investments and deposits of the Village is governed by the provisions of the Illinois Compiled Statutes. The Village does not have a policy for allowable investments and deposits nor a policy to limit allowable deposits or investments. In accordance with the provisions of the Illinois Compiled Statutes, all Village monies must be invested in one or more of the following:

1. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of the Statutes and as shall have complied with the requirements thereof;
2. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Deposit Insurance Corporation;
3. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
4. Short-term discount obligations of the Federal National Mortgage Association.

The deposit and investment of the funds held by the Police Pension Fund are governed by the provisions of the Illinois Pension Code and policies established by the Police Pension Board. In addition to the types of investments listed above, the Police Pension Fund may also invest in the following:

1. Interest bearing bonds or tax anticipation warrants of certain local governments within the state of Illinois;
2. Direct obligations of the state, subject to certain conditions and limitations;
3. Money market mutual funds meeting certain criteria;
4. General accounting of life insurance companies authorized to transact business in Illinois;
5. Other types of investments as permitted by the Illinois Pension Code.

During the year ended April 30, 2017, the Village complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made.

Custodial Credit Risk - Cash

Custodial credit risk is defined as the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The policy for the Police Pension Fund requires its deposits to be insured or collateralized. The Village has no other policy for custodial credit risk

NOTE 2 – CASH AND DEPOSITS – Continued

As of April 30, 2017, the Village's carrying value of deposits was $29,356,124. $853,837 of the carrying balance was covered by FDIC insurance, $28,370,470 was coved by additional securities held by the financial institution in the Village's name and $131,817 of the carrying balance was exposed to custodial risk.

NOTE 3 - INVESTMENTS

As of April 30, 2017, the Village held the following investments:

Certificates of deposit	$ 101,624
Mutual funds	11,450,961
Total	$ 11,552,585

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. State law limits investments as previously described. The Village has no investment policy that would further limit its investment choices. As of April 30, 2017, each of the Village's mutual funds were rated as either four or five stars by Morningstar.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's policy is that securities are held by an independent third party custodian evidenced by safekeeping receipts and a written custodial agreement. Under the policy for the Police Pension Fund, all investments must be in the name of the fund. All investments are held in the name of the Village or the Police Pension Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Village does not have a policy for interest rate risk and the policy for the Police Pension Fund does not address interest rate risk. As of April 30, 2017, the Village had the following investment and maturities:

		Investment Maturity in Years	
Investment Type	Fair Value	Less Than 1	1 - 5
Certificates of Deposit - Pension Trust Funds	$ 101,624	$ 101,624	$ -
	$ 101,624	$ 101,624	$ -

Concentration of Credit Risk

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village will minimize concentration of credit risk by diversifying the portfolio so that potential losses on individual securities will be minimized. The Village places no limit on the amount the Village may invest in one issuer. As of April 30, 2017, the Village was not exposed to concentration risk.

NOTE 4 - INTERFUND TRANSACTIONS

The interfund transfers made during the April 30, 2017 fiscal year are as follows:

	Transfer In	Transfer Out
General Fund	$ -	$ 300,000
Business District Tax Fund	300,000	
	$ 300,000	$ 300,000

Transfers made between the General and Business District tax Funds were to assist with the funding for construction projects.

There were no interfund balances as of April 30, 2017.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended April 30, 2017.

Governmental Activities	Beginning Balances	Additions	Disposals	Ending Balances
Capital assets, not being depreciated				
Land	$ 2,120,490	$ 525,000	$ -	$ 2,645,490
Construction in progress	609,625	2,875,337	(1,553,419)	1,931,543
Subtotal	2,730,115	3,400,337	(1,553,419)	4,577,033
Capital assets, being depreciated				
Land improvements	2,426,665	1,923,735	-	4,350,400
Infrastructure	60,035,854	1,607,273	-	61,643,127
Buildings and structures	8,808,563	-	-	8,808,563
Machinery and equipment	6,751,452	449,252	(78,020)	7,122,684
Subtotal	78,022,534	3,980,260	(78,020)	81,924,774
Less: accumulated depreciation				
Land improvements	(470,236)	(151,423)	-	(621,659)
Infrastructure	(21,037,095)	(1,947,054)	-	(22,984,149)
Buildings and structures	(2,267,193)	(209,848)	-	(2,477,041)
Machinery and equipment	(4,467,474)	(491,397)	63,308	(4,895,563)
Subtotal	(28,241,998)	(2,799,722)	63,308	(30,978,412)
Total net capital assets, being depreciated	49,780,536	1,180,538	(14,712)	50,946,362
Total net capital assets	$ 52,510,651	$ 4,580,875	$ (1,568,131)	55,523,395
Less: related long-term debt obligations				(139,616)
Net investment in capital assets				$ 55,383,779

Beginning balances of land and infrastructure vary from the prior year audited financial statement due to a reclassification between the two accounts. Land is shown lower by $388,830 and infrastructure higher by the same amount.

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation expense for 2017 was charged to functions/programs of the primary government as follows:

Governmental Activity	
General government	$ 171,697
Public works	17,474
Public safety	601,365
Transportation	2,009,186
	$ 2,799,722

Business-type Activities	Beginning Balances	Additions	Deletions	Ending Balances
Municipal Gas:				
Capital assets, not being depreciated				
Land	$ 122,495	$ -	$ -	$ 122,495
Subtotal	122,495	-	-	122,495
Capital assets, being depreciated				
Distribution system	5,846,285	-	-	5,846,285
Buildings	64,942	95,200	-	160,142
Machinery and equipment	1,133,245	44,162	-	1,177,407
Subtotal	7,044,472	139,362	-	7,183,834
Less: accumulated depreciation				
Distribution system	(4,273,476)	(81,657)	-	(4,355,133)
Buildings	(62,100)	(3,210)	-	(65,310)
Machinery and equipment	(824,360)	(83,427)	-	(907,787)
Subtotal	(5,159,936)	(168,294)	-	(5,328,230)
Total net capital assets, being depreciated	1,884,536	(28,932)	-	1,855,604
Total net capital assets	$ 2,007,031	$ (28,932)	$ -	1,978,099
Less: related long-term debt obligations				-
Net investment in capital assets				$ 1,978,099

NOTE 5 - CAPITAL ASSETS - Continued

	Beginning Balances	Additions	Deletions	Ending Balances
Waterworks and Sewerage:				
Capital assets, not being depreciated				
Land	$ 299,999	$ -	$ -	$ 299,999
Construction in progress	461,049	1,765,905	(2,160,275)	66,679
Subtotal	761,048	1,765,905	(2,160,275)	366,678
Capital assets, being depreciated				
Distribution system	14,317,675	834,183	-	15,151,858
Sewerage system	28,894,424	2,160,275	-	31,054,699
Buildings	732,091	156,290	-	888,381
Machinery and equipment	2,800,249	6,714	(38,911)	2,768,052
Subtotal	46,744,439	3,157,462	(38,911)	49,862,990
Less: accumulated depreciation				
Distribution system	(5,800,428)	(311,467)	-	(6,111,895)
Sewerage system	(13,075,385)	(617,492)	-	(13,692,877)
Buildings	(451,802)	(23,775)	-	(475,577)
Machinery and equipment	(2,448,675)	(119,103)	38,911	(2,528,867)
Subtotal	(21,776,290)	(1,071,837)	38,911	(22,809,216)
Total net capital assets, being depreciated	24,968,149	2,085,625	-	27,053,774
Total net capital assets	$ 25,729,197	$ 3,851,530	$ (2,160,275)	27,420,452
Less: related long-term debt obligations				-
Net investment in capital assets				$ 27,420,452
Storm Water				
Capital assets, not being depreciated				
Construction in progress	$ 84,414	$ 615,331	$ (500,017)	$ 199,728
Subtotal	84,414	615,331	(500,017)	199,728
Capital assets, being depreciated				
Distribution system	16,634,280	500,018	-	17,134,298
Machinery and equipment	273,054	30,333	(14,895)	288,492
Subtotal	16,907,334	530,351	(14,895)	17,422,790
Less: accumulated depreciation				
Distribution system	(6,211,987)	(318,212)	-	(6,530,199)
Machinery and equipment	(246,158)	(12,531)	14,895	(243,794)
Subtotal	(6,458,145)	(330,743)	14,895	(6,773,993)
Total net capital assets, being depreciated	10,449,189	199,608	-	10,648,797
Total net capital assets	$ 10,533,603	$ 814,939	$ (500,017)	10,848,525
Less: related long-term debt obligations				-
Net investment in capital assets				$ 10,848,525

NOTE 6 – LONG-TERM DEBT

Note Payable

The Village of Morton entered into a promissory note agreement in fiscal year 2014 in the amount of $2,000,000 for the purchase of property located at 180 Detroit Avenue. The Village will pay equal annual installments of $133,333 over a 15-year period beginning October 2015. The note bears no interest, and will be repaid by the General Fund.

A summary of changes in the note for the year ended April 30, 2017 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Note Payable	$ 1,866,667	$ -	$ (133,333)	$ 1,733,334	$ 133,333

Annual debt service requirements are as follows:

Years Ended April 30:	Principal	Interest	Total
2018	$ 133,333	$ -	$ 133,333
2019	133,333	-	133,333
2020	133,333	-	133,333
2021	133,333	-	133,333
2022	133,333	-	133,333
2023-2027	666,665	-	666,665
2028-2030	400,004	-	400,004
	$ 1,733,334	$ -	$ 1,733,334

As of April 30, 2017, the Village has a bank loan in the amount of $4,500,000, of which $139,616 is outstanding. The loan is due 10 years from the date of the first principal advance and requires monthly payments of interest at 2.75%. The loan financed the construction of a new fire station for the Village. It is to be repaid from the General Fund.

A summary of changes in the note for the year ended April 30, 2017 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bank Loan	$ 636,453	$ -	$ (496,837)	$ 139,616	$ 139,616

Annual debt service requirements are as follows:

Years Ended April 30:	Principal	Interest	Total
2018	139,616	660	140,276
	$ 139,616	$ 660	$ 140,276

NOTE 7 – OPERATING LEASES

The Village currently leases a portion of a building for use as a satellite fire and paramedic facility. The lease agreement terms state that the usage of the facility is on a rent-free basis, and the Village is responsible for utilities in the amount of $1,085 per year. At such time as the Village vacates the space, any prepaid utility charges will be refunded. The term of the agreement expires on January 31, 2020.

The Village also owns various parcels of vacant land which is rented to local farmers for the raising of crops on a per acre basis. The rent charged is between $150 and $175 per acre and the total received during the fiscal year was $5,554.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description. Village of Morton's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. This plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, Village of Morton's plan members are required to contribute 7.5 and 4.5 percent of their annual covered salary for Sheriff's Law Enforcement Personnel (SLEP) and other qualifying employees, respectively. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees.

The employer annual required contribution rate for calendar year 2016 was 13.35 and 10.89 percent of annual covered payroll for Sheriff's Law Enforcement Personnel (SLEP) and other qualifying employees, respectively. Village of Morton also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2016 was $12,323 and $454,726 for Sheriff's Law Enforcement Personnel (SLEP) and other qualifying employees, respectively.

Three Year Trend Information for SLEP

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2016	$12,323	100%	$0
12/31/2015	$13,707	100%	$0
12/31/2014	$18,805	100%	$0

Three Year Trend Information for Other Qualifying Employees

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2016	$454,726	100%	$0
12/31/2015	$447,682	100%	$0
12/31/2014	$469,498	100%	$0

Additional plan information, including a schedule of funding progress, can be found in the other information section of the financial statements.

NOTE 9 – POLICE AND FIREMEN PENSION PLAN

In addition to IMRF, the Village of Morton has two pension plans covering employees of the police and fire departments. The following brief descriptions of the two pension funds are proved for general information purposes only. Participants should refer to their appropriate plan agreement for more complete information.

Plan Description – Police Pension

On July 25, 1963, the Village of Morton adopted the provisions of Chapter 40, Section 5/3 of the Illinois compiled Statutes concerning police officers' pension. The Village levies a special tax to establish adequate funds for the payments of future benefits. The Village accounts for the plan as a pension trust fund.

The Police Pension Plan is a single-employer defined benefit pension plan which covers the police officers of the Village. The Police Pension plan, which is administered by the Village, provides retirement, death, and disability benefits to plan members and their beneficiaries. For police officers hired prior to January 1, 2011 attaining the age of 50, the normal retirement benefit is equal to 50% of the final salary plus 2.5% of any service over 20 years (with a maximum of 30) times the final salary. There is a minimum benefit of $1,000 per month. The benefit is paid as a 100% joint and survivor benefit with the spouse, children under 18, or dependent parents of the participant as the survivor. For police officers hired on or after January 1, 2011 attaining the age of 55, the normal retirement benefit is equal to 1.5 % of the final average salary times benefit service (maximum of 30 years).

The benefit is paid as a 66.67% joint and survivor benefit with the spouse, children under 18, or dependent parents of the participant as the survivor.

Plan Description – Firemen Pension

The Village of Morton is served by a volunteer fire department whose members are not eligible for IMRF or for benefits of the pension plan outlined above. Ordinance 635 enacted April 21, 1975 provides for a nominal retirement benefit to eligible firemen. The Village has established a Firemen Pension Fund and has made cash transfers from the General fund to meet its funding requirements.

The Firemen Pension Plan is a single-employer defined benefit pension plan which covers members of the Morton Volunteer Fire Department. The Firemen Pension Plan, which is administered by the Village, provides retirement and death benefits to plan members and their beneficiaries. Firemen attaining the age of 60 or more with 5 or more years of creditable service are entitled to receive a retirement benefit of $5 per month for each year of creditable service. Early retirement is available for firemen age 55 or older with 10 years of service at a reduced benefit.

Recognition of Contributions and Benefits Paid

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized paid. Benefits and refunds are recognized when paid in accordance with terms or the plan.

Plan Administration

The Police and Firemen Pension Plans are single-employer defined benefit pension plans. Each plan is administered by the Village which acts as the administrator of the plans. The Board of the Police Pension Plan consists of five Trustees, two of whom are appointed by the mayor, two of whom are members of the system who are elected by a majority of the police officers who are members of the system, and a fifth trustee who is retired pensioner who is elected by a majority of retired police officers. Each Trustee serves a two year term.

NOTE 9 – POLICE AND FIREMEN PENSION PLAN (Continued)

Each person employed by the Village Police Department as a full-time police officer becomes a member of the Plan as a condition of his or her employment. All police officers are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

The Board for the Firemen Pension Plan consists of two Trustees who are elected by a majority of the firefighters who are members of the system. Each person who volunteers for the Voluntary Fire Department as a firefighter becomes a member of the Plan as a condition of his or her employment. All firefighters are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Investment Policy

The Village Board of Trustees (Board) is responsible for administering the investment policies of the Plans and providing oversight for the management of the Plans' assets. The investment strategy of each Plan is emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income).

Concentrations

As of April 30, 2017, more than 5 percent of the Police Pension Plan investments are in Vanguard 500 Index Admiral Fund, Vanguard Growth Index Admiral Fund, Vanguard Total Stock Market Admiral, and Vanguard Value Index Admiral Fund.

These investments represent 8 percent, 7 percent, 12 percent, and 7 percent of the Plan's total net position, respectively. The Firemen Pension Plan did not hold investments in any one organization that represented 5 percent or more of the Plan's fiduciary position.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

The Village of Morton also provides medical insurance for certain retired employees. All employees who meet the IMRF or police pension retirement eligibility requirements and qualified for health insurance benefits prior to retirement may participate in the medical insurance program which covers both active and retired members. All employees must pay the full monthly premium in order to continue their coverage after retirement. Monthly premiums are as follows:

	Premium Rate
Single	$ 1,053
Single and child(ren)	$ 1,895
Married	$ 2,106
Family	$ 2,843

The Village Board determines the benefits to be provided and contribution requirements. The Village currently funds these benefits on a pay-as-you-go basis and has not established a separate trust fund. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a liability assigned to the Village. For fiscal year 2017, three retirees were receiving benefits through the Village's health insurance plan.

NOTE 11 – GRANTS AND OTHER REVENUE

The Village received a number of significant grants and other revenue sources in the current fiscal year. These are summarized below.

Grants:

- The general fund received $10,969 in federal police grants, $79,930 in Illinois grants, $23,175 in Tazewell County grants and $12,858 in other grant revenue.
- The business district fund received $739,712 from the Morton Community Foundation and $50,000 from the Morton Chamber of Commerce for construction of the Memorial Plaza.

Other Revenue:

- The general fund received $390,450 from the Apostolic Christian Church for the widening project on Veterans Road. An additional $34,682 came from a variety of other sources.
- The motor fuel fund received $250,000 in motor fuel funds from the Illinois Department of Transportation for the reconstruction of Detroit Avenue and US 150. It also received $200,000 from Tazewell County for the work on Jefferson Street.
- The tourism fund received $220,000 from Morton School District, per the legal agreement, for use of the parking lot at 225 E. Jefferson. An additional $20,311 came from a variety of other sources.

NOTE 12 – UNUSUAL OR INFREQUENT REVENUE

The Village of Morton received an unusual sales tax distribution during the month of April 2017. Back taxes were assessed on an area business which resulted in approximately $350,000 more tax revenue than was typical for the period. This revenue is not anticipated for the upcoming 2017/2018 fiscal year.

NOTE 13 – INTERGOVERNMENTAL AGREEMENT

Illinois state statute requires any Village which receives an allocation of replacement taxes under the Illinois Local Library Act to pay to the public library a proportionate share of the tax received. For the fiscal year ended April 30, 2017, the amount paid to the Morton Public Library District for this intergovernmental agreement was $67,983 from the General Fund.

NOTE 14 – RISK MANAGEMENT

The Village of Morton has elected to self-fund its health and dental insurance. Actuarial information regarding future costs on present employees is unavailable at this time; however, an estimate of this amount was made from information provided by the claims administrator and self-insurance program consultant. Claims expenditure/expenses are recorded in the funds from which the respective employees' salaries and wages are paid.

Under this program, the Village has insurance coverage with an insurance company when individual claims exceed $55,000, subject to a no maximum limit per covered person per lifetime, and coverage of $1,000,000 when aggregate claims exceed $1,785,406. The Village provides coverage up to a maximum of $1,000 per individual for dental claims per year. Settled claims have not exceeded this aggregate commercial coverage in any of the past three years.

NOTE 14 – RISK MANAGEMENT – Continued

The Village of Morton is also exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets, natural disasters, and medical and dental claims of its employees and their dependents. The Village purchases commercial insurance coverage for these risks of loss. Settled claims have not exceeded the aggregate commercial coverage in any of the past three years.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SUPPLEMENTARY INFORMATION

Village of Morton
Budgetary Comparison Schedule
Major Fund - General Fund
For the Year Ending April 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES:				
Taxes:				
Property tax	$ 1,824,900	$ 1,824,900	$ 1,231,155	$ (593,745)
Sales tax	4,050,000	4,050,000	4,564,080	514,080
Income Tax	1,600,000	1,600,000	1,548,827	(51,173)
Utility franchise tax	1,291,550	1,291,550	1,172,758	(118,792)
TV franchise tax	210,000	210,000	214,214	4,214
Telecommunication tax	525,000	525,000	470,902	(54,098)
Replacement tax	65,000	65,000	176,708	111,708
Charges for service	1,085,750	1,085,750	1,255,220	169,470
Licenses and permits	250,300	250,300	153,587	(96,713)
Fines	87,800	87,800	65,979	(21,821)
Grant revenue	43,175	43,175	126,932	83,757
Other revenue	19,000	19,000	425,132	406,132
Investment revenue	15,000	15,000	18,463	3,463
Total revenues	11,067,475	11,067,475	11,423,957	356,482
EXPENDITURES:				
CURRENT				
General and administration				
General administration				
Personnel	92,830	92,830	73,059	(19,771)
Contractual services	189,610	189,610	134,760	(54,850)
Commodities	315,500	315,500	270,199	(45,301)
Other	588,825	588,825	8,478	(580,347)
Total	1,186,765	1,186,765	486,496	(700,269)
President and board				
Personnel	16,000	16,000	15,200	(800)
Contractual services	11,150	11,150	6,069	(5,081)
Commodities	100	100	225	125
Other	19,572	19,572	19,304	(268)
Total	46,822	46,822	40,798	(6,024)
Board of fire and police commissioners				
Personnel	1,075	1,075	834	(241)
Contractual services	11,400	11,400	4,406	(6,994)
Other	100	100	-	(100)
Total	12,575	12,575	5,240	(7,335)
Community development				
Personnel	120,050	120,050	104,778	(15,272)
Contractual services	78,690	78,690	60,956	(17,734)
Commodities	3,200	3,200	1,470	(1,730)
Other	100	100	15	(85)
Total	202,040	202,040	167,219	(34,821)
Total general and administration	1,448,202	1,448,202	699,753	(748,449)

See notes to the supplementary information.

Village of Morton
Budgetary Comparison Schedule
Major Fund - General Fund - Continued
For the Year Ending April 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Public Works				
General administration				
Personnel	279,350	279,350	242,943	(36,407)
Contractual services	53,600	53,600	73,715	20,115
Commodities	17,500	17,500	23,352	5,852
Other	-	-	15	15
Total public works	350,450	350,450	340,025	(10,425)
Public Safety				
Police department				
Personnel	3,047,827	3,047,827	2,691,154	(356,673)
Contractual services	300,843	300,843	232,221	(68,622)
Commodities	110,700	110,700	74,672	(36,028)
Other	600	600	5,291	4,691
Total	3,459,970	3,459,970	3,003,338	(456,632)
Fire department				
Personnel	322,910	322,910	215,140	(107,770)
Contractual services	217,097	217,097	300,861	83,764
Commodities	54,000	54,000	32,363	(21,637)
Other	10,000	10,000	1,157	(8,843)
Total	604,007	604,007	549,521	(54,486)
Paramedic group				
Personnel	1,399,098	1,399,098	1,198,867	(200,231)
Contractual services	161,000	161,000	138,110	(22,890)
Commodities	80,000	80,000	69,467	(10,533)
Other	-	-	75	75
Total	1,640,098	1,640,098	1,406,519	(233,579)
Total public safety	5,704,075	5,704,075	4,959,378	(744,697)
Transportation				
Street department				
Personnel	711,780	711,780	609,670	(102,110)
Contractual services	543,800	543,800	710,029	166,229
Commodities	353,900	353,900	202,741	(151,159)
Total transportation	1,609,480	1,609,480	1,522,440	(87,040)
CAPITAL OUTLAY				
Land	100,000	100,000	-	(100,000)
Infrastructure	2,400,000	2,400,000	1,977,904	(422,096)
Buildings	10,600	10,600	7,285	(3,315)
Equipment	234,300	234,300	232,713	(1,587)
Total capital outlay	2,744,900	2,744,900	2,217,902	(526,998)
DEBT SERVICE				
Principal	542,004	542,004	630,170	88,166
Interest	12,110	12,110	56,022	43,912
Total debt service	554,114	554,114	686,192	132,078
Total expenditures	12,411,221	12,411,221	10,425,690	(1,985,531)

See notes to the supplementary information.

Village of Morton
Budgetary Comparison Schedule
Major Fund - General Fund - Continued
For the Year Ending April 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Excess (deficiency of revenues over expenditures	(1,343,746)	(1,343,746)	998,267	2,342,013
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(470,000)	(470,000)	(400,000)	70,000
Proceeds from the sale of assets	401,000	401,000	154,280	(246,720)
Intergovernmental agreements	-	-	(67,983)	(67,983)
Total other financing sources (uses)	31,000	31,000	(213,703)	(244,703)
Net Change in Fund Balance	(1,312,746)	(1,312,746)	784,564	2,097,310
Fund Balance - Beginning	4,593,276	4,593,276	4,593,276	-
Decrease in inventories	(3,105)	(3,105)	(3,105)	-
Fund Balance - Ending	$ 3,277,425	$ 3,277,425	$ 5,374,735	$ 2,097,310

See notes to the supplementary information.

Village of Morton
Budgetary Comparison Schedule
Major Fund - Motor Fuel Tax Fund
For the Year Ending April 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES:				
Taxes:				
Motor fuel tax	$ 430,000	$ 430,000	$ 426,536	$ (3,464)
Other revenue	2,316,000	2,316,000	450,000	(1,866,000)
Investment revenue	5,000	5,000	11,437	6,437
Total revenues	2,751,000	2,751,000	887,973	(1,863,027)
EXPENDITURES:				
CURRENT				
Transportation				
Street department				
Contractual services	4,100,000	4,100,000	975,902	(3,124,098)
Total transportation	4,100,000	4,100,000	975,902	(3,124,098)
Total expenditures	4,100,000	4,100,000	975,902	(3,124,098)
Net Change in Fund Balance	(1,349,000)	(1,349,000)	(87,929)	1,261,071
Fund Balance - Beginning	2,798,516	2,798,516	2,798,516	-
Fund Balance - Ending	$ 1,449,516	$ 1,449,516	$ 2,710,587	$ 1,261,071

See notes to the supplementary information.

Village of Morton
Combining Statement of Assets, Liabilities, and Fund Balance - Modified Cash Basis
General Fund
For the Year Ending April 30, 2017

	General Fund	Disaster Emergency Fund	Total General Fund
ASSETS:			
Cash	$ 5,007,321	$ 153,012	$ 5,160,333
Accounts receivable	210,009	-	210,009
Inventory	15,194	-	15,194
Total assets	$ 5,232,524	$ 153,012	$ 5,385,536
LIABILITIES:			
Accrued liabilities	$ 4,801	$ -	$ 4,801
Customer deposits	6,000	-	6,000
Total liabilities	10,801	-	10,801
FUND BALANCES:			
Nonspendable:			
Inventory	15,194	-	15,194
Restricted for:			
General government	-	153,012	153,012
Committed to:			
Public safety	5,377	-	5,377
Assigned to:			
Public safety	46,156	-	46,156
Transportation	74,733	-	74,733
Unassigned	5,080,263	-	5,080,263
Total fund balance	5,221,723	153,012	5,374,735
Total liabilities and fund balance	$ 5,232,524	$ 153,012	$ 5,385,536

See notes to the supplementary information.

Village of Morton
Combining Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balance - Modified Cash Basis
General Fund
For the Year Ending April 30, 2017

	General Fund	Disaster Emergency Fund	Total General Fund
REVENUE:			
Taxes:			
Property tax	$ 1,231,155	$ -	$ 1,231,155
Sales tax	4,564,080	-	4,564,080
Income Tax	1,548,827	-	1,548,827
Utility franchise tax	1,172,758	-	1,172,758
TV franchise tax	214,214	-	214,214
Telecommunication tax	470,902	-	470,902
Replacement tax	176,708	-	176,708
Charges for service	1,255,220	-	1,255,220
Licenses and permits	153,587	-	153,587
Fines	65,979	-	65,979
Grant revenue	126,932	-	126,932
Other revenue	425,132	-	425,132
Investment revenue	18,463	-	18,463
Total revenue	11,423,957	-	11,423,957
EXPENDITURES:			
Current:			
General and administration	699,753	-	699,753
Public works	340,025	-	340,025
Public safety	4,959,378	-	4,959,378
Transportation	1,522,440	-	1,522,440
Capital Outlay	2,217,902	-	2,217,902
Debt Service			
Principal	630,170	-	630,170
Interest	56,022	-	56,022
Total expenditures	10,425,690	-	10,425,690
Excess revenue over (under) expenditures	998,267	-	998,267
OTHER FINANCING SOURCES (USES):			
Transfers in	100,000	-	100,000
Transfers out	(400,000)	-	(400,000)
Proceeds from sale of assets	154,280	-	154,280
Intergovernmental agreements	(67,983)	-	(67,983)
Total financing sources	(213,703)	-	(213,703)
Net change in fund balance	784,564	-	784,564
Fund balance - beginning	4,440,264	153,012	4,593,276
Decrease in inventories	(3,105)	-	(3,105)
Fund balance - ending	$ 5,221,723	$ 153,012	$ 5,374,735

See notes to the supplementary information.

Village of Morton
Combining Statement of Assets, Liabilities, and Fund Balance - Modified Cash Basis
Nonmajor Governmental Funds
For the Year Ending April 30, 2017

	Tourism and Convention Fund	Illinois Municipal Retirement and Social Security Fund	Business District Tax Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash	$ 338,637	$ 341,276	$ 124,653	$ 804,566
Total assets	$ 338,637	$ 341,276	$ 124,653	$ 804,566
LIABILITIES:				
Customer deposits	$ -	$ -	$ 1,750	$ 1,750
Total liabilities	-	-	1,750	1,750
FUND BALANCES:				
Restricted for:				
General government	338,637	341,276	122,903	802,816
Total fund balance	338,637	341,276	122,903	802,816
Total liabilities and fund balance	$ 338,637	$ 341,276	$ 124,653	$ 804,566

See notes to the supplementary information.

Village of Morton
Combining Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balance - Modified Cash Basis
Nonmajor Governmental Funds
For the Year Ending April 30, 2017

	Tourism and Convention Fund	Illinois Municipal Retirement and Social Security Fund	Business District Tax Fund	Total Nonmajor Governmental Funds
REVENUE:				
Taxes:				
Property tax	$ -	$ 198,254	$ 395,882	$ 594,136
Municipal hotel tax	291,094	-	-	291,094
Replacement tax	-	21,839	-	21,839
Grant revenue	-	-	789,712	789,712
Other revenue	240,061	-	250	240,311
Investment revenue	2,172	2,403	3,259	7,834
Total revenue	533,327	222,496	1,189,103	1,944,926
EXPENDITURES:				
Current:				
General and administration	268,004	547,191	59,878	875,073
Capital Outlay	525,000	-	2,135,274	2,660,274
Total expenditures	793,004	547,191	2,195,152	3,535,347
Excess revenue over (under) expenditures	(259,677)	(324,695)	(1,006,049)	(1,590,421)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	400,000	400,000
Transfers out	-	-	(100,000)	(100,000)
Total financing sources	-	-	300,000	300,000
Net change in fund balance	(259,677)	(324,695)	(706,049)	(1,290,421)
Fund balance - beginning	598,314	665,971	828,952	2,093,237
Fund balance - ending	$ 338,637	$ 341,276	$ 122,903	$ 802,816

See notes to the supplementary information.

Village of Morton
Budgetary Comparison Schedule
Nonmajor Funds
For the Year Ending April 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Over (Under)
Tourism and Convention Fund				
REVENUES:				
Taxes:				
Municipal hotel tax	$ 310,000	$ 310,000	$ 291,094	$ (18,906)
Other revenue	240,000	240,000	240,061	61
Investment revenue	1,700	1,700	2,172	472
Total revenues	551,700	551,700	533,327	(18,373)
EXPENDITURES:				
CURRENT				
General and administration				
Personnel	79,360	79,360	75,789	(3,571)
Contractual services	63,000	63,000	51,437	(11,563)
Commodities	4,500	4,500	714	(3,786)
Other	170,345	170,345	140,064	(30,281)
Total general and administration	317,205	317,205	268,004	(49,201)
CAPITAL OUTLAY				
Land	525,000	525,000	525,000	-
Total capital outlay	525,000	525,000	525,000	-
Total expenditures	842,205	842,205	793,004	(49,201)
Net Change in Fund Balance	(290,505)	(290,505)	(259,677)	30,828
Fund Balance - Beginning	598,314	598,314	598,314	-
Fund Balance - Ending	$ 307,809	$ 307,809	$ 338,637	$ 30,828
Illinois Municipal Retirement and Social Security Fund				
REVENUES:				
Taxes:				
Property tax	$ 200,000	$ 200,000	$ 198,254	$ (1,746)
Replacement tax	47,000	47,000	21,839	(25,161)
Investment revenue	2,000	2,000	2,403	403
Total revenues	249,000	249,000	222,496	(26,504)
EXPENDITURES:				
CURRENT				
General and administration				
Personnel	609,925	609,925	547,191	(62,734)
Total general and administration	609,925	609,925	547,191	(62,734)
Total expenditures	609,925	609,925	547,191	(62,734)
Net Change in Fund Balance	(360,925)	(360,925)	(324,695)	36,230
Fund Balance - Beginning	665,971	665,971	665,971	-
Fund Balance - Ending	$ 305,046	$ 305,046	$ 341,276	$ 36,230

See notes to the supplementary information.

Village of Morton
Budgetary Comparison Schedule
Nonmajor Funds - continued
For the Year Ending April 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Business District Tax Fund				
REVENUES:				
Taxes:				
Property tax	$ 400,000	$ 400,000	$ 395,882	$ (4,118)
Grant revenue	1,000,000	1,000,000	789,712	(210,288)
Other revenue	-	-	250	250
Investment revenue	1,500	1,500	3,259	1,759
Total revenues	1,401,500	1,401,500	1,189,103	(212,397)
EXPENDITURES:				
CURRENT				
General and administration				
Contractual services	33,500	33,500	3,341	(30,159)
Other	100,000	100,000	56,537	(43,463)
Total general and administration	133,500	133,500	59,878	(73,622)
CAPITAL OUTLAY				
Land improvements	450,000	450,000	464,679	14,679
Buildings and equipment	1,875,000	1,875,000	1,670,595	(204,405)
Total capital outlay	2,325,000	2,325,000	2,135,274	(189,726)
Total expenditures	2,458,500	2,458,500	2,195,152	(263,348)
Excess (deficiency of revenues over expenditures	(1,057,000)	(1,057,000)	(1,006,049)	50,951
OTHER FINANCING SOURCES (USES)				
Transfers in	470,000	470,000	400,000	(70,000)
Transfers out	(130,000)	(130,000)	(100,000)	30,000
Total other financing sources (uses)	340,000	340,000	300,000	(40,000)
Net Change in Fund Balance	(717,000)	(717,000)	(706,049)	10,951
Fund Balance - Beginning	828,952	828,952	828,952	-
Fund Balance - Ending	$ 111,952	$ 111,952	$ 122,903	$ 10,951

See notes to the supplementary information.

BUDGET PROCESS

The Village adopts an annual appropriation ordinance in accordance with Chapter 65, Section 5/8-2-9, of the Illinois Compiled Statutes. The ordinance covers the fiscal year ending April 30. During any fiscal year the Village Board may adopt a supplemental appropriation ordinance in an amount not in excess of the aggregate of any additional revenue available to the Village, or estimated to be received by the Village subsequent to the adoption of the annual appropriation ordinance for that fiscal year.

Such supplemental appropriation ordinance shall only affect revenue that was not available for appropriation when that annual appropriation ordinance was adopted. However, the Village Board at any time after the first half of each fiscal year by a two-thirds vote of all the members, may make transfers within any department or other separate agency of the Village, of sums of money appropriated for one corporate object or purpose to another corporate object or purpose, but no appropriation for any object or purpose shall thereby be reduced below an amount sufficient to cover all obligations incurred or to be incurred against such appropriation. The legal level of control is at the fund level. The appropriations lapse at the end of each fiscal year.

This legal requirement relates only to expenditures. The Village also formally adopts an operating budget for certain funds containing estimated revenues and expenditures for the period. Budgeted revenues as reported in the financial statements are taken from the Village's operating budget, or in some cases, from the tax levy ordinance, while the appropriated expenditures are taken from the appropriation ordinance. The budget, as reflected in the financial statements, represents the original budget. There were no supplemental appropriations. However, there were budgetary transfers.

The Village Board, at least ten days prior to the adoption of the annual appropriation ordinance, shall make the proposed appropriation ordinance conveniently available to public inspection and shall hold at least one public hearing thereon. Notice of this hearing shall be given publication in one or more newspapers published locally, at least 10 days prior to the time of the public hearing.

Subsequent to the public hearing and before final action is taken on the appropriation ordinance, the Village Board may revise, alter, increase or decrease the items contained therein.

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

Convention and Tourism Fund – The Convention and Tourism Fund was established to account for the collection of revenues from the Hotel/Motel tax. Funds may be expended for the promotion of tourism and other authorized uses.

Illinois Municipal Retirement and Social Security Fund - The Illinois Municipal Retirement and Social Security Fund was established to account for the activities resulting from the Village's participation in the Illinois Municipal Retirement Fund and Social Security. Financing is provided by a dedicated annual real estate tax levy which produces a sufficient amount to pay the Village's contributions to the funds on behalf of the Village employees. In the prior year, the name of this fund was "Illinois Municipal Retirement Fund". In the current year the name of the fund has been expanded to more accurately portray the fund's activity and intended purpose.

Business District Tax Fund – The Business District Tax Fund accounts for the Business District Retailers' Occupation Tax and Business Service Occupation Tax imposed within the Morton Business District. This revenue is used to carry out the Morton Business Development and Redevelopment Plan.

Village of Morton
Statement of Revenues, Expenses, and Changes in Fund Balance - Modified Cash Basis
Water and Wastewater Fund
For the Year Ending April 30, 2017

	Water Operations	Wastewater Operations	Total
Operating Revenues			
Charges for service and sales	$ 3,154,981	$ 2,929,067	$ 6,084,048
Penalties and fees	45,712	2,900	48,612
Total operating revenue	3,200,693	2,931,967	6,132,660
Operating Expenses			
Personnel	1,044,798	775,432	1,820,230
Contractual services	1,296,739	838,842	2,135,581
Commodities	747,579	132,719	880,298
Other	614	57,736	58,350
Total expenses	3,089,730	1,804,729	4,894,459
Operating income (loss) before depreciation	110,963	1,127,238	1,238,201
Depreciation	(311,467)	(760,370)	(1,071,837)
Operating income (loss)	(200,504)	366,868	166,364
Non-Operating Revenue (Expenses)			
Interest revenue	18,462	18,462	36,924
Other revenue	7,856	546	8,402
Total non-operating revenues (expenses)	26,318	19,008	45,326
Change in net position	$ (174,186)	$ 385,876	$ 211,690

Village of Morton
Combining Statement of Net Position - Modified Cash Basis
Fiduciary Funds
April 30, 2017

	Police Pension Fund	Volunteer Firefighter's Pension Fund	Total Pension Trust Funds
ASSETS			
Current Assets			
Cash	$ 433,439	$ 270,784	$ 704,223
Investments	11,450,961	101,624	11,552,585
Total Assets	11,884,400	372,408	12,256,808
NET POSITION			
Held in trust for pension benefits	11,884,400	372,408	12,256,808
Total net position	$ 11,884,400	$ 372,408	$ 12,256,808

Village of Morton
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ending April 30, 2017

	Police Pension Fund	Volunteer Firefighter's Pension Fund	Pension Trust Funds
Additions			
Employer contributions			
Property tax	$ 576,823	$ -	$ 576,823
Replacement tax	49,243	-	49,243
Other	-	31,004	31,004
Plan members' contributions	157,327	-	157,327
Interest revenue	75,182	1,232	76,414
Investment revenue			
Interest	4,251	-	4,251
Dividends and capital gains	123,298	-	123,298
Realized gains (losses)	138,730	-	138,730
Net increase (decrease) in fair market value of investments	508,286	-	508,286
Total additions	1,633,140	32,236	1,665,376
Deductions			
Benefits paid	555,792	26,688	582,480
Administrative expenses	56,689	2,500	59,189
Total deductions	612,481	29,188	641,669
Change in net position	1,020,659	3,048	1,023,707
Net position, beginning	10,863,741	369,360	11,233,101
Net position, ending	$ 11,884,400	$ 372,408	$ 12,256,808

OTHER INFORMATION

DEFINED BENEFIT PLAN INFORMATION

Annual Pension Costs. The required contribution for 2016 was determined as part of the December 31, 2014, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2014, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 3.50% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of Village of Morton's plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. Village of Morton's Regular and Sheriff's Law Enforcement Personnel plans' unfunded actuarial accrued liability at December 31, 2014 is being amortized as a level percentage of projected payroll on an open 27 year basis.

Funded Status and Funding Progress. As of December 31, 2016, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel (SLEP) and other qualifying employees' plan were 0.00 and 86.71 percent funded. The actuarial accrued liability for benefits was $0 and $12,600,215, respectively, and the actuarial value of assets was $(52,868) and $10,925,912, respectively, resulting in an underfunded actuarial accrued liability (UAAL) of $52,868 and $1,674,303, respectively. The covered payroll for calendar year 2016 (annual payroll of active employees covered by the plan) was $0 and $4,175,630, respectively, and the ratio of the UAAL to covered payroll was 0 and 40 percent, respectively.

Schedule of Employer Contributions

Sheriffs Law Enforcement Personnel

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2016	($52,868)	$0	$52,868	0.00%	$0	0.00%
12/31/2015	(78,037)	0	78,037	0.00%	0	0.00%
12/31/2014	(116,252)	0	116,252	0.00%	0	0.00%

Other Qualifying Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2016	$ 10,925,912	$12,600,215	$ 1,674,303	86.71%	$4,175,630	40.10%
12/31/2015	11,218,536	13,220,605	2,002,069	84.86%	4,099,648	48.84%
12/31/2014	10,806,572	12,999,035	2,192,463	83.13%	3,932,141	55.76%

On a market value basis, the actuarial value of assets as of December 31, 2016 is $(59,064) for Sheriff's Law Enforcement Personnel and $10,741,325 for other qualifying employees. On a market basis, the funded ratio would be 0.00% and 85.25%, respectively.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Morton. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

Assessed Valuations, Rates, Extensions, and Collections
Tax Year 2016, 2015, 2014

	Tax Year		
	2016	2015	2014
Assessed Valuation	$ 482,355,115	$ 466,614,263	$ 446,094,180
Actual Tax Rates (per $100 assessed valuation):			
Corporate	0.24339	0.26594	0.18472
Illinois Municipal Retirement Fund	0.02074	0.02144	0.06255
Police Pension	0.12460	0.12476	0.13675
Social Security	0.04147	0.02144	0.06591
	0.43020	0.43358	0.44993
Tax Extensions:			
Corporate	$ 1,173,618	$ 1,240,914	$ 812,248
Illinois Municipal Retirement Fund	100,040	100,042	275,106
Police Pension	600,870	582,148	601,380
Social Security	199,984	100,042	289,872
	$ 2,074,512	$ 2,023,146	$ 1,978,606
Taxes Collected:			
Corporate		$ 1,229,562	$ 802,294
Illinois Municipal Retirement Fund		99,127	271,734
Police Pension		576,823	594,009
Social Security		99,127	286,319
		$ 2,004,639	$ 1,954,356
Percentage of Taxes Collected		99.09%	98.77%

Schedule of Legal Debt Margin

Assessed Valuation - 2016 Tax Year	$ 482,355,115
Statutory Debt Limitation for Non-Home Rule Municipalities 8.625% Assessed Valuation	$ 41,603,129
Note Payable/Lease Commitments at 4/30/16	$ 139,616
Total Government Debt	$ 139,616

The Village of Morton is within the statutory legal debt margin.