

VILLAGE OF PALATINE, ILLINOIS



COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2018

VILLAGE OF PALATINE, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
December 31, 2018**

Prepared by the Finance Department

Paul D. Mehring, CPA
Director of Finance and Operations

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Principal Officials	i
Organization Chart	ii
Certificate of Achievement for Excellence in Financial Reporting	iii
Letter of Transmittal	iv - vii
FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
General Purpose External Financial Statements	
Management's Discussion and Analysis	MD&A 1 - 14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5 - 6
Fund Financial Statements	
Governmental Funds	
Balance Sheet	7 - 8
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10 - 11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	12
Proprietary Funds	
Statement of Net Position	13 - 14
Statement of Revenues, Expenses and Changes in Net Position	15 - 16
Statement of Cash Flows	17 - 18
Fiduciary Funds	
Statement of Net Position	19
Statement of Changes in Net Position	20
Notes to Financial Statements	21 - 74

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	75
Downtown TIF Fund	76
Rand Road Corridor TIF Fund	77
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund	78
Police Pension Fund	79
Firefighters' Pension Fund	80
Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios	
Other Postemployment Benefits Plan	81
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	
Illinois Municipal Retirement Fund	82
Police Pension Fund	83 - 84
Firefighters' Pension Fund	85 - 86
Schedule of Investment Returns	87
Notes to Required Supplementary Information	88
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Nonmajor Special Revenue Funds	
Combining Balance Sheet	91 - 92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93 - 94
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Motor Fuel Tax Fund	95
Community Development Block Grant Fund	96
Federal Equitable Sharing Fund	97
State Equitable Sharing Fund	98
DUI Fines Fund	99
Foreign Fire Tax Fund	100
Dundee Road TIF Fund	101
Rand/Dundee TIF Fund	102
Rand/Lake Cook TIF Fund	103
Special Police Grant Fund	104
Nonmajor Capital Projects Funds	
Combining Balance Sheet	105
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Capital Equipment Acquisition Fund	107
Capital Improvement Fund	108
Village Hall Renovation Fund	109

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Internal Service Funds	
Combining Statement of Net Position	110
Combining Statement of Revenues, Expenses and Changes in Net Position	111
Combining Statement of Cash Flows	112
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	
Fleet Services Fund	113
Health Insurance Fund	114
Casualty and Liability Insurance Fund	115
Fiduciary Funds	
Combining Statement of Net Position - Pension Trust Funds	116
Combining Statement of Changes in Net Position - Pension Trust Funds	117
Schedule of Changes in Net Position - Budget and Actual	
Police Pension Fund	118
Firefighters' Pension Fund	119
Combining Statement of Net Position - Custodial Funds	120
Combining Statement of Changes in Net Position - Custodial Funds	121
Supplementary Information	
General Fund	
Schedule of Revenues - Budget and Actual	122 - 123
Schedule of Expenditures - Budget and Actual	124 - 125
General Obligation Bond Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	126

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Enterprise Funds	
Waterworks Fund	
Schedule of Revenues, Expenses and	
Changes in Net Position - Budget and Actual	127
Schedule of Operating Revenues - Budget and Actual	128
Schedule of Operating Expenses - Budget and Actual	129
Sewerage Fund	
Schedule of Revenues, Expenses and	
Changes in Net Position - Budget and Actual	130
Schedule of Operating Revenues - Budget and Actual	131
Schedule of Operating Expenses - Budget and Actual	132
Motor Vehicle Parking System Fund	
Schedule of Revenues, Expenses and	
Changes in Net Position - Budget and Actual	133
Schedule of Operating Expenses - Budget and Actual	134
Refuse Collection Fund	
Schedule of Revenues, Expenses and	
Changes in Net Position - Budget and Actual	135

STATISTICAL SECTION

Financial Trends

Net Position by Component	136 - 137
Changes in Net Position	138 - 141
Fund Balances of Governmental Funds	142 - 143
Changes in Fund Balances of Governmental Funds	144 - 145

Revenue Capacity

Assessed Value and Actual Value of Taxable Property	146
Property Tax Rates - Direct and Overlapping Governments	147 - 148
Principal Property Taxpayers	149
Property Tax Levies and Collections	150

Debt Capacity

Ratios of Outstanding Debt by Type	151
Ratios of General Bonded Debt Outstanding	152
Direct and Overlapping Governmental Activities Debt	153
Schedule of Legal Debt Margin	154

Demographic and Economic Information

Demographic and Economic Information	155
Principal Employers	156

Operating Information

Full-Time Equivalent Employees	157
Operating Indicators and Capital Asset Statistics	158

	<u>Page(s)</u>
Additional Disclosures Required by SEC Rule 15c2-12	
Statement of Indebtedness	159
Retirement Schedule of Outstanding Village General Obligation Debt	160 - 161
Bonded Debt Ratios and Per Capita Debt -	
Last Ten General Obligation Bond Sales	162
Detailed Overlapping Bonded Indebtedness Payable from Property Taxes	163
Equalized Assessed Valuation for Taxing Purposes	164
Tax Rates Per \$100 Equalized Assessed Valuation	165
Tax Extensions and Collections	166
Tax Base Distribution by Property Classification	167
Ten Largest Taxpayers	168
General Fund	
Summary Statement of Revenues, Expenditures and Changes in	
Fund Balance - Last Five Years	169
Balance Sheet - Last Five Years	170
Combined Statement – All Funds - Last Five Years	
Fund Balances/Net Position	171
Cash and Investments	171
Capital Assets	172

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INTRODUCTORY SECTION

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2018

MAYOR

Jim Schwantz

VILLAGE COUNCIL

Tim Millar	District 1
Scott Lamerand	District 2
Doug Myslinski	District 3
Greg Solberg	District 4
Kollin Kozlowski	District 5
Brad Helms	District 6

VILLAGE CLERK

Margaret Duer

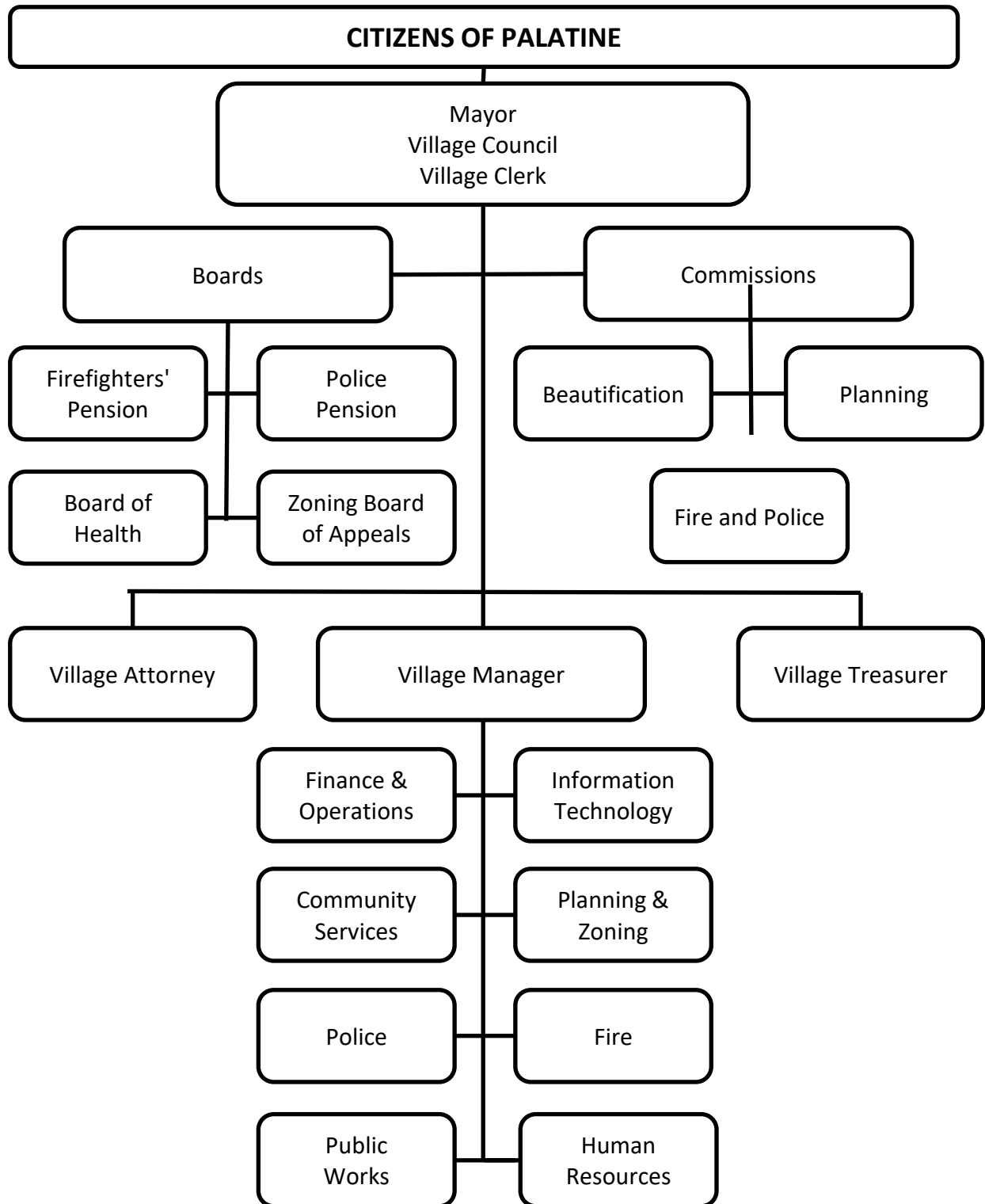
ADMINISTRATIVE

Reid Ottesen	Village Manager
Patrick Brankin	Village Attorney
Jeffrey Boundy	Village Treasurer
Paul Mehring	Finance Director

VILLAGE OF PALATINE, ILLINOIS

ORGANIZATION CHART

December 31, 2018





Government Finance Officers Association

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

Presented to

**Village of Palatine
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

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DEPARTMENT OF FINANCE & OPERATIONS

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May 31, 2019

Mayor Schwantz
Members of the Village Council
Village Manager Ottesen
Citizens of the Village of Palatine, Illinois

State law requires that all general-purpose governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Palatine, Illinois for the calendar year ended December 31, 2018.

This report consists of management's representations concerning the finances of the Village. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village's financial statements have been audited by Sikich LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village for the calendar year ended December 31, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Village's financial statements for the calendar year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Village's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Village of Palatine, incorporated on March 19, 1866, is located approximately 30 miles northwest of the City of Chicago in Cook County. The Village has a land area of 15 square miles and a population of 68,557. The Village is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The Village operates under the Council/Manager form of government. It is a home-rule community as defined by the Illinois Constitution. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. The council members are elected by district and the mayor is elected at large.

The Village provides a full range of municipal services as contemplated by statute or charter. These services include public safety, highways and streets, health services, refuse collection, public improvements, planning and zoning, engineering and inspection, water and sewer utility services, and general administrative services. Separately governed taxing bodies provide other public services such as library services, education, and parks and recreation.

The Village of Palatine has adopted sections 5/8-2-9.1, through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes providing for an annual municipal budget in lieu of the passage of an annual appropriation ordinance. The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit requests for appropriation to the Village Manager each year. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Mayor and Village Council for review. The Mayor and Council are required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, Downtown TIF Fund, and Rand Road Corridor Fund this comparison is presented on pages 75-77 as part of the basic financial statements for the governmental funds. For governmental funds, other than the major funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 90.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Village operates.

Local economy

There are many factors that influence the economy of a specific community and various measures are used to gauge the economic outlook. Perhaps four of the most objective measures are the level of retail sales, the employment level of the community, income levels in the community, and building activity. In Illinois, sales taxes are collected based upon the point-of-sale, and accordingly represent the sales in the community. Total sales tax revenue for calendar year 2018 increased by approximately \$600,000 (5.0%) from the prior year. This increase is mainly the result of favorable economic factors.

Palatine's average unemployment rate is some 1.3% lower than the state average and has consistently been 1% to 2% lower than state and national averages. Palatine's median family income, as of the 2010 census, ranked the Village 59th in the State of Illinois and 34.4% higher than the median for the State of Illinois. Currently, the Village is realizing the results of economic growth over the last ten years. This growth has come through increased residential and commercial/industrial construction.

In a suburban setting where it is often difficult to distinguish the boundaries of one community from a neighboring community, the economic activity of the "region" is a major influence on the economies of the individual communities. The Village of Palatine is located on the northern edge of the "I-90 Corridor" which extends along Interstate 90 from O'Hare Airport to Elgin, a stretch of approximately 25 miles. Despite the Village of Palatine's efforts to facilitate economic development, continued actions taken by Cook County create an unequal playing field between Palatine and our neighboring communities to the north that are located within Lake County. In 2016, Cook County increased their sales tax rate which forced local businesses to overcome an additional challenge that businesses in some of our neighboring communities aren't facing. The ongoing actions by the County create additional factors for businesses to consider when determining where to locate, stay, or expand.

The following is a discussion of some of the major development projects recently completed, under construction, or recently approved:

Northwest Highway Corridor – The former AC Imports (Jaguar dealership) property has been purchased by Studio 41. Studio 41 is currently conducting an extensive remodel of the building's interior to create a state-of-the-art showroom and sales facility. Pete & Mac's Pet Resort recently opened following a remodeling of their portion of the former Hobby Lobby space within the Palatine Plaza shopping center. The former HB Fuller site, roughly 18 acres, is currently under contract with a developer who is planning to redevelop the site with a 300,000 square foot industrial (warehousing/distribution) facility.

Rand and Dundee Corridors - The Napleton Automotive Group acquired the former Menards and Knupper Nursery properties to facilitate the relocation of their existing Subaru and Mazda dealerships in Arlington Heights to the site. This project will result in the construction of two free-standing dealerships, a separate car wash building/operation, and a remaining parcel (roughly 3 acres) for future development. The redevelopment of the former Idol's site was completed, which includes a drive-through Panera, a Mattress Firm, and a Verizon store. Another commercial development, directly to the east, is now under construction and will contain a drive-through Palatine Bank & Trust and two multi-tenant commercial buildings.

Long-term financial planning

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2018, the Village spent over \$5.9 million to maintain and improve its transportation system. The Village uses the PAVER system to track the condition of its streets. This system assigns a rating to a street based on an assessment of its physical condition. The Village uses these ratings to annually develop a prioritized listing of streets in need of repair.

The Village has placed a heavy focus on its aging utility (water and sanitary sewer) infrastructure. In 2009, the Village commissioned a Village-wide study and evaluation of the current state of its infrastructure in addition to looking out fifteen to twenty years to determine what will be required to maintain the system over that horizon. This study resulted in a long-term maintenance and replacement plan to ensure the systems continue functioning as required by the Village's customers.

Palatine will continue to participate in the strong economic growth of the area through its emergence as an ideal place to live and raise a family. One of Palatine's strongest qualities is the residential character of the Village. With an excellent range of housing, increasing property values, access to transportation, outstanding schools and parks, a power shopping corridor on Dundee Road, and economical municipal services, Palatine will continue to attract residents, employers and customers to the Village. These factors coupled with the commitment by Village officials to address emergent issues should enable the Village to maintain its economic stability for years to come.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. This was the 18th consecutive year that the Village has received this prestigious award. To be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.

Additionally, I would like to acknowledge the Mayor, Village Council, and Village Manager for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted,



Paul D. Mehring, CPA
Director of Finance and Operations

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the Village Council
Village of Palatine, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, (the Village) as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Village adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 14 to the basic financial statements. The Village also adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, the supplementary financial information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, as well as the supplementary financial information, 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2019 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Sikich LLP

Naperville, Illinois

May 31, 2019

General Purpose External Financial Statements

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

The Village of Palatine (the "Village") Management's Discussion and Analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, (3) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page iv) and the Village's financial statements (beginning on page 3).

Financial Highlights

- The Village's net position increased by \$3.2 million (2.1%) during the current year. The governmental net position increased by \$0.8 million and the business-type activities net position increased by \$2.4 million.
- The Village's combined Governmental Funds ending fund balance increased \$3.5 million (6.7%).
- At the end of the current year, fund balance for the General Fund increased by \$1.5 million (6.4%) to \$24.88 million or 45.5% of actual calendar year 2018 General Fund expenditures.
- The Village issued general obligation bonds totaling \$6,235,000 to refund other general obligation bonds, resulting in an economic gain of \$355,637 and a reduction of \$427,316 in future debt service payments.
- The Village called and redeemed \$1,110,000 of outstanding general obligation bonds from current resources resulting in a reduction of \$260,862 in future debt service payments.
- The Village implemented the following GASB Statements during 2018:
 - GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
 - GASB Statement No. 84, Fiduciary Activities

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

The financial statements' focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the Village's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see pages 4-6) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Position ("the Unrestricted Net Position") (see page 4) is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see pages 5-6) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the Village's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

The Governmental Activities reflect the Village's basic services, including police, fire, public works, community development, and general administration. Property taxes, shared State sales taxes, local utility taxes, shared State income taxes, and home rule sales taxes finance the majority of these activities. The Business-Type Activities reflect private sector-type operations (Refuse Collection Fund, Waterworks Fund, Sewerage Fund and the Motor Vehicle Parking System Fund), where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. All the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Funds

The governmental major fund presentation (see pages 6-11) is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The focus of governmental funds is narrower than that of the government-wide financial statements. The Village maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Downtown TIF Fund, Rand Road Corridor TIF Fund, and General Obligation Bond Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The Village maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in business-type activities in the government-wide financial statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses internal service funds to account for its fleet operations and self-insurance programs.

Proprietary fund financial statements (see pages 13-18) provide the same type of information as the government-wide financial statements, only in more detail. The Waterworks Fund, Sewerage Fund, and Motor Vehicle Parking System Fund are considered major funds of the Village and are presented in a separate column in the Fund Financial Statements. The Refuse Collection Fund is the Village's only non-major enterprise fund; however, it is also presented in a separate column in the Fund Financial Statements. The Internal Service Funds are combined in a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is presented elsewhere in the report.

Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension Fund, Firefighters Pension Fund, and Custodial Funds, see pages 19-20). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide statements.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The governmental fund financial statements provide a reconciliation to facilitate the comparison between the governmental funds and governmental activities on the government-wide financial statement. The governmental funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 9 and 12). The flow of current financial resources reflects bond proceeds and interfund transfers as other financial sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligation (bond and others) into the governmental activities column (in the government-wide statements). The reconciliation also includes the Internal Service Funds' activities given that the Internal Service Funds serve primarily the governmental funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 21-74 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 75-89 of this report. The combining and individual fund statements for non-major governmental, enterprise, and internal service funds are presented on pages 90 – 116 of this report, immediately following the required supplementary information.

Infrastructure Assets

The Village has chosen to depreciate infrastructure assets over their useful life. If a road project is considered a recurring cost that does not extend the road's original useful life or expand its capacity, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE STATEMENT

Statement of Position

The Village's combined net position increased by \$3.2 million (2.1%) during the current year. The following analysis will look at net position of the governmental and business-type activities separately. The total net position for governmental activities was \$92.3 million, a \$0.8 million (0.9%) increase. The business-type activities net position was \$60.3 million, a \$2.4 million (4.1%) increase from the prior year. The following table reflects the condensed statement of net position for the current and prior years (presented in millions):

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Current and other assets	91.3	30.9	122.2	87.6	27.8	115.4
Capital assets	208.0	43.7	251.7	209.9	45.6	255.5
Total Assets	299.3	74.6	373.9	297.5	73.4	370.9
Deferred outflows of resources	22.5	0.4	22.9	13.1	0.9	14.0
Noncurrent liabilities	189.2	12.3	201.5	178.3	14.7	193.0
Other liabilities	4.4	1.6	6.0	4.3	1.5	5.8
Total liabilities	193.6	13.9	207.5	182.6	16.2	198.8
Deferred inflows of resources	35.9	0.8	36.7	36.5	0.2	36.7
Net position						
Net investment in capital assets	168.7	32.3	201.0	166.2	32.5	198.7
Restricted	3.9	-	3.9	1.7	-	1.7
Unrestricted	(80.3)	28.0	(52.3)	(76.4)	25.4	(51.0)
Total net position	92.3	60.3	152.6	91.5	57.9	149.4

For more detailed information see the statement of net position (page 4).

Normal Impacts on Net Position

There are six basic (normal) transactions that will affect the comparability of the statement of net position summary presentation.

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital - which will increase current assets and long-term debt.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Spending Borrowed Proceeds on New Capital - which will reduce current assets and increase capital assets. There is a second impact, an increase in net investment in capital assets and an increase in related net debt, which will not change the net investment in capital assets.

Spending of Nonborrowed Current Assets on New Capital - which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt - which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and net investment in capital assets.

Current Year Impacts

The Village's \$3.2 million increase of combined net position (which is the Village's bottom line) was the result of the governmental activities net position increasing by \$0.8 million and the business-type activities net position increasing by \$2.4 million.

Governmental Activities

Total assets increased by \$1.8 million mainly reflecting a \$7.3 million increase in cash and investments reflecting a planned accumulation of resources for economic development activities and capital projects and a decrease of \$4.3 million in land held for resale resulting from the sale of a parcel of land for an economic development project, a \$1.8 million in depreciable capital assets due to current year depreciation exceeding current year capital additions. Deferred outflows of resources increased by \$9.4 million and deferred inflows of resources decreased by \$0.6 million related to pensions and OPEB. Total liabilities increased by \$10.9 million mainly reflecting the difference between regularly scheduled bond principal reductions of \$7.0 million and a \$17.7 million increase in the net pension liability.

Business-Type Activities

Total assets increased by \$1.2 million mainly reflecting a \$2.5 million increase in cash and investments due to decreased spending on capital projects, a \$0.5 increase in the Village's investment in joint venture, and a \$1.9 million decrease in capital assets resulting from depreciation expense exceeding capital additions, and. Deferred outflows of resources decreased by \$0.5 million and deferred inflows of resources increased by \$0.6 million related to pensions and OPEB. Total liabilities decreased by \$2.3 mainly reflecting a \$1.5 million decrease from regularly scheduled bond principal reductions during the year and a \$0.9 million decrease in net pension liability.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Net Position

The Village's combined change in net position of \$3.2 million increased by \$3.7 million from the prior year. The Village's total revenues increased by \$3.3 million, while the cost of all programs decreased by \$0.4 million. The following chart shows the revenue and expenses of the Village's activities (presented in millions):

	<i>Current Year</i>			<i>Prior Year</i>		
	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
Revenues						
Program revenues						
Charges for services	12.3	20.7	33.0	11.8	21.0	32.8
Operating grants	2.9	-	2.9	2.8	-	2.8
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	34.8	-	34.8	33.0	-	33.0
Other taxes	9.6	-	9.6	9.3	-	9.3
Other revenues	18.8	1.1	19.9	18.0	1.0	19.0
Total revenues	78.4	21.8	100.2	74.9	22.0	96.9
Expenses						
Governmental activities						
General government	4.8	-	4.8	5.0	-	5.0
Public safety	53.4	-	53.4	58.3	-	58.3
Public works	10.7	-	10.7	10.9	-	10.9
Economic development	6.7	-	6.7	1.5	-	1.5
Interest & fiscal charges	2.7	-	2.7	3.5	-	3.5
Business-type activities						
Waterworks	-	9.1	9.1	-	9.1	9.1
Sewerage	-	3.8	3.8	-	3.4	3.4
Refuse collection	-	1.3	1.3	-	1.3	1.3
Motor vehicle parking	-	4.5	4.5	-	4.4	4.4
Total expenses	78.3	18.7	97.0	79.2	18.2	97.4
Change in net position before transfers	0.1	3.1	3.2	(4.3)	3.8	(0.5)
Transfers	0.7	(0.7)	-	0.7	(0.7)	-
Change in net position	0.8	2.4	3.2	(3.6)	3.1	(0.5)
Net position, beginning - As Restated	91.5	57.9	149.4	95.1	54.8	149.9
Net position, ending	92.3	60.3	152.6	91.5	57.9	149.4

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Normal Impacts

There are eight basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition - which can reflect a declining, stable, or growing economic environment and has a substantial impact on state income, sales, and utility tax revenue as well as public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/Decrease in Village-Approved Rates - while certain tax rates are set by statute, the Village Council has significant authority to impose and periodically increase/decrease rates (property taxes, water, sewer, impact fees, building fees, home rule sales tax, prepared food tax, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring) - certain recurring revenues (State-shared revenues, etc.) may experience significant changes periodically while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income - the Village's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses:

Introduction of New Programs - within the functional expense categories (General Government, Public Safety, and Public Works, etc.), individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel - changes in service demand may cause the Village Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 80% of the Village's General Fund and 30% Water Fund and Sewer Fund operating costs.

Salary Increases (annual adjustments and merit) - the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.

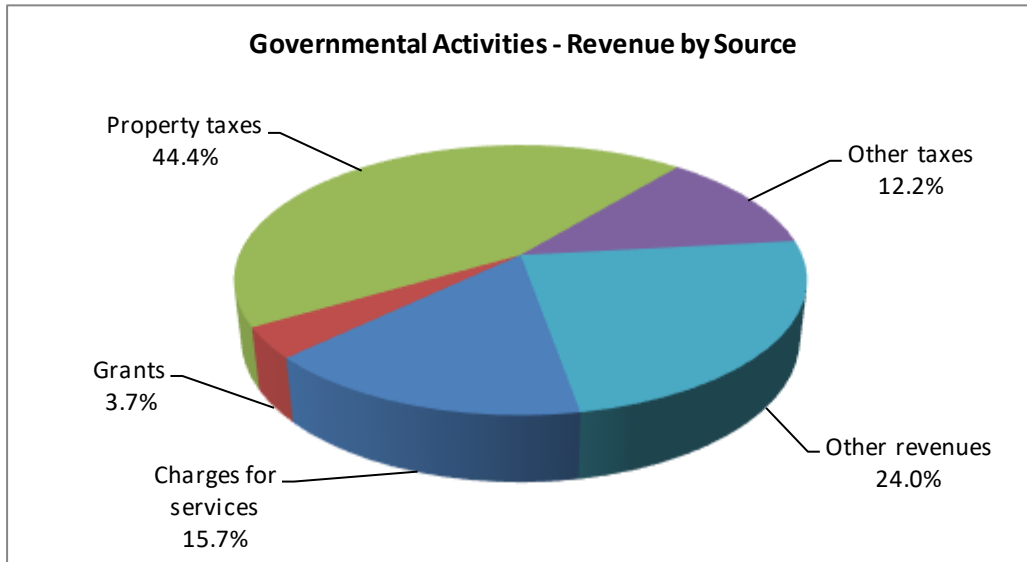
Inflation - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

**VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Current Year Impacts

Governmental Activities

Revenues:



For the current year, revenues from Governmental Activities totaled \$78.4 million, an increase of \$3.5 million (4.7%). Property taxes continue to be the Village's largest revenue source coming in at \$34.8 million and representing 44.4% of total Governmental Activity revenue. Other revenues, representing support from other governmental agencies (mainly shared revenue from the State of Illinois), provide 24.0% of total governmental revenues.

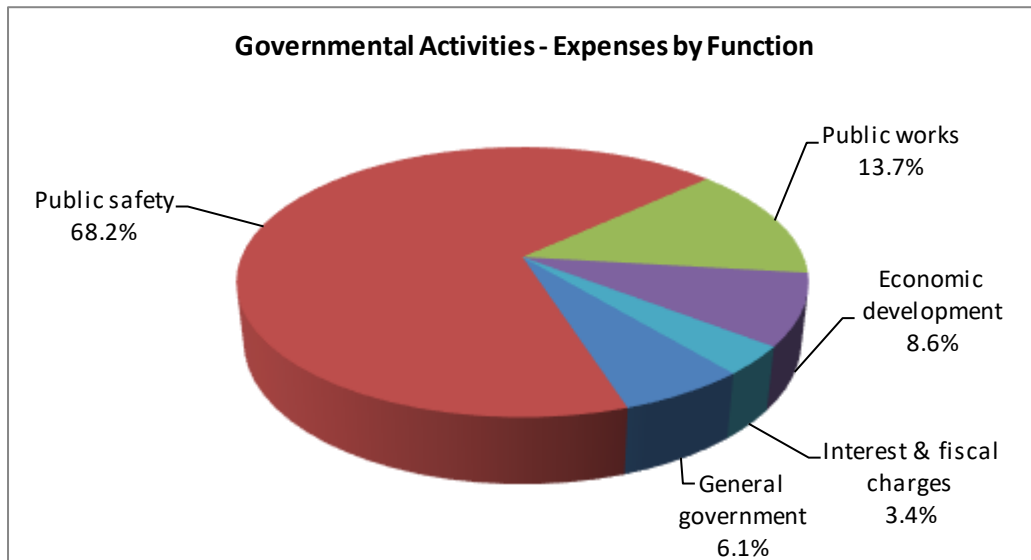
General revenues (property taxes, other taxes, and other revenues) increased by \$2.9 million mainly due to an increased property tax levy and increased incremental property taxes from the Village's five tax increment financing districts.

The charges for services category increase of \$0.5 million results from general rate increases and an increase in discretionary services that relate directly to improving economic conditions.

Operating grants increased by \$0.1 million resulting from an increase in Police Grant funding.

**VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Expenses



For the current year, expenses from Governmental Activities totaled \$78.3 million, which represents a \$0.9 million (1.1%) decrease from the prior year.

General government expenses experienced a decrease of \$0.2 million (4.0%) resulting from a \$0.2 million decrease related to pensions.

Public safety expenses show a decrease of \$4.9 million (8.4%) mainly due to a \$5.9 million decrease related to pensions and a \$1.0 million increase related to salaries and benefits.

Public works expenses show a decrease of \$0.2 million (1.8%) mainly due to a \$0.1 million decrease related to pensions.

Economic development activities show an increase of \$5.2 million (346.7%), which reflects a planned increase in redevelopment activities within the Village's TIF Funds.

Interest and fiscal charges reflect a \$0.7 million (20.0%) decrease related to scheduled debt service requirements.

Business-Type Activities

Revenues

Total revenue for the business-type activities experienced a \$0.2 million (0.9%) decrease in the current year, which was due to a reduction of unincorporated water and sewer rates enacted by the Village Council and a positive change in equity interest in joint venture.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses

Business-type activity total expenses increased by \$0.5 million, which was mainly a result of a planned increase in water and sewer system infrastructure maintenance.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

The Governmental Funds (as presented on pages 7-12) reported a combined total fund balance of \$55.3 million, which is a \$3.5 million increase from the prior year balance of \$51.8 million. This increase is mainly attributable to increased collections of incremental property taxes within the Village's TIF districts and the planned accumulation of resources in the Village's capital projects funds. The total fund balance of \$55.3 million is comprised of the following components:

Nonspendable Fund Balance of \$3.7 million represents the portion of fund balance that is not available to be spent, either short-term or long-term, in form: \$3.7 million for advances.

Restricted Fund Balance totaling \$19.6 million represents the portion of fund balance that is subject to external enforceable legal restrictions: \$1.0 million for highways and streets; \$0.2 million for debt service; \$0.8 million for public safety; and \$17.6 million for economic development.

Assigned Fund Balance in the amount of \$10.8 million for capital projects represents the portion of fund balance denoted for an intended use of resources, or for all remaining fund balance in non-General funds that cannot be categorized above.

Unassigned Fund Balance of \$21.2 million that represents available expendable financial resources that are not the object of tentative management plan. In the General Fund, this includes the operating reserves and the "Economic Stabilization" reserve as defined in the Village's adopted Reserve Policy.

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The General Fund's total fund balance increased by \$1.6 million from the prior year; the fund balance for the prior year showed a decrease of \$0.1 million. Revenues increased by \$3.4 million and expenditures increased by \$1.0 million, resulting in a change of \$2.4 million in results from operations compared to the prior year, both before other financing uses (transfers). Net financing sources (uses) decreased by \$0.8 million, which had a negative effect on fund balance.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

(presented in millions)

	<i>Current Year</i>			<i>Prior Year</i>	
	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Revenues	\$ 55.4	\$ 55.6	\$ 57.0	\$ 53.6	
Expenditures	55.9	56.2	54.7	53.7	
Excess (deficiency) of revenues over expenditures	(0.5)	(0.6)	2.3	(0.1)	
Other financing sources (uses)	-	(0.8)	(0.8)	-	
Net change in fund balance	\$ (0.5)	\$ (1.4)	\$ 1.5	\$ (0.1)	

In total, the General Fund's "key" revenues increased from the prior year and include:

	<i>Current Year</i>		<i>Prior Year</i>	<i>Increase/(Decrease)</i>
Property tax	\$ 19.6	\$ 18.7	\$ 0.9	
State sales tax	8.2	7.9	0.3	
Home rule sales tax	4.4	4.1	0.3	
State income tax	6.6	6.3	0.3	

The General Fund expenditure budget was amended during the fiscal year to reflect encumbrance items from the prior year, transfers of excess reserves as defined by the Village's Reserve Policy, and projects deemed necessary during the year. General fund expenditures were \$1.0 million higher than the prior year mainly due an increase in personnel costs due to regular wage, health insurance, and pension contribution increases and a decrease in supplies and services expenditures.

General Fund actual revenues and actual expenditures were \$1.4 million higher and \$1.5 million lower than the final budgeted amounts, respectively. Approximately ninety percent of the expenditure budget variance was due to decreased actual spending from vacant positions and the other half was due to consciously controlled spending on supplies and services.

The Downtown TIF Funds experienced a positive net change in fund balance in the amount of \$2.3 million due to increased incremental property tax revenues, as a result of increasing property values within the redevelopment district. The Rand Road Corridor TIF had a positive net change in fund balance of \$4.2 million due to a \$4.4 million increase in economic development activities and a \$7.6 million transfer-in. The General Obligation Bond Fund experienced a break-even year.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Proprietary Funds

The Enterprise Funds' (as presented on pages 13-18) total net position increased by \$2.4 million (4.1%). This increase is primarily due to a \$2.7 million increase in the Waterworks and Sewerage Funds from continued strong revenues from prior years' rate increases and a planned increase in infrastructure maintenance expenses; a slight \$0.1 decrease in the Refuse Collection Fund from a planned draw on accumulated reserves; and a \$0.2 million decrease in the Motor Vehicle Parking Fund mainly due to depreciation of capital assets.

CAPITAL ASSETS

The Village's investment in capital assets for its governmental and business-type activities amounts to \$251.8 million. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a \$3.7 million net decrease (including additions and deductions) from the prior year. Detailed information regarding the change in capital assets for governmental and business-type activities is included in the Notes to the Financial Statements on pages 35–36.

The net capital assets for governmental activities decreased by \$1.9 million and net capital assets for business-type activities decreased from last year by \$1.8. The decrease in governmental and business-type activities net capital assets was due mainly to net depreciation exceeding capital additions and reductions.

DEBT OUTSTANDING

In calendar year 2018, the Village issued general obligation bonds totaling \$6,235,000 to refund other general obligation bonds, resulting in an economic gain of \$355,637 and a reduction of \$427,316 in future debt service payments. Additionally, the Village called and redeemed \$1,110,000 of outstanding general obligation bonds from current resources, resulting in a reduction of \$260,862 in future debt service payments.

The Village currently has twelve general obligation bond series and one tax increment revenue limited obligation redevelopment notes series outstanding. \$64.4 million of general obligation bonds and \$0.1 million of tax increment revenue limited obligation redevelopment notes are currently outstanding.

\$21.9 million (34%) of the \$64.4 million currently outstanding general obligation bonds were issued for improvements in the Village's various TIF Districts. The issuance of these bonds did not produce capital assets for the Village; therefore, the unrestricted net position for Governmental Activities have been reduced by the amount of these bonds.

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Village, under its home rule authority, does not have a legal debt limit. At the date of this report, the Village maintained an AA+ rating from Standard and Poor's and an AA2 rating from Moody's Investors Service.

Additional information of the Village's long-term debt can be found in the Notes to the Financial Statements on pages 37-40.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village's composition is primarily residential with a smaller commercial component. The property tax revenue derived from the residential, commercial, and industrial properties is exceedingly stable. State revenues are beginning to stabilize from previous years' levels. Sales tax revenues continue to show relative stability due to the mix of businesses that generate the revenue. The commercial component includes building material sales, restaurants, and other food and retail businesses.

The Fiscal Year 2019 budget includes an \$225,000 (1%) increase in the property tax levy, which is only the second increase in the last eight years. This increase was largely due to increasing pension costs. Sales taxes are projected to increase 3.0% based on actual results from 2018 and the assumption that the economy will continue to grow slowly to moderately; however, this projection also considers known economic development activities that will impact sales tax. Building permit revenues and planning and inspection fees are projected to decrease slightly due to the decreased activity in the housing market. State income tax revenue is forecasted to increase slightly despite the State's 5% reduction from the full amount shared in prior years. The Village will be closely monitoring this revenue and all other State-shared sources and any discussions/deliberations regarding its further reduction and react accordingly. A combined \$0.20 (3.6%) increase in base water and sewer rates were included in the budget, but no increase in refuse fees or commuter parking lot fees have been included.

Budgeted expenditures include increases due to salary adjustments, which are part of employee labor agreements, and health and liability insurance costs. Pension costs are also expected to increase due to the general state of the financial markets. Expenditures for commodities and other contractual services in most instances have been held flat. The budget includes economic development projects within the Village's Tax Increment Financing Districts.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Paul D. Mehring, CPA, Director of Finance and Operations, Village of Palatine, 200 E. Wood Street, Palatine, IL 60067.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 55,632,150	\$ 15,771,557	\$ 71,403,707
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	22,806,754	-	22,806,754
Accounts	-	1,898,649	1,898,649
Other	1,020,356	76,295	1,096,651
Due from other governments	5,266,796	-	5,266,796
Accrued interest	179,185	74,435	253,620
Prepaid expenses	145,816	-	145,816
Inventories	191,955	-	191,955
Land held for resale	6,009,300	-	6,009,300
Investment in joint venture			
Northwest Water Commission	-	12,941,820	12,941,820
Capital assets not being depreciated	151,371,945	4,858,690	156,230,635
Capital assets being depreciated (net of accumulated depreciation)	56,661,640	38,888,839	95,550,479
Total assets	299,285,897	74,510,285	373,796,182
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	223,570	146,495	370,065
Deferred outflows related to pensions	22,272,580	298,019	22,570,599
Total deferred outflows of resources	22,496,150	444,514	22,940,664
LIABILITIES			
Accounts payable	881,384	1,057,159	1,938,543
Accrued payroll	1,499,163	75,458	1,574,621
Accrued interest payable	251,235	15,370	266,605
Deposits payable	674,023	315,713	989,736
Claims payable	1,063,019	-	1,063,019
Unearned revenues	18,751	144,080	162,831
Noncurrent liabilities			
Due within one year	6,394,942	1,560,867	7,955,809
Due in more than one year	182,813,484	10,718,748	193,532,232
Total liabilities	193,596,001	13,887,395	207,483,396
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	22,769,133	-	22,769,133
Deferred inflows related to pensions	12,362,153	779,474	13,141,627
Deferred inflows related to OPEB	758,403	17,854	776,257
Total deferred inflows of resources	35,889,689	797,328	36,687,017
NET POSITION			
Net investment in capital assets	168,673,918	32,259,964	200,933,882
Restricted for			
Streets and highways	1,013,115	-	1,013,115
Public safety	785,582	-	785,582
Economic development	2,127,121	-	2,127,121
Unrestricted	(80,303,379)	28,010,112	(52,293,267)
TOTAL NET POSITION	\$ 92,296,357	\$ 60,270,076	\$ 152,566,433

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Grants and Contributions	
			Operating	Capital
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 4,792,852	\$ 4,333,166	\$ -	\$ -
Public safety	53,387,729	5,586,131	341,868	-
Public works	10,658,853	2,408,431	1,889,342	-
Economic development	6,692,302	-	159,628	-
Interest and fiscal charges	2,800,515	-	480,063	-
Total governmental activities	78,332,251	12,327,728	2,870,901	-
Business-Type Activities				
Waterworks	9,071,013	11,134,742	-	-
Sewerage	3,815,318	4,348,556	-	-
Motor vehicle parking system	1,277,515	729,953	-	-
Refuse collection	4,524,457	4,515,375	-	-
Total business-type activities	18,688,303	20,728,626	-	-
TOTAL PRIMARY GOVERNMENT	\$ 97,020,554	\$ 33,056,354	\$ 2,870,901	\$ -

See accompanying notes to financial statements.

Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ (459,686)	\$ -	\$ (459,686)	
(47,459,730)	-	(47,459,730)	
(6,361,080)	-	(6,361,080)	
(6,532,674)	-	(6,532,674)	
(2,320,452)	-	(2,320,452)	
(63,133,622)	-	(63,133,622)	
-	2,063,729	2,063,729	
-	533,238	533,238	
-	(547,562)	(547,562)	
-	(9,082)	(9,082)	
-	2,040,323	2,040,323	
(63,133,622)	2,040,323	(61,093,299)	
General Revenues			
Taxes			
Property	34,799,347	-	34,799,347
Home rule sales	4,446,002	-	4,446,002
Telecommunications	1,348,572	-	1,348,572
Electric utility use	2,360,118	-	2,360,118
Other	1,461,691	-	1,461,691
State shared sales taxes (unrestricted)	10,163,314	-	10,163,314
State shared income tax (unrestricted)	6,565,435	-	6,565,435
Other intergovernmental revenues (unrestricted)	406,251	-	406,251
Investment income	1,129,713	256,541	1,386,254
Miscellaneous	526,783	309,188	835,971
Change in equity interest in joint venture (see note 9)	-	525,390	525,390
Transfers	689,000	(689,000)	-
Total	63,896,226	402,119	64,298,345
CHANGE IN NET POSITION	762,604	2,442,442	3,205,046
NET POSITION, JANUARY 1 - AS RESTATED	91,533,753	57,827,634	149,361,387
NET POSITION, DECEMBER 31	\$ 92,296,357	\$ 60,270,076	\$ 152,566,433

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2018

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 19,083,224	\$ 2,426,436	\$ 9,607,796	\$ 228,620	\$ 15,355,699	\$ 46,701,775
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	20,254,536	37,621	-	2,514,597	-	22,806,754
Other	841,524	160,597	-	-	-	1,002,121
Due from other governments	4,719,989	-	-	-	546,807	5,266,796
Accrued interest	98,235	-	-	-	34,540	132,775
Due from other funds	18,799	-	-	-	-	18,799
Prepaid expenses	75,000	-	-	-	-	75,000
Land held for resale	-	5,609,300	400,000	-	-	6,009,300
Advance to other funds	3,663,890	-	-	-	-	3,663,890
 TOTAL ASSETS	 \$ 48,755,197	 \$ 8,233,954	 \$ 10,007,796	 \$ 2,743,217	 \$ 15,937,046	 \$ 85,677,210

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES						
Accounts payable	498,390	\$ 3,981	\$ 7,530	\$ -	\$ 283,477	\$ 793,378
Accrued payroll	1,465,670	-	-	-	7,739	1,473,409
Due to other funds	-	-	-	-	18,799	18,799
Deposits payable	674,023	-	-	-	-	674,023
Unearned revenues	-	-	-	-	10,350	10,350
Advance from other funds	-	3,663,890	-	-	-	3,663,890
Total liabilities	2,638,083	3,667,871	7,530	-	320,365	6,633,849
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	20,254,536	-	-	2,514,597	-	22,769,133
Unavailable revenue - Park District loan	978,302	-	-	-	40,000	1,018,302
Total deferred inflows of resources	21,232,838	-	-	2,514,597	40,000	23,787,435
FUND BALANCES						
Nonspendable in form - prepaid expenses	75,000	-	-	-	-	75,000
Nonspendable in form - advances	3,663,890	-	-	-	-	3,663,890
Restricted for streets and highways	-	-	-	-	1,013,115	1,013,115
Restricted for debt service	-	-	-	228,620	-	228,620
Restricted for public safety	-	-	-	-	785,582	785,582
Restricted for economic development	-	4,566,083	10,000,266	-	2,960,565	17,526,914
Unrestricted						
Assigned for capital projects	-	-	-	-	10,817,419	10,817,419
Unassigned	21,145,386	-	-	-	-	21,145,386
Total fund balances	24,884,276	4,566,083	10,000,266	228,620	15,576,681	55,255,926
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 48,755,197	\$ 8,233,954	\$ 10,007,796	\$ 2,743,217	\$ 15,937,046	\$ 85,677,210

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 55,255,926
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term intergovernmental receivables are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds	1,018,302
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	208,033,585
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(53,649,793)
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	25,820
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	(1,359,057)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	223,570
Accrued interest on long-term debt is reported as a liability on the statement of net position	(251,235)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,345,705)
Less compensated absences payable reported in internal service funds	42,660
The net position of internal service funds is included in the governmental activities in the statement of net position	6,682,329
The following items related to OPEB are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred inflows	(758,403)
Less deferred inflows reported in internal service funds	2,329
Net OPEB liability	(12,464,634)
Less net OPEB liability reported in internal service funds	38,274
The following items related to pensions are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred outflows	22,272,580
Less deferred outflows reported in internal service funds	(72,365)
Deferred inflows	(12,362,153)
Less deferred inflows reported in internal service funds	297,933
Net pension liability	(119,359,042)
Less net pension liability reported in internal service funds	25,436
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 92,296,357

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2018

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 26,718,556	\$ 6,015,269	\$ 3,019,601	\$ 2,651,249	\$ 6,011,055	\$ 44,415,730
Licenses and permits	3,226,870	-	-	-	-	3,226,870
Intergovernmental	19,534,046	-	-	480,063	2,380,021	22,394,130
Charges for services	4,515,911	-	-	-	355,215	4,871,126
Fines and forfeits	1,936,416	-	-	-	17,005	1,953,421
Investment income	567,404	90,880	71,087	60,992	339,350	1,129,713
Miscellaneous	451,983	-	-	-	74,800	526,783
Total revenues	56,951,186	6,106,149	3,090,688	3,192,304	9,177,446	78,517,773
EXPENDITURES						
Current						
General government	5,129,280	-	-	-	-	5,129,280
Public safety	43,471,946	-	-	-	182,516	43,654,462
Public works	6,065,407	-	-	-	-	6,065,407
Economic development	-	19,050	4,440,820	-	2,232,432	6,692,302
Capital outlay	-	363,036	114,918	-	4,476,649	4,954,603
Debt service						
Principal retirement	-	2,890,000	1,585,000	9,240,000	-	13,715,000
Interest	-	578,901	385,780	1,713,070	-	2,677,751
Fiscal charges	-	1,500	1,875	135,789	-	139,164
Total expenditures	54,666,633	3,852,487	6,528,393	11,088,859	6,891,597	83,027,969

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,284,553	\$ 2,253,662	\$ (3,437,705)	\$ (7,896,555)	\$ 2,285,849	\$ (4,510,196)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued, at par	-	-	-	6,235,000	-	6,235,000
Bond premium	-	-	-	903,240	-	903,240
Proceeds from sale of capital assets	-	-	-	-	87,712	87,712
Transfers in	-	-	7,672,000	780,566	766,986	9,219,552
Transfers (out)	(780,566)	-	-	-	(7,691,218)	(8,471,784)
Total other financing sources (uses)	(780,566)	-	7,672,000	7,918,806	(6,836,520)	7,973,720
NET CHANGE IN FUND BALANCES	1,503,987	2,253,662	4,234,295	22,251	(4,550,671)	3,463,524
FUND BALANCES, JANUARY 1 - AS RESTATED	23,380,289	2,312,421	5,765,971	206,369	20,127,352	51,792,402
FUND BALANCES, DECEMBER 31	\$ 24,884,276	\$ 4,566,083	\$ 10,000,266	\$ 228,620	\$ 15,576,681	\$ 55,255,926

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,463,524
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	1,316,900
Revenues in the statement of activities that are not available in governmental funds are not reported as a revenue in governmental funds until received	(71,918)
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(3,164,375)
Loss on disposal of capital assets	(9,930)
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(6,235,000)
The repayment of principal on long-term debt is reported as an expenditure in governmental funds but as a reduction of principal outstanding in the statement of activities	
Principal repayment	13,715,000
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,260)
The premium on long-term debt issued is reported as an other financing source in the governmental funds and are deferred in the statement of activities	(903,240)
The amortization of premium on long-term debt is reported as a reduction of expense on the statement of activities	124,090
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(53,425)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	(49,005)
The change in compensated absences payable is shown as an expense on the statement of activities	(46,960)
The change in net position of certain activities of internal service funds is reported in governmental funds on the statement of activities	(273,481)
The change in the following items related to OPEB are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred inflows related to OPEB	(756,074)
Net OPEB liability	347,881
The change in the following items related to pensions are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred outflows related to pensions	5,592,996
Deferred inflows related to pensions	(25,991,962)
Net pension liability	13,762,843
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 762,604</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2018

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	\$ 8,309,108	\$ 3,793,706	\$ 2,068,677	\$ 1,600,066	\$ 15,771,557	\$ 8,930,375
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,344,866	553,783	-	-	1,898,649	-
Other	-	4,653	22,135	49,507	76,295	18,235
Accrued interest	39,885	24,905	4,600	5,045	74,435	46,410
Prepaid expenses	-	-	-	-	-	70,816
Inventories	-	-	-	-	-	191,955
Total current assets	9,693,859	4,377,047	2,095,412	1,654,618	17,820,936	9,257,791
NONCURRENT ASSETS						
Capital assets						
Land	740,200	-	4,118,490	-	4,858,690	-
Buildings and improvements	6,739,405	597,545	15,681,480	-	23,018,430	-
Systems and improvements	22,237,204	61,303,955	-	-	83,541,159	-
Machinery and equipment	2,575,285	263,395	-	-	2,838,680	-
Accumulated depreciation	(17,999,095)	(40,066,205)	(12,444,130)	-	(70,509,430)	-
Total capital assets	14,292,999	22,098,690	7,355,840	-	43,747,529	-
Other assets						
Investment in joint venture						
Northwest Water Commission	12,941,820	-	-	-	12,941,820	-
Total noncurrent assets	27,234,819	22,098,690	7,355,840	-	56,689,349	-
Total assets	36,928,678	26,475,737	9,451,252	1,654,618	74,510,285	9,257,791

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ 680	\$ 145,815	\$ -	\$ -	\$ 146,495	\$ -
Deferred outflows related to pensions	242,143	55,876	-	-	298,019	72,365
Total deferred outflows of resources	242,823	201,691	-	-	444,514	72,365
CURRENT LIABILITIES						
Accounts payable	328,273	151,635	24,589	552,662	1,057,159	88,006
Accrued payroll	53,119	22,339	-	-	75,458	25,754
Accrued interest payable	15,370	-	-	-	15,370	-
Deposits payable	271,173	-	-	44,540	315,713	-
Claims payable	-	-	-	-	-	1,063,019
Unearned revenues	-	-	-	144,080	144,080	8,401
Compensated absences payable	12,060	5,605	-	-	17,665	8,535
Net OPEB liability	10,504	2,698	-	-	13,202	1,722
General obligation bonds payable	532,000	998,000	-	-	1,530,000	-
Total current liabilities	1,222,499	1,180,277	24,589	741,282	3,168,647	1,195,437
LONG-TERM LIABILITIES						
Claims payable	-	-	-	-	-	1,056,015
Compensated absences payable	48,225	22,410	-	-	70,635	34,125
Net pension liability	255,970	7,849	-	-	263,819	25,436
Net OPEB liability	222,969	57,265	-	-	280,234	36,552
General obligation bonds payable	4,288,400	5,815,660	-	-	10,104,060	-
Total long-term liabilities	4,815,564	5,903,184	-	-	10,718,748	1,152,128
Total liabilities	6,038,063	7,083,461	24,589	741,282	13,887,395	2,347,565
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	533,507	245,967	-	-	779,474	297,933
Deferred inflows related to OPEB	14,206	3,648	-	-	17,854	2,329
Total deferred inflows of resources	547,713	249,615	-	-	797,328	300,262
NET POSITION						
Net investment in capital assets	9,473,279	15,430,845	7,355,840	-	32,259,964	-
Unrestricted	21,112,446	3,913,507	2,070,823	913,336	28,010,112	6,682,329
TOTAL NET POSITION	\$ 30,585,725	\$ 19,344,352	\$ 9,426,663	\$ 913,336	\$ 60,270,076	\$ 6,682,329

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,110
Charges for services	10,911,870	4,303,186	729,953	4,515,375	20,460,384	10,131,303
Miscellaneous	222,872	45,370	-	-	268,242	127,610
Total operating revenues	11,134,742	4,348,556	729,953	4,515,375	20,728,626	10,270,023
OPERATING EXPENSES EXCLUDING DEPRECIATION						
Costs of sales and services	8,044,188	2,397,450	493,435	4,524,457	15,459,530	10,626,033
Total operating expenses excluding depreciation	8,044,188	2,397,450	493,435	4,524,457	15,459,530	10,626,033
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	3,090,554	1,951,106	236,518	(9,082)	5,269,096	(356,010)
DEPRECIATION	840,450	1,184,130	784,080	-	2,808,660	-
OPERATING INCOME (LOSS)	2,250,104	766,976	(547,562)	(9,082)	2,460,436	(356,010)
NONOPERATING REVENUES (EXPENSES)						
Investment income	131,957	68,536	29,700	26,348	256,541	141,297
Interest expense	(120,710)	(233,738)	-	-	(354,448)	-
Loss on disposal of capital assets	(65,665)	-	-	-	(65,665)	-
Insurance recovery	-	-	309,188	-	309,188	-
Joint venture	525,390	-	-	-	525,390	-
Total nonoperating revenues (expenses)	470,972	(165,202)	338,888	26,348	671,006	141,297

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 2,721,076	\$ 601,774	\$ (208,674)	\$ 17,266	\$ 3,131,442	\$ (214,713)
Transfers (out)	(292,000)	(292,000)	-	(105,000)	(689,000)	(58,768)
CHANGE IN NET POSITION	2,429,076	309,774	(208,674)	(87,734)	2,442,442	(273,481)
NET POSITION, JANUARY 1 - AS RESTATED	28,156,649	19,034,578	9,635,337	1,001,070	57,827,634	6,955,810
NET POSITION, DECEMBER 31	\$ 30,585,725	\$ 19,344,352	\$ 9,426,663	\$ 913,336	\$ 60,270,076	\$ 6,682,329

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 11,214,551	\$ 4,346,784	\$ 713,013	\$ 4,563,371	\$ 20,837,719	\$ 1,610,900
Receipts from interfund services transactions	-	-	-	-	-	8,657,104
Payments to suppliers	(5,750,078)	(1,218,688)	(383,961)	(4,393,724)	(11,746,451)	(9,735,740)
Payments to employees	(1,592,510)	(752,154)	(5,149)	-	(2,349,813)	(852,175)
Payments for interfund services transactions	(425,000)	(425,000)	(115,000)	(119,000)	(1,084,000)	-
Net cash from operating activities	3,446,963	1,950,942	208,903	50,647	5,657,455	(319,911)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Insurance recoveries	-	-	309,188	-	309,188	-
Transfers (out)	(292,000)	(292,000)	-	(105,000)	(689,000)	(58,768)
Net cash from noncapital financing activities	(292,000)	(292,000)	309,188	(105,000)	(379,812)	(58,768)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(1,060,239)	-	-	-	(1,060,239)	-
Principal payments on long-term debt	(516,000)	(964,000)	-	-	(1,480,000)	-
Interest and fiscal charges paid on long-term debt	(205,840)	(253,213)	-	-	(459,053)	-
Net cash from capital and related financing activities	(1,782,079)	(1,217,213)	-	-	(2,999,292)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	109,312	53,791	28,010	24,353	215,466	131,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,482,196	495,520	546,101	(30,000)	2,493,817	(247,487)
CASH AND CASH EQUIVALENTS, JANUARY 1	6,826,912	3,298,186	1,522,576	1,630,066	13,277,740	9,177,862
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 8,309,108	\$ 3,793,706	\$ 2,068,677	\$ 1,600,066	\$ 15,771,557	\$ 8,930,375

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,250,104	\$ 766,976	\$ (547,562)	\$ (9,082)	\$ 2,460,436	\$ (356,010)
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	840,450	1,184,130	784,080	-	2,808,660	-
(Increase) decrease in						
Accounts receivables	77,409	(8,434)	-	-	68,975	-
Other receivables	-	6,662	(16,940)	3,666	(6,612)	(3,445)
Prepaid expenses	-	-	-	-	-	(8,239)
Inventories	-	-	-	-	-	(11,690)
Deferred outflows related to pensions	272,359	142,587	-	-	414,946	172,929
Increase (decrease) in						
Accounts payable	145,590	(27,413)	(10,675)	11,733	119,235	(22,275)
Accrued payroll	5,512	422	-	-	5,934	1,699
Deposits payable	2,400	-	-	44,540	46,940	-
Claims payable	-	-	-	-	-	51,781
Unearned revenue	-	-	-	(210)	(210)	1,426
Compensated absences payable	7,070	3,010	-	-	10,080	(1,230)
Net pension liability	(625,028)	(312,514)	-	-	(937,542)	(375,017)
Net OPEB liability	75,815	1,330	-	-	77,145	(815)
Deferred inflows related to pensions	381,076	190,538	-	-	571,614	228,646
Deferred inflows related to OPEB	14,206	3,648	-	-	17,854	2,329
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 3,446,963</u>	<u>\$ 1,950,942</u>	<u>\$ 208,903</u>	<u>\$ 50,647</u>	<u>\$ 5,657,455</u>	<u>\$ (319,911)</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Loss on disposal of capital assets	\$ (65,665)	\$ -	\$ -	\$ -	\$ (65,665)	\$ -
Change in investment in joint venture	525,390	-	-	-	525,390	-
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	<u>\$ 459,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,725</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2018

	Pension Trust	Custodial
ASSETS		
Cash and cash equivalents	\$ 2,188,277	\$ 1,262,096
Investments		
U.S. Treasury securities	22,070,392	-
U.S. agency securities	1,270,506	-
Corporate and international bonds	25,097,615	-
Municipal bonds	534,979	-
Money market mutual funds	764,936	-
Equities	89,304,765	-
Receivables		
Property taxes	-	588,231
Accrued interest	357,724	-
Total assets	141,589,194	1,850,327
LIABILITIES		
None	-	-
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	-	587,850
NET POSITION		
Restricted for pensions	141,589,194	-
Restricted for debt service	-	1,262,477
Total net position	\$ 141,589,194	\$ 1,262,477

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2018

	Pension Trust	Custodial
ADDITIONS		
Contributions		
Employer	\$ 8,997,533	\$ -
Employee	2,148,249	-
Property owner	-	594,511
Other	50	-
Total contributions	11,145,832	594,511
Investment earnings		
Net increase (decrease) in the fair value of investments	(13,197,286)	-
Interest	4,127,292	19,935
Total investment earnings	(9,069,994)	19,935
Less investment expense	(454,240)	-
Net investment earnings	(9,524,234)	19,935
Total additions	1,621,598	614,446
DEDUCTIONS		
Administration	35,745	-
Benefits and refunds	10,186,020	-
Debt service		
Principal retirement	-	90,000
Interest and fiscal charges	-	501,450
Total deductions	10,221,765	591,450
CHANGE IN NET POSITION	(8,600,167)	22,996
NET POSITION		
January 1 - as restated	150,189,361	1,239,481
December 31	\$ 141,589,194	\$ 1,262,477

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS
INDEX TO
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Footnote Number	Description	Page(s)
1	Summary of Significant Accounting Policies	21 - 31
2	Deposits and Investments	31 - 33
3	Receivables	33 - 34
4	Capital Assets	35 - 36
5	Long-Term Debt	36 - 40
6	Risk Management	41
7	Contingent Liabilities	42
8	Tax Abatements	42 - 43
9	Joint Ventures	43 - 45
10	Individual Fund Disclosures	45 - 46
11	Other Postemployment Benefits	47 - 50
12	Employee Retirement Systems	50 - 72
13	Pension Trust Funds	72 - 73
14	Restatement	74

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VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Village was incorporated on March 19, 1866. The Village is a municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present the Village (the primary government). Management has determined that there are two fiduciary component units that are required to be included in the financial statements of the Village as pension trust funds.

Police Pension Employees Retirement System (PPERS)

The Village's police employees participate in PPERS. PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Mayor, one elected pension beneficiary and two elected police employees constitute the pension board. The Village is obligated to fund all PPERS costs not funded by PPERS participants based upon actuarial valuations, which creates a financial burden on the Village. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels, which results in the PPERS being fiscally dependent upon the Village. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees and because of the fiduciary nature of such activities, PPERS is reported as a pension trust fund. PPERS does not issue a stand-alone financial report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System (FPERS)

The Village's sworn firefighters participate in FPERS. FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Mayor, one elected pension beneficiary and two elected fire employees constitute the pension board. The Village is obligated to fund all FPERS costs not funded by FPERS participants based upon actuarial valuations, which creates a financial burden on the Village. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels, which results in the FPERS being fiscally dependent on the Village. Although it possesses many of the characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's fire employees and because of the fiduciary nature of such activities, FPERS is reported as a pension trust fund. FPERS does not issue a stand-alone financial report.

Joint Ventures

Northwest Water Commission (NWC)

NWC is a municipal corporation empowered to construct and maintain a joint water supply system to serve its member municipalities. Management consists of a Board of Directors comprised of one appointed representative from each member. The Village does not exercise any control over the activities of NWC beyond its representation on the Board of Directors. NWC is reported as a proprietary joint venture.

Solid Waste Agency of Northern Cook County (SWANCC)

SWANCC is a municipal corporation empowered to plan, finance, construct and operate a solid waste disposal system to serve its member municipalities. Management consists of a Board of Directors comprised of one appointed representative from each member. The Village does not exercise any control over the activities of SWANCC beyond its representation on the Board of Directors. SWANCC is reported as a non-equity proprietary joint venture.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of revenues which are restricted or committed for specific purposes (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), the servicing of general long-term debt (debt service funds) and the management of funds held in trust that can be used for governmental services (permanent fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

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

Fiduciary funds are used to account for fiduciary activities that meet the definition contained in GASB Statement No. 84, *Fiduciary Activities*. The Village utilizes pension trust funds (for its Police and Firefighters' Pension Funds) and custodial funds (for its Special Service Area debt service), which are generally used to account for assets that the Village holds in a fiduciary capacity.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund accounts for the resources traditionally associated with governments, which are not accounted for in another fund.

The Downtown TIF Fund accounts for the development and debt service costs associated with a tax increment financing redevelopment project within the Downtown Business District. Financing is provided by incremental taxes derived from the TIF District.

The Rand Road Corridor TIF Fund accounts for the development and debt service costs associated with a tax increment financing redevelopment project within the Rand Road Corridor. Financing is provided by incremental taxes derived from the TIF District. The Village has elected to present this non-major fund as a major fund for consistency purposes.

The General Obligation Bond Fund accounts for the accumulation of resources and payment of the principal and interest of the Village's general obligation bonded debt. The Village has elected to present this non-major fund as a major fund for consistency purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

The Waterworks Fund accounts for the provision of water services to incorporated and unincorporated residents.

The Sewerage Fund accounts for the provision of sewer services to incorporated and unincorporated residents.

The Motor Vehicle Parking System Fund accounts for the provision of public parking services to incorporated and unincorporated residents.

The Refuse Collection Fund accounts for the refuse collection and recycling services provided by the Village. The Village has elected to present this non-major fund as a major fund for consistency purposes.

Additionally, the Village reports the following proprietary funds:

Internal Service Funds account for the Village's self-insurance programs and the provision of fleet services to various departments of the Village. Financing is provided through fees charged to various village departments. These are reported as part of the governmental activities on the government-wide financial statements as they provide services to the Village's governmental funds/activities.

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. The Special Service Area Fund is reported as a custodial fund.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as nonoperating.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers revenues to be available if they are collected within 60 days, except for sales tax and telecommunication taxes which use a 90-day period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes owed to the Village at year end, franchise taxes, licenses, charges for services and investment income associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permit revenue are considered to be measurable and available only when cash is received by the Village.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidelines. There are, however, essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village's proprietary funds consider their equity in pooled cash and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due from/to other funds."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

g. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

h. Deferred Charge on Refunding

Deferred outflows in the government-wide and enterprise fund financial statements represent unamortized deferred charges on refunding which are being amortized over the life of the bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are recognized as expenditures proportionately over the periods that the service is provided.

j. Land Held for Resale

Land held for resale is valued at cost. Reported land held for resale is equally offset by a restricted fund balance, which indicates that it is restricted for a specific purpose. The land held consists of numerous parcels within the Downtown TIF District and the Rand Corridor District that the Village owns and is holding until sold.

k. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, storm water) and intangibles (software and easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

Asset Class	Capitalization Threshold
Buildings and land improvements	\$ 200,000
Infrastructure	250,000
Vehicles, machinery, equipment and software	50,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated/amortized using the straight-line method over the following estimated useful lives:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

Asset Class	Years
Buildings	25-50
Improvements	10-20
Machinery, equipment, vehicles and software	3-10
Infrastructure	40

l. Compensated Absences

The Village's policy permits employees to accumulate earned but unused sick leave and vacation benefits, which, under certain circumstances, are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

m. Rebatable Arbitrage

As of the date of this report, the Village has accrued no potential arbitrage liability. Where applicable, any liability for rebatable arbitrage is reported in the funds in which the excess interest income was recorded.

n. Long-Term Obligations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or internally restricted via enabling legislation. Committed fund balance is constrained by formal actions of the Village Council, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Village Council, which are considered to be equally binding. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Finance Director by the Village Council per the fund balance policy adopted by resolution. Any residual fund balance is reported as unassigned. The General Fund is the only fund that reports a positive unassigned fund balance.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets. None of the net positions or fund balances is restricted as a result from enabling legislation adopted by the Village.

The Village has a policy to maintain unassigned fund balance in the General Fund at a level of 3 to 4 months (25% to 33%) of budget operating expenditures.

p. Accounting Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Interfund Transactions

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

All other interfund transactions, except interfund services transactions and reimbursements, are reported as transfers.

r. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

2. DEPOSITS AND INVESTMENTS

The Village and pension funds categorize the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Village Deposits and Investments

The Village's investment policy authorizes the Village to invest in all instruments permitted by the Illinois Public Funds Investment Act. This act permits deposits and investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds.

2. DEPOSITS AND INVESTMENTS (Continued)

Village Deposits and Investments (Continued)

The Village's investment policy does limit their deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance. Additionally, the Village will not invest in any institution in which the Village's funds on deposit are in excess of 75% of the institutions capital stock and surplus.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity and rate of return.

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by the Village, an independent third party or the Federal Reserve Bank of Chicago.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in external investment pools. The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions (Continued)

The following table presents the investments and maturities of the Village's debt securities as of the date of this report:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 496,133	\$ 496,133	\$ -	\$ -	\$ -
U.S. Agency obligations	999,405	999,405	-	-	-
Negotiable CDs	2,229,022	1,733,783	495,239	-	-
TOTAL	\$ 3,724,560	\$ 3,229,321	\$ 495,239	\$ -	\$ -

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held in a custodial account with the trust department of an approved financial institution.

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. At the date of this report, the Village did not have more than 5% of its overall portfolio invested in any one type of investment. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

3. RECEIVABLES

a. Property taxes

Property taxes for 2018 attach as an enforceable lien on January 1, 2018, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1 and July 1 each year and are payable in two installments, on or about March 1 and August 1. The County collects such taxes and remits them periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2018 tax levy has been recorded as unavailable/deferred revenue on the financial statements.

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES (Continued)

b. Other Receivables

At the date of this report, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	\$ 14,430
Ambulance service and fees	138,830
Cable franchise fees	298,370
Food and beverage tax	140,865
Red light violations	52,280
Electric utility tax	196,749
Loan receivable	160,597
Billed receivables	18,235
Total governmental activities	<u>1,020,356</u>
BUSINESS-TYPE ACTIVITIES	
Disposal fees	49,507
Parking fees	22,135
Sewer loan program	4,653
Total business-type activities	<u>76,295</u>
TOTAL OTHER RECEIVABLES	<u>\$ 1,096,651</u>

c. Due from Other Governments

At the date of this report, the Village had amounts due from other governments as follows:

GOVERNMENTAL ACTIVITIES	
State sales tax	\$ 2,201,200
Home rule sales tax	1,247,499
Loan to park district	1,018,302
Grants	67,649
Public safety reimbursements	105,480
Court fines	109,375
Other state sources	43,132
Motor fuel tax allotments	148,900
Telecommunications tax	325,259
Total governmental activities	<u>5,266,796</u>
BUSINESS-TYPE ACTIVITIES	<u>-</u>
TOTAL DUE FROM OTHER GOVERNMENTS	<u>\$ 5,266,796</u>

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 11,565,020	\$ -	\$ -	\$ 11,565,020
Land right of way	139,806,925	-	-	139,806,925
Total capital assets not being depreciated	151,371,945	-	-	151,371,945
Capital assets being depreciated				
Buildings and improvements	52,208,475	-	-	52,208,475
Machinery and equipment	11,734,705	627,580	628,970	11,733,315
Streets	29,561,310	689,320	37,060	30,213,570
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	95,101,225	1,316,900	666,030	95,752,095
Less accumulated depreciation for				
Buildings and improvements	12,360,585	1,583,025	-	13,943,610
Machinery and equipment	7,041,030	937,695	619,040	7,359,685
Streets	16,261,930	611,655	37,060	16,836,525
Bridges	918,635	32,000	-	950,635
Total accumulated depreciation	36,582,180	3,164,375	656,100	39,090,455
Total capital assets being depreciated, net	58,519,045	(1,847,475)	9,930	56,661,640
TOTAL GOVERNMENTAL ACTIVITIES	\$ 209,890,990	\$ (1,847,475)	\$ 9,930	\$ 208,033,585
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,858,690	\$ -	\$ -	\$ 4,858,690
Total capital assets not being depreciated	4,858,690	-	-	4,858,690
Capital assets being depreciated				
Equipment	2,838,680	-	-	2,838,680
Buildings and improvements	7,336,950	-	-	7,336,950
Water system	21,335,995	1,060,239	159,030	22,237,204
Sewer system	61,303,955	-	-	61,303,955
Parking improvements	15,681,480	-	-	15,681,480
Total capital assets being depreciated	108,497,060	1,060,239	159,030	109,398,269
Less accumulated depreciation for				
Equipment	2,040,605	259,150	-	2,299,755
Buildings and improvements	4,569,020	160,640	-	4,729,660
Water system	10,896,820	453,910	93,365	11,257,365
Sewer system	38,627,640	1,150,880	-	39,778,520
Parking improvements	11,660,050	784,080	-	12,444,130
Total accumulated depreciation	67,794,135	2,808,660	93,365	70,509,430
Total capital assets being depreciated, net	40,702,925	(1,748,421)	65,665	38,888,839
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 45,561,615	\$ (1,748,421)	\$ 65,665	\$ 43,747,529

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES

General government	\$ 480,525
Public safety	1,453,865
Public works	<u>1,229,985</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3,164,375</u>
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5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued is \$84,505,000. During the year, general obligation bonds totaling \$6,235,000 were issued to refund other general obligation bonds.

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

Purpose	Amount
Governmental activities	\$ 22,700,000
Governmental activities – refunding	8,980,000
Governmental activities – TIF Refunding	21,890,000
Business-type activities	5,310,000
Business-type activities – refunding	<u>5,525,000</u>
TOTAL	<u>\$ 64,405,000</u>

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 5,565,000	\$ 2,164,875	\$ 1,530,000	\$ 405,863
2020	5,760,000	1,932,905	1,600,000	349,363
2021	6,040,000	1,796,530	1,665,000	290,163
2022	6,205,000	1,648,499	1,725,000	228,663
2023	2,545,000	1,488,000	1,065,000	162,443
2024 – 2028	13,300,000	5,799,370	3,250,000	241,497
2029 – 2033	11,555,000	2,809,450	-	-
2034	2,600,000	150,800	-	-
TOTAL	<u>\$ 53,570,000</u>	<u>\$ 17,790,429</u>	<u>\$ 10,835,000</u>	<u>\$ 1,677,992</u>

b. Tax Increment Financing Revenue Bonds and Notes

The Village also issues bonds and notes where the Village pledges incremental property tax income derived from separately created tax increment financing districts. The original amount of tax increment financing revenue bonds and notes in prior years was \$190,000.

These bonds and notes are not obligations of the Village and are secured only by the incremental property tax revenues generated by the tax increment financing district. Tax increment financing bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	0%	\$ 79,793

Annual debt service payments are based upon 50% of the incremental revenues, if any, generated by the underlying project. As such, there are no established debt service amortization schedules for these bonds and notes.

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

The Village is a home rule municipality. Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

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

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

d. Noncommitment Debt

Special Service Area Number 5 Bonds, Taxable Series 2008 outstanding as of the date of this report totaled \$5,460,000. These bonds are not an obligation of the Village and are secured solely by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for the repayment, but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

e. Tax Increment Financing Redevelopment Note Disclosures

Limited Obligation Redevelopment Notes - The Series 2006B Limited Obligation Redevelopment Notes were issued in conjunction with Downtown Redevelopment Projects. The ordinance authorizing the issuance of this obligation provided that this instrument was payable solely from the incremental property taxes generated from the subject project's parcel, if any.

The term of these notes expires on December 31, 2022, or such earlier date that the Downtown Tax Increment Financing District is terminated. Any unpaid balance of these notes at the expiration date of the Downtown Tax Increment Financing District will be forgiven.

5. LONG-TERM DEBT (Continued)

f. Current Refunding of General Obligation Bonds

On September 5, 2018, the Village issued \$6,235,000 General Obligation Refunding Bonds, Series 2018 to refund under the crossover method \$7,035,000 of the General Obligation Bonds, Taxable Series 2009C, resulting in an economic gain of \$355,637 and a reduction of \$427,316 in future debt service payments. The refunded bonds were called and redeemed on December 1, 2018. Since the refunded debt was redeemed within 90 days from the issuance of the refunding debt, this transaction was classified as a current refunding.

On December 1, 2018, the Village called and redeemed from current resources the outstanding \$315,000 General Obligation Bonds, Series 2007C and \$795,000 General Obligation Bonds, Series 2009A to achieve a \$260,862 reduction in future debt service payments.

g. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018 is presented on the following page and was as follows:

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

g. Changes in Long-Term Liabilities (Continued)

	Beginning Balances As Restated	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 61,050,000	\$ 6,235,000	\$ 13,715,000	\$ 53,570,000	\$ 5,565,000
TIF notes	79,793	-	-	79,793	-
Claims payable	1,005,670	542,480	492,135	1,056,015	-
Net pension liability*	101,690,320	18,254,794	586,072	119,359,042	-
Net OPEB liability*	12,813,330	-	348,696	12,464,634	560,798
Compensated absences*	1,299,975	3,140,020	3,094,290	1,345,705	269,144
Total	177,939,088	28,172,294	18,236,193	187,875,189	6,394,942
Less deferred amounts					
Unamortized bond discount	(31,080)	-	(5,260)	(25,820)	-
Unamortized bond premium	579,907	903,240	124,090	1,359,057	-
Total deferred amounts	548,827	903,240	118,830	1,333,237	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 178,487,915	\$ 29,075,534	\$ 18,355,023	\$ 189,208,426	\$ 6,394,942
BUSINESS-TYPE ACTIVITIES					
General obligation bonds					
Water Fund	\$ 4,764,000	\$ -	\$ 516,000	\$ 4,248,000	\$ 532,000
Sewer Fund	7,551,000	-	964,000	6,587,000	998,000
Net pension liability					
Water Fund	880,998	-	625,028	255,970	-
Sewer Fund	320,363	-	312,514	7,849	-
Net OPEB liability					
Water Fund	157,658	75,815	-	233,473	10,504
Sewer Fund	58,633	1,330	-	59,963	2,698
Compensated absences					
Water Fund	53,215	123,095	116,025	60,285	12,060
Sewer Fund	25,005	54,825	51,815	28,015	5,605
Total	13,810,872	255,065	2,585,382	11,480,555	1,560,867
Less deferred amounts					
Unamortized bond discount	(13,720)	-	(1,260)	(12,460)	-
Unamortized bond premium	937,330	-	125,810	811,520	-
Total deferred amounts	923,610	-	124,550	799,060	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 14,734,482	\$ 255,065	\$ 2,709,932	\$ 12,279,615	\$ 1,560,867

* The General Fund has typically been used to liquidate these liabilities.

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is self-insured for medical benefits and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of \$125,000 per individual's claims paid and a maximum of 125% of the expected aggregate claims paid. The Village purchases commercial insurance for claims in excess of the coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Village is self-insured for first party property losses, third party liability claims, workers' compensation claims and public officials' liability claims. These self-insurance activities are reported in the Casualty and Liability Insurance Fund which is an internal service fund.

All funds of the Village participate and make payments to the Health Insurance and Casualty and Liability Insurance Funds based upon actuarial estimates of the amounts needed to pay prior and current year claims. Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and societal factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	Medical Benefits	Workers' Compensation	General Liability	Totals
UNPAID CLAIMS,				
DECEMBER 31, 2016	\$ 818,325	\$ 980,845	\$ 39,600	\$ 1,818,770
Claims incurred – 2017	4,308,824	255,776	396,113	4,960,713
Claims payments – 2017	4,198,906	406,946	126,378	4,732,230
UNPAID CLAIMS,				
DECEMBER 31, 2017	928,243	829,675	309,335	2,067,253
Claims incurred – 2018	4,247,127	208,365	404,948	4,860,440
Claims payments – 2018	4,251,621	298,335	258,703	4,808,659
UNPAID CLAIMS,				
DECEMBER 31, 2018	\$ 923,749	\$ 739,705	\$ 455,580	\$ 2,119,034

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWC)

The Village has committed to purchase water from NWC. The Village expects to pay approximately \$3,000,000 through December 31, 2019. This amount has been calculated using the Village's current allocation percentage of approximately 30%. In future years, this allocation percentage will be subject to change.

d. Solid Waste Agency of Northern Cook County (SWANCC)

The Village has committed to make payments to SWANCC for the disposal of residential solid waste of the Village effective August 1, 1994. Payments are based upon a tipping fee established to cover operations and maintenance costs and the Village's pro rata share of the fixed costs of SWANCC.

The Village's estimated 2019 payment for operations and maintenance costs is \$1,143,200, based on an estimated tipping fee of \$46.87 per ton for 24,391 tons.

8. TAX ABATEMENTS

The Village rebates property taxes to recruit, retain, or improve local business facilities or their supporting public infrastructure under certain circumstances and as an annexation inducement. The terms of these rebate arrangements are specified within written agreements with the individuals and businesses concerned.

8. TAX ABATEMENTS (Continued)

For the current year, the Village rebated its share of property taxes paid by several individuals to induce them to annex into the Village in 2007 for redevelopment purposes. These agreements terminate upon the first of the following events to occur: the Owner selling, assigning, conveying, redeveloping the property and/or the business with either a new use or a new or remodeled structure, or twenty (20) years from the date of the annexation. The rebate for the year totaled \$18,416.

The Village rebated property taxes paid by several businesses located within Tax Increment Financing Districts for costs associated with construction of or improvements to their business facilities. These agreements state the total eligible costs and the rebates are contingent on meeting certain financial performance metrics. The rebate for the year totaled \$279,526.

The Village rebated property taxes paid by a business located within a Tax Increment Financing District to retain this business. This agreement allows for the business to occupy what would otherwise be a vacant building. This license agreement is renewable annually. The rebate for the year totaled \$71,161.

Cook County offers a Class 6b incentive program, whereby qualifying industrial properties will be assessed at 10% of market value for the first 10 years, 15% in the 11th year and 20% in the 12th year. In the absence of this incentive, industrial real estate would normally be assessed at 25% of its market value. While this program results in a substantial reduction in the level of assessment and results in significant tax savings for the qualifying property, it does not reduce the amount of taxes received by the Village.

9. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

9. JOINT VENTURES (Continued)

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

Complete financial statements can be obtained from the SWANCC administrative office at 77 West Hintz Road, Suite 200, Wheeling, Illinois 60090.

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

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

In accordance with the contract, the Village made payments totaling \$1,091,547 to SWANCC during the year. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at the date of this report.

Northwest Water Commission (NWC)

The Village is a member of NWC which consists of four municipalities. NWC is a municipal corporation and public body politic and corporate established pursuant to the Intergovernmental Cooperation Act of the State of Illinois. NWC is empowered to plan, construct, improve, extend, acquire, finance, operate and maintain a water supply system to serve its members and other potential water purchasers.

NWC is governed by a board of commissioners which consist of one appointed representative from each member municipality as well as one from the County. Each commissioner has an equal vote. The officers of NWC are appointed by the Board of Commissioners. The Board of Commissioners determines the general policy of NWC, makes all appropriations, approves contracts for sale or purchase of water, provides for the issuance of debt, adopts by-laws, rules and regulations, exercises such powers and performs such duties as may be prescribed in the agency agreement or the by-laws.

Complete financial statements can be obtained from the NWC, 1525 North Wolf Road, Des Plaines, Illinois 60016.

9. JOINT VENTURES (Continued)

Northwest Water Commission (NWC) (Continued)

Revenues of the system consist of all receipts derived from the Water Supply Agreements or any other contract for the supply of water, all income derived from the investment of monies, and all income, fees, water service charges and all grants, rents and receipts derived by NWC from the ownership and operation of the system and the sale of water. NWC covenants to establish fees and charges sufficient to provide revenues to meet all its obligations.

NWC has entered into water supply agreements with the four member municipalities for a term of 40 years, extending to 2022. The agreements are irrevocable and may not be terminated or amended except as provided for in the General Resolution. Each member is obligated, on a "take or pay" basis, to purchase or in any event to pay for a minimum annual quantity of water.

NWC has entered into an agreement with the City of Evanston (the City) under which the City has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2035.

The obligation of the Village to make payments required by this agreement is payable from the Village's Waterworks Fund.

In accordance with the joint venture agreement, the Village remitted \$2,937,410 to NWC during the year. The Village's equity interest in NWC was \$12,941,820 at the date of this report. The Village's net investment and its share of the operating results of NWC are recorded in the Village's Waterworks Fund.

10. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at the date of this report consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Nonmajor governmental Special Police Grant	\$ 18,799
TOTAL		<u>\$ 18,799</u>

The purpose of the due from/to other funds is for a short-term cash loan at year end. The amount will be repaid within one year.

10. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Advances From/To Other Funds

Advances from/to other funds at the date of this report consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Downtown TIF	<u>\$ 3,663,890</u>

The purposes of the advances from/to other funds are as follows:

- This advance to the Downtown TIF Fund from the General Fund relates to financing various redevelopment projects. Repayment is not expected within one year.

c. Transfers

During the year, the following transfers were made:

- \$780,566 from the General Fund to the General Obligation Bond Fund.
- \$19,218 from the Village Hall Renovation Fund to the General Fund.
- \$292,000 from the Water Fund to the Capital Equipment Acquisition Fund.
- \$292,000 from the Sewer Fund to the Capital Equipment Acquisition Fund.
- \$105,000 from the Refuse Collection Fund to the Capital Improvement Fund.
- \$58,768 from the Fleet Services Fund to the Capital Improvement Fund.
- \$7,672,000 from the Dundee Road TIF Fund to the Rand Road Corridor TIF Fund.

These transfers relate to the one-time movement of resources between funds that will not be repaid.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Administration

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

Plan Membership

At December 31, 2018, membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>286</u>
 TOTAL	 <u>356</u>

Benefits Provided

The Village provides the opportunity for retirees, their spouses and dependents (enrolled at time of employee's retirement) to participate in the Village's self-insured health insurance plan for pre-Medicare postretirement health insurance. To be eligible for benefits, the employee must qualify for retirement under one of the Village's three retirement plans. An implicit benefit is provided due to the retirees paying 100% of the actuarially determined premium to the plan. Pursuant to the Illinois Public Safety Employee Benefits Act, the Village provides health insurance to any sworn police or fire employee (their spouses and dependents) who suffers a catastrophic injury or is killed in the line of duty. The Village is responsible for paying the entire actuarially determined contribution to the plan.

Total OPEB Liability

The Village's total OPEB liability of \$12,758,070 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2018, as determined by an actuarial valuation as of December 31, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial cost method	Entry-age normal
Assumptions	
Total payroll increases	3.00%
Discount rate	
Beginning of year	3.44%
End of year	4.10%
Healthcare cost trend rates	
Initial	10.60%
Ultimate	5.00%

The discount rate was based on The Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2018	<u>\$ 13,029,621</u>
Changes for the period:	
Service cost	719,981
Interest	438,629
Changes in assumptions	(856,449)
Plan changes	-
Benefit payments	<u>(573,712)</u>
Net changes	<u>(271,551)</u>
BALANCES AT DECEMBER 31, 2018	<u>\$ 12,758,070</u>

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate.

The table below presents the total OPEB liability of the Village determined using the end of year discount rate listed in the assumption section, as well as what the Village total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB Liability	\$ 14,083,824	\$ 12,758,070	\$ 11,566,484

The table below presents the total OPEB liability of the Village calculated using the healthcare cost trend rates listed in the assumption section, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher:

	1% Decrease (Varies)	Current Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Total OPEB Liability	\$ 11,126,898	\$ 12,758,070	\$ 14,699,978

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

For the year ended December 31, 2018, the Village recognized OPEB expense of \$504,706. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	776,257
Total	\$ -	\$ 776,257

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)*

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

<u>Year Ending December 31,</u>	
2019	\$ (80,192)
2020	(80,192)
2021	(80,192)
2022	(80,192)
2023	(80,192)
Thereafter	<u>(375,297)</u>
Total	<u>\$ (776,257)</u>

12. EMPLOYEE RETIREMENT SYSTEMS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Employees Retirement System (PPERS) which is a single-employer pension plan; and the Firefighters' Pension Employees Retirement System (FPERS) which is also a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained online at www.imrf.org.

a. Illinois Municipal Retirement Fund (IMRF)

Plan Administration

All employees (other than those covered by PPERS or FPERS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (Continued)

Plan Membership

At December 31, 2017 (latest information available), membership consisted of:

Inactive plan members currently receiving benefits	190
Inactive plan members entitled to but not yet receiving benefits	98
Active employees	139
	<hr/>
TOTAL	427
	<hr/>

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution and required employer contribution for 2018 was 11.48% of covered payroll.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (Continued)

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2017 (latest information available), were as follows:

Total pension liability	\$ 71,782,523
Plan fiduciary net position	70,023,727
Village's net pension liability	1,758,796
Plan fiduciary net position as a percentage of the total pension liability	97.55%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation using the following actuarial methods and assumptions as of the date of this report.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Asset valuation method	Market
Inflation	2.50%
Salary increases	3.39 to 14.25%
Interest rate	7.50%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 – 2016.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (Continued)

Discount Rate

The expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met)); and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2017	\$ 70,096,672	\$ 62,087,596	\$ 8,009,076
Changes for the period:			
Service cost	1,134,861	-	1,134,861
Interest	5,178,562	-	5,178,562
Difference between expected and actual experience	922,845	-	922,845
Changes in assumptions	(2,317,207)	-	(2,317,207)
Employer contributions	-	1,286,486	(1,286,486)
Employee contributions	-	475,499	(475,499)
Net investment income	-	10,497,805	(10,497,805)
Benefit payments and refunds	(3,233,210)	(3,233,210)	-
Administrative expense	-	-	-
Other (net transfer)	-	(1,090,449)	1,090,449
Net changes	1,685,851	7,936,131	(6,250,280)
BALANCES AT DECEMBER 31, 2017	\$ 71,782,523	\$ 70,023,727	\$ 1,758,796

The governmental activities portion of the net pension liability is generally liquidated by the General Fund.

There were no changes with respect to actuarial assumptions.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.50% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability/(Asset)	\$ 10,911,862	\$ 1,758,796	\$ (5,782,648)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the Village recognized IMRF pension expense of \$1,667,168. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 662,537	\$ 670,809
Changes in assumptions	25,216	1,776,042
Net difference between projected and actual earnings on pension plan investments	-	2,749,644
Employer contributions after the measurement date	1,228,557	-
Total	\$ 1,916,310	\$ 5,196,495

The \$1,228,557 reported as deferred outflows of resources related to pensions resulting from Village contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

<u>Year Ending December 31,</u>	
2018	\$ (1,051,742)
2019	(930,969)
2020	(1,338,573)
2021	(1,187,458)
2022	-
Thereafter	<u>-</u>
Total	<u>\$ (4,508,742)</u>

b. Police Pension Employees Retirement System (PPERS)

Plan Administration

Police sworn personnel are covered by PPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the PPERS as a pension trust fund.

PPERS is governed by a five-member Board of Trustees. Two members of the Board are appointed by the Village's Mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Plan Membership

At December 31, 2018, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	75
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>108</u>
 TOTAL	 <u>186</u>
 Number of participating employers	 <u>1</u>

Benefits Provided

PPERS provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Benefits Provided (Continued)

years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to PPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has elected to calculate its annual contribution using the entry age normal level percentage of payroll actuarial cost method that will result in the funding of 100% of the past service cost by the year 2040. For the year ended December 31, 2018, the Village's contribution was 41.73% of covered payroll.

Investment Policy

ILCS limit the PPERS' investments to those allowable by ILCS and require PPERS' Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. PPERS' investment policy authorizes deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and The Illinois Funds. PPERS may also invest in certain non-U.S. obligations, Illinois municipal corporation tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity securities, and real estate investment trusts. During the year, there were no changes to the investment policy approved by the Board of Trustees.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Investment Policy (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Large cap core	26.7%	7.3%
Large cap value	7.8%	7.3%
Large cap growth	8.5%	7.3%
Small – Mid cap	10.4%	8.1%
International	11.6%	6.9%
Fixed income	33.1%	3.5%
Cash and cash equivalents	1.9%	1.0%

ILCS limit PPERS' investments in equities, mutual funds, and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on PPERS' investments was determined using an asset allocation study conducted by PPERS' investment management consultant in December 2018, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in PPERS' target asset allocation as of the date of this report are listed in the table above.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31 for debt securities, equity securities, mutual funds and contract values for insurance contracts. The Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that reports investments at amortized cost in accordance with GASB Statement 79.

Investment Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of PPERS' investments.

Investment Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (5.36)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, PPERS' deposits may not be returned to it. PPERS' investment policy does not require collateralization; however, all deposits at the date of this report are covered by Federal Depository Insurance.

Interest Rate Risk

The following table presents the investments and maturities of PPERS' debt securities as of the date of this report:

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Interest Rate Risk (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 6,474,270	\$ 404,038	\$ 1,195,190	\$ 914,004	\$ 3,961,038
U.S. agency obligations	857,668	200,616	197,074	322,249	137,729
Corporate bonds	15,859,799	610,928	8,448,990	5,423,571	1,376,310
Municipal bonds	534,979	49,960	235,261	35,862	213,896
TOTAL	\$ 23,726,716	\$ 1,265,542	\$ 10,076,515	\$ 6,695,686	\$ 5,688,973

In accordance with its investment policy, PPERS limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for all reasonably anticipated operating requirements while providing a reasonable rate of return based on the current market.

PPERS has the following recurring fair value measurements as of December 31, 2018. The U.S. Treasury obligations, equity securities and money market mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (Level 2 inputs).

Credit Risk

PPERS limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The fixed income securities are rated BAA3 to Aaa by Moody's. However, certain fixed income securities are not rated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, PPERS will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, PPERS' investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held in a custodial account with the trust department of an approved financial institution. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, PPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2018	\$ 123,571,263	\$ 77,376,445	\$ 46,194,818
Changes for the period:			
Service cost	2,290,298	-	2,290,298
Interest	8,777,152	-	8,777,152
Difference between expected and actual experience	1,720,631	-	1,720,631
Changes in assumptions	-	-	-
Employer contributions	-	4,322,198	(4,322,198)
Employee contributions	-	1,077,694	(1,077,694)
Other contributions	-	90,613	(90,613)
Net investment income	-	(5,145,470)	5,145,470
Benefit payments and refunds	(5,014,198)	(5,014,198)	-
Administrative expense	-	(21,864)	21,864
Net changes	7,773,883	(4,691,027)	12,464,910
BALANCES AT DECEMBER 31, 2018	\$ 131,345,146	\$ 72,685,418	\$ 58,659,728

The governmental activities portion of the net pension liability is generally liquidated by the General Fund.

There were no changes with respect to actuarial assumptions.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation using the following actuarial methods and assumptions as of the date of this report. Unless otherwise noted, the same actuarial assumptions are used for Tier 1 and Tier 2.

Actuarial valuation date	December 31, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.00 - 15.60%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as appropriate. The other non-economic actuarial assumptions used in the December 31, 2018, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Police Officers.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability \$	79,316,524	\$ 58,659,728	\$ 42,026,739

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Police Pension Employees Retirement System (PPERS) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the Village recognized PPERS pension expense of \$7,003,311 and reported deferred outflows of resources and deferred inflows of resources related to PPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,764,675	\$ 5,351,455
Changes in assumptions	1,400,248	1,275,170
Net difference between projected and actual earnings on pension plan investments	6,742,714	-
Total	\$ 10,907,637	\$ 6,626,625

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

<u>Year Ending December 31,</u>	
2019	\$ 2,708,564
2020	307,772
2021	296,298
2022	1,225,633
2023	(460,075)
Thereafter	202,820
Total	\$ 4,281,012

c. Firefighters' Pension Employees Retirement System (FPERS)

Plan Administration

Fire sworn personnel are covered by FPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for FPERS as a pension trust fund.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Plan Administration (Continued)

FPERS is governed by a five-member Board of Trustees. Two members of the Board are appointed by the Village's Mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

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

Plan Membership

At December 31, 2018, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	73
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>91</u>
 TOTAL	 <u>166</u>
 Number of participating employers	 <u>1</u>

Benefits Provided

FPERS provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Benefits Provided (Continued)

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of $\frac{1}{2}$ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., $\frac{1}{2}$ % for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Employees are required by ILCS to contribute 9.455% of their base salary to FPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has elected to calculate its annual contribution using the entry age normal level percentage of payroll actuarial cost method that will result in the funding of 100% of the past service cost by the year 2040. For the year ended December 31, 2018, the Village's contribution was 51.17% of covered payroll.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Investment Policy

ILCS limit FPERS' investments to those allowable by ILCS and require FPERS' Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. FPERS' investment policy authorizes deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and The Illinois Funds. FPERS may also invest in certain non-U.S. obligations, Illinois municipal corporation tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity securities, and real estate investment trusts. During the year, there were no changes to the investment policy approved by the Board of Trustees.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Russell 1000 large cap index	21%	7.31%
US small cap	6%	10.40%
World equity	17%	9.35%
Emerging markets	4%	11.46%
High yield bond fund	5%	6.13%
Emerging markets debt fund	5%	7.45%
Dynamic asset allocation fund	7%	9.81%
Fixed income	33%	4.26%
Cash and cash equivalents	2%	1.00%

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Investment Policy (Continued)

ILCS limit FPERS' investments in equities, mutual funds, and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on FPERS' investments was determined using an asset allocation study conducted by FPERS' investment management consultant in December 2018, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in FPERS' target asset allocation as of the date of this report are listed in the table on the previous page.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31 for debt securities, equity securities, mutual funds and contract values for insurance contracts. The Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that reports investments at amortized cost in accordance with GASB Statement 79.

Investment Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of FPERS' investments.

Investment Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (6.11)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, FPERS' deposits may not be returned to it. FPERS' investment policy does not require collateralization; however, all deposits at the date of this report are covered by Federal Depository Insurance.

Interest Rate Risk

The following table presents the investments and maturities of FPERS' debt securities as of the date of this report:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 15,596,122	\$ -	\$ 9,705,489	\$ 5,890,633	\$ -
U.S. agency obligations	412,838	-	214,771	198,067	-
Corporate bonds	9,237,816	1,263,111	6,254,070	1,720,635	-
TOTAL	\$ 25,246,776	\$ 1,263,111	\$ 16,174,330	\$ 7,809,335	\$ -

In accordance with its investment policy, FPERS limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for all reasonably anticipated operating requirements while providing a reasonable rate of return based on the current market.

FPERS has the following recurring fair value measurements as of December 31, 2018. The U.S. Treasury obligations, equity securities, and money market mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (Level 2 inputs).

Credit Risk

FPERS limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The fixed income securities are rated BAA3 to Aaa by Moody's.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, FPERS will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, FPERS' investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held in a custodial account with the trust department of an approved financial institution. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, FPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on FPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2018	\$ 121,500,711	\$ 72,812,914	\$ 48,687,797
Changes for the period:			
Service cost	2,174,274	-	2,174,274
Interest	8,621,323	-	8,621,323
Difference between expected and actual experience	994,849	-	994,849
Changes in assumptions	(11,224)	-	(11,224)
Employer contributions	-	4,675,335	(4,675,335)
Employee contributions	-	905,175	(905,175)
Other contributions	-	74,767	(74,767)
Net investment income	-	(4,381,620)	4,381,620
Benefit payments and refunds	(5,171,821)	(5,171,821)	-
Administrative expense	-	(10,975)	10,975
Net changes	6,607,401	(3,909,139)	10,516,540
BALANCES AT DECEMBER 31, 2018	\$ 128,108,112	\$ 68,903,775	\$ 59,204,337

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Changes in the Net Pension Liability (Continued)

The governmental activities portion of the net pension liability is generally liquidated by the General Fund.

There were changes with respect to actuarial assumptions regarding the discount rate, mortality rates, and demographic assumptions.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation using the following actuarial methods and assumptions as of the date of this report. Unless otherwise noted, the same actuarial assumptions are used for Tier 1 and Tier 2.

Actuarial valuation date December 31, 2018

Actuarial cost method Entry-age normal

Assumptions

Inflation	2.5%
Salary increases	4.0 – 36.32%
Interest rate	7.25%
Cost of living adjustments	2.5%

Asset valuation method Market

Mortality rates were based on the RP-2014 Study Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as appropriate. The other non-economic actuarial assumptions used in the December 31, 2018, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Firefighters.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 78,116,703	\$ 59,204,337	\$ 43,812,307

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the Village recognized FPERS pension expense of \$8,315,239 and reported deferred outflows of resources and deferred inflows of resources related to FPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,851,357	\$ 1,308,676
Changes in assumptions	1,721,169	9,831
Net difference between projected and actual earnings on pension plan investments	6,174,126	-
Total	\$ 9,746,652	\$ 1,318,507

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

Year Ending December 31,	
2019	\$ 3,784,658
2020	1,175,391
2021	1,167,588
2022	2,061,332
2023	125,796
Thereafter	113,380
Total	\$ 8,428,145

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Funded Status (Continued)

	IMRF	PPERS	FPERS
Actuarial valuation date	December 31, 2017	December 31, 2018	December 31, 2018
Total pension liability (TPL)	\$ 71,782,523	\$ 131,345,146	\$ 128,108,112
Plan fiduciary net position	70,023,727	72,685,419	68,903,775
Net pension liability (NPL)	1,758,796	58,659,727	59,204,337
Plan fiduciary net position as a percentage of the TPL	97.55%	55.34%	53.79%
Covered payroll (active plan members)	\$ 10,452,192	\$ 10,871,318	\$ 9,508,556
Net pension liability as a percentage of covered payroll	16.83%	539.58%	622.64%

See the schedules of funding progress, presented in the required supplementary information immediately following the notes to financial statements, for additional information related to the funded status.

13. PENSION TRUST FUNDS

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	\$ 1,055,714	\$ 1,132,563	\$ 2,188,277
Investments			
U.S. Treasury securities	6,474,270	15,596,122	22,070,392
U.S. agency securities	857,668	412,838	1,270,506
Corporate and international bonds	15,859,799	9,237,816	25,097,615
Municipal bonds	534,979	-	534,979
Money market mutual funds	741,345	23,591	764,936
Equities	46,991,840	42,312,925	89,304,765
Receivables			
Accrued interest	169,804	187,920	357,724
Total assets	72,685,419	68,903,775	141,589,194
LIABILITIES			
None	-	-	-
Total liabilities	-	-	-
NET POSITION	\$ 72,685,419	\$ 68,903,775	\$ 141,589,194

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

13. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 4,322,198	\$ 4,675,335	\$ 8,997,533
Employee	1,168,307	979,942	2,148,249
Other	50	-	50
Total contributions	5,490,555	5,655,277	11,145,832
Investment income			
Net appreciation in fair value of investments	(7,327,080)	(5,870,206)	(13,197,286)
Interest income	2,433,754	1,693,538	4,127,292
Less investment expense	(250,717)	(203,523)	(454,240)
Net investment income	(5,144,043)	(4,380,191)	(9,524,234)
Total additions	346,512	1,275,086	1,621,598
DEDUCTIONS			
Administrative	23,340	12,405	35,745
Pension benefits and refunds	5,014,198	5,171,822	10,186,020
Total deductions	5,037,538	5,184,227	10,221,765
CHANGE IN NET POSITION	(4,691,026)	(3,909,141)	(8,600,167)
NET POSITION			
January 1	77,376,445	72,812,916	150,189,361
December 31	\$ 72,685,419	\$ 68,903,775	\$ 141,589,194

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. RESTATEMENT

In 2018, the Village restated beginning net position, as follows:

Changes in Accounting Principle – for the implementation of GASB Statement Numbers:

75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and

84 - Fiduciary Activities.

Correction of an Error in a Previous Period (prior period adjustment) – for an error in the reporting of prior year revenue.

ENTITY-WIDE STATEMENTS	Governmental Activities	Business-Type Activities
Net position, January 1 - as previously reported	\$ 100,999,784	\$ 58,043,925
Change in Accounting Principle		
GASB 75		
Write-off net OPEB obligation	3,111,605	-
Record total OPEB liability	(12,813,330)	(216,291)
Correction of an Error		
Record accounts receivable	235,694	-
Net position, January 1 - as restated	<u>\$ 91,533,753</u>	<u>\$ 57,827,634</u>

FUND LEVEL STATEMENTS	Capital Improvement Fund	Waterworks Fund	Sewerage Fund	Fleet Services Fund
Net position, January 1 - as previously reported	\$ 4,046,384	\$ 28,314,307	\$ 19,093,211	\$ 805,484
Change in Accounting Principle				
GASB 75				
Write-off net OPEB obligation	-	-	-	-
Record total OPEB liability	-	(157,658)	(58,633)	(39,089)
Correction of an Error				
Record accounts receivable	235,694	-	-	-
Net position, January 1 - as restated	<u>\$ 4,282,078</u>	<u>\$ 28,156,649</u>	<u>\$ 19,034,578</u>	<u>\$ 766,395</u>

FIDUCIARY FUNDS - CUSTODIAL FUND STATEMENTS	Special Service Area Fund
Net position, January 1 - as previously reported	\$ -
Change in Accounting Principle	
GASB 84	
Record net position of custodial funds	<u>1,239,481</u>
Net position, January 1 - as restated	<u>\$ 1,239,481</u>

Required Supplementary Information

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 26,796,648	\$ 26,796,648	\$ 26,718,556
Licenses and permits	3,394,700	3,394,700	3,226,870
Intergovernmental	18,343,890	18,550,725	19,534,046
Charges for services	4,450,615	4,450,615	4,515,911
Fines and forfeits	1,755,500	1,755,500	1,936,416
Investment income	228,520	228,520	567,404
Miscellaneous	434,921	443,521	451,983
Total revenues	55,404,794	55,620,229	56,951,186
EXPENDITURES			
General government	5,948,814	5,644,073	5,129,280
Public safety	43,646,105	44,193,961	43,471,946
Public works	6,289,875	6,381,984	6,065,407
Total expenditures	55,884,794	56,220,018	54,666,633
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(480,000)	(599,789)	2,284,553
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(780,566)	(780,566)
Total other financing sources (uses)	-	(780,566)	(780,566)
NET CHANGE IN FUND BALANCE	\$ (480,000)	\$ (1,380,355)	1,503,987
FUND BALANCE, JANUARY 1			23,380,289
FUND BALANCE, DECEMBER 31			\$ 24,884,276

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DOWNTOWN TIF FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 5,908,100	\$ 5,908,100	\$ 6,015,269
Investment income	13,795	13,795	90,880
Total revenues	5,921,895	5,921,895	6,106,149
EXPENDITURES			
Economic development			
Supplies and services	10,000	10,000	5,528
Project expenditures	13,525	13,525	13,522
Capital outlay			
Rights of way improvements	10,000	10,000	9,990
Street improvements	350,000	355,593	353,046
Debt service			
Principal retirement	2,900,000	2,900,000	2,890,000
Interest	578,905	578,910	578,901
Fiscal charges	3,000	2,995	1,500
Total expenditures	3,865,430	3,871,023	3,852,487
NET CHANGE IN FUND BALANCE	\$ 2,056,465	\$ 2,050,872	2,253,662
FUND BALANCE, JANUARY 1			2,312,421
FUND BALANCE, DECEMBER 31			\$ 4,566,083

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RAND ROAD CORRIDOR TIF FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 3,080,400	\$ 3,080,400	\$ 3,019,601
Investment income	1,500	1,500	71,087
Total revenues	3,081,900	3,081,900	3,090,688
EXPENDITURES			
Economic development			
Supplies and services	10,000	10,000	2,764
Project expenditures	280,000	2,559,425	2,563,056
Loss on disposal of land held for resale	-	1,875,000	1,875,000
Capital outlay			
Rights of way improvements	90,000	66,834	66,833
Water system improvements	-	48,100	48,085
Debt service			
Principal retirement	1,270,000	1,585,000	1,585,000
Interest	385,785	385,785	385,780
Fiscal charges	2,250	2,750	1,875
Total expenditures	2,038,035	6,532,894	6,528,393
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	1,043,865	(3,450,994)	(3,437,705)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of land held for resale	-	2,500,000	-
Transfers in	-	7,672,000	7,672,000
Total other financing sources (uses)	-	10,172,000	7,672,000
NET CHANGE IN FUND BALANCE			
	\$ 1,043,865	\$ 6,721,006	4,234,295
FUND BALANCE, JANUARY 1			
			5,765,971
FUND BALANCE, DECEMBER 31			
			\$ 10,000,266

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Ten Fiscal Years
(schedule to be built prospectively)

Calendar Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 1,280,673	\$ 1,299,693	\$ (19,020)	\$ 10,139,928	12.82%
2015	1,326,808	1,326,807	1	10,563,758	12.56%
2016	1,357,502	1,359,414	(1,912)	10,630,398	12.79%
2017	1,268,896	1,286,486	(17,590)	10,452,192	12.31%
2018	1,228,557	1,228,557	-	10,701,716	11.48%

Notes to the required supplementary information:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Aggregate entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28-year closed period until remaining period reaches 15 years (then 15-year rolling period)
Asset valuation method	5 Year smoothed market; 20% corridor
Inflation	3.00%
Salary increases	4.40% to 16.00% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Unless otherwise noted, the same actuarial assumptions are used for Tier 1 and Tier 2.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

Last Ten Fiscal Years

Calendar Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2009	\$ 1,697,492	\$ 1,839,264	\$ (141,772)	\$ 8,476,022	21.70%
2010	2,685,568	2,685,585	(17)	8,915,083	30.12%
2011	2,971,158	3,489,556	(518,398)	9,332,860	37.39%
2012	2,775,424	3,016,992	(241,568)	9,920,463	30.41%
2013	2,996,776	2,969,877	26,899	9,749,554	30.46%
2014	2,948,599	2,951,135	(2,536)	9,823,321	30.04%
2015	3,038,973	3,371,172	(332,199)	10,117,378	33.32%
2016	3,441,579	3,538,272	(96,693)	10,074,104	35.12%
2017	4,075,790	4,043,020	32,770	10,205,207	39.62%
2018	4,307,574	4,322,198	(14,624)	10,358,270	41.73%

Notes to the required supplementary information:

Valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 Years
Asset valuation method	5-Year Smoothed Market
Inflation	2.50%
Salary increases	3.25%
Individual pay increases	4.00% - 10.44%
Investment rate of return	7.25%
Mortality rates	RP-2014 Adjusted for Plan Status, Collar & Illinois Public Pension Data, as Appropriate
Retirement rates	L&A 2016 Illinois Police Retirement Rates Capped at age 65
Termination rates	L&A 2016 Illinois Police Termination Rates
Disability rates	L&A 2016 Illinois Police Disability Rates

Unless otherwise noted, the same actuarial assumptions are used for Tier 1 and Tier 2.

The 2017 Actuarially Determined Contribution reflects an update to the mortality tables.

The 2018 Actuarially Determined Contribution reflects a change in actuaries and a change in the discount rate.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years

Calendar Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2009	\$ 1,167,796	\$ 1,259,881	\$ (92,085)	\$ 7,451,465	16.91%
2010	2,065,574	2,032,916	32,658	7,608,620	26.72%
2011	2,268,637	2,645,961	(377,324)	7,329,752	36.10%
2012	2,698,315	2,876,372	(178,057)	7,723,119	37.24%
2013	2,978,383	2,958,027	20,356	7,812,502	37.86%
2014	3,091,300	3,098,007	(6,707)	8,000,869	38.72%
2015	3,238,069	3,620,989	(382,920)	8,408,325	43.06%
2016	3,254,943	3,660,137	(405,194)	8,746,556	41.85%
2017	3,911,411	4,629,680	(718,269)	8,905,763	51.99%
2018	4,596,932	4,675,335	(78,403)	9,137,439	51.17%

Notes to the required supplementary information:

Valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 Years
Asset valuation method	5-Year Smoothed Market
Inflation	2.50%
Salary increases	3.25%
Individual pay increases	4.00% - 10.44%
Investment rate of return	7.25%
Mortality rates	L&A 2016 Illinois Firefighters Mortality Rates
Retirement rates	L&A 2016 Illinois Firefighters Retirement Rates Capped at age 65
Termination rates	L&A 2016 Illinois Firefighters Termination Rates
Disability rates	L&A 2016 Illinois Firefighters Disability Rates

Unless otherwise noted, the same actuarial assumptions are used for Tier 1 and Tier 2.

The 2017 Actuarially Determined Contribution reflects an update to the mortality tables.

The 2018 Actuarially Determined Contribution reflects a change in actuaries and a change in the discount rate.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFIT PLAN

Last Ten Fiscal Years
(schedule to be built prospectively)

Calendar Year	2018
TOTAL PENSION LIABILITY	
Service cost	\$ 719,981
Interest	438,629
Changes of assumptions	(856,449)
Benefit payments, including refunds of member contributions	<u>(573,712)</u>
Net change in total OPEB liability	(271,551)
Total OPEB liability	
Beginning	<u>13,029,621</u>
Ending	<u>\$ 12,758,070</u>
Covered payroll	\$ 27,450,994
Employer's net pension liability as a percentage of covered payroll	46.48%

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Ten Fiscal Years
(schedule to be built prospectively)

<i>Valuation Year</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Calendar Year</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
TOTAL PENSION LIABILITY				
Service cost	\$ 1,215,353	\$ 1,135,095	\$ 1,157,484	\$ 1,134,861
Interest	4,415,607	4,821,993	5,043,039	5,178,562
Differences between expected and actual experience	216,592	(422,884)	(1,422,863)	922,845
Changes of assumptions	2,026,659	172,219	(262,779)	(2,317,207)
Benefit payments, including refunds of member contributions	(2,187,292)	(2,472,221)	(2,700,058)	(3,233,210)
Net change in total pension liability	5,686,919	3,234,202	1,814,823	1,685,851
Total pension liability				
Beginning	59,360,728	65,047,647	68,281,849	70,096,672
Ending	\$ 65,047,647	\$ 68,281,849	\$ 70,096,672	\$ 71,782,523
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 1,299,693	\$ 1,326,807	\$ 1,359,414	\$ 1,286,486
Contributions - member	528,559	486,317	479,022	475,499
Miscellaneous income	221,384	(579,310)	214,489	(1,090,449)
Net investment income	3,425,146	296,437	4,059,760	10,497,805
Benefit payments, including refunds of member contributions	(2,187,292)	(2,472,221)	(2,700,058)	(3,233,210)
Net change in total pension liability	3,287,490	(941,970)	3,412,627	7,936,131
Plan net position				
Beginning	56,329,449	59,616,939	58,674,969	62,087,596
Ending	\$ 59,616,939	\$ 58,674,969	\$ 62,087,596	\$ 70,023,727
EMPLOYER'S NET PENSION LIABILITY	\$ 5,430,708	\$ 9,606,880	\$ 8,009,076	\$ 1,758,796
Plan fiduciary net position as a percentage of the total pension liability	91.65%	85.93%	88.57%	97.55%
Covered payroll	\$ 10,139,928	\$ 10,563,758	\$ 10,630,398	\$ 10,452,192
Employer's net pension liability as a percentage of covered payroll	53.56%	90.94%	75.34%	16.83%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

Last Ten Fiscal Years

(schedule to be built prospectively)

Calendar Year	2014	2015	2016
TOTAL PENSION LIABILITY			
Service cost	\$ 2,128,244	\$ 2,015,249	\$ 2,107,038
Interest	6,641,984	7,633,547	8,334,207
Differences between expected and actual experience	2,900,261	550,745	(4,910,367)
Changes of assumptions	5,140,944	7,001,248	(2,119,085)
Benefit payments, including refunds of member contributions	(3,315,139)	(3,866,026)	(4,187,653)
Net change in total pension liability	13,496,294	13,334,763	(775,860)
Total pension liability			
Beginning	90,217,352	103,713,646	117,048,409
Ending	\$ 103,713,646	\$ 117,048,409	\$ 116,272,549
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 2,951,135	\$ 3,371,172	\$ 3,538,272
Contributions - member	1,356,475	1,034,219	1,055,702
Contributions - other	243	268	1,122
Net investment income	4,286,605	(209,305)	4,490,541
Benefit payments, including refunds of member contributions	(3,315,139)	(3,866,026)	(4,187,653)
Administrative expense	(34,045)	(35,714)	(49,552)
Net change in total pension liability	5,245,274	294,614	4,848,432
Plan net position			
Beginning	56,991,085	62,236,359	62,530,973
Ending	\$ 62,236,359	\$ 62,530,973	\$ 67,379,405
EMPLOYER'S NET PENSION LIABILITY	\$ 41,477,287	\$ 54,517,436	\$ 48,893,144
Plan fiduciary net position as a percentage of the total pension liability	60.01%	53.42%	57.95%
Covered payroll	\$ 10,074,104	\$ 10,205,207	\$ 10,358,270
Employer's net pension liability as a percentage of covered payroll	411.72%	534.21%	472.02%

(See independent auditor's report.)

	2017		2018
\$	2,135,476	\$	2,290,298
	8,262,326		8,777,152
	1,524,716		1,720,631
	(4,940)		-
	(4,618,864)		(5,014,198)
	7,298,714		7,773,883
	116,272,549		123,571,263
\$	123,571,263	\$	131,345,146

\$	4,043,020	\$	4,322,198
	1,048,695		1,077,694
	-		90,663
	9,547,991		(5,144,043)
	(4,618,864)		(5,014,198)
	(23,802)		(23,340)
	9,997,040		(4,691,026)
	67,379,405		77,376,445
\$	77,376,445	\$	72,685,419
\$	46,194,818	\$	58,659,727

	62.62%		55.34%
\$	10,849,076	\$	10,871,318
	425.79%		539.58%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years
(schedule to be built prospectively)

Calendar Year	2014	2015	2016
TOTAL PENSION LIABILITY			
Service cost	\$ 2,175,704	\$ 1,980,545	\$ 2,045,539
Interest	6,540,584	7,087,978	7,740,742
Differences between expected and actual experience	(62,429)	4,554	1,035,715
Changes of assumptions	2,775,760	7,553,761	328,856
Benefit payments, including refunds of member contributions	(4,046,416)	(4,215,646)	(4,513,084)
Net change in total pension liability	7,383,203	12,411,192	6,637,768
Total pension liability			
Beginning	89,230,996	96,614,199	109,025,391
Ending	\$ 96,614,199	\$ 109,025,391	\$ 115,663,159
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 3,098,007	\$ 3,620,989	\$ 3,660,137
Contributions - member	836,025	857,036	899,896
Contributions - other	-	51	215
Net investment income	2,470,732	(1,071,694)	4,226,592
Benefit payments, including refunds of member contributions	(4,046,416)	(4,215,646)	(4,513,084)
Administrative expense	(22,954)	(13,428)	(14,396)
Net change in total pension liability	2,335,394	(822,692)	4,259,360
Plan net position			
Beginning	57,290,017	59,625,411	58,802,719
Ending	\$ 59,625,411	\$ 58,802,719	\$ 63,062,079
EMPLOYER'S NET PENSION LIABILITY	\$ 36,988,788	\$ 50,222,672	\$ 52,601,080
Plan fiduciary net position as a percentage of the total pension liability	61.71%	53.93%	54.52%
Covered payroll	\$ 8,744,586	\$ 8,905,763	\$ 9,137,439
Employer's net pension liability as a percentage of covered payroll	422.99%	563.93%	575.67%

(See independent auditor's report.)

	2017		2018
\$	2,027,295	\$	2,174,274
	8,210,890		8,621,323
	418,362		994,849
	-		(11,224)
	(4,818,995)		(5,171,821)
	5,837,552		6,607,401
	115,663,159		121,500,711
\$	121,500,711	\$	128,108,112

\$	4,629,680	\$	4,675,335
	886,245		905,175
	-		74,767
	9,065,572		(4,380,191)
	(4,818,995)		(5,171,822)
	(11,665)		(12,405)
	9,750,837		(3,909,141)
	63,062,079		72,812,916
\$	72,812,916	\$	68,903,775
\$	48,687,795	\$	59,204,337

	59.93%		53.79%
\$	9,245,367	\$	9,508,556
	526.62%		622.64%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

(schedule to be built prospectively)

Annual money-weighted rate of return, net of investment expense.

Calendar Year	Police Pension Fund	Firefighters' Pension Fund
2014	7.45%	4.50%
2015	-0.37%	-1.82%
2016	7.19%	7.30%
2017	14.06%	14.50%
2018	-5.36%	-6.11%

(See independent auditor's report.)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service, and pension trust funds. Annual appropriated budgets are not adopted for the custodial funds. All annual appropriations lapse at fiscal year end.

Departments of the Village submit requests for appropriation to the Village's manager so that a budget may be prepared. The budget is prepared by fund, department and organization and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public review sessions in addition to the statutory public hearing and may add to, subtract from, or change appropriations, but may not change the form of the budget.

The manager is authorized to transfer budgeted amounts between departments within any fund; however, the governing body must approve any revisions that increase the total expenditures of any fund. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

b. Expenditures/expenses did not exceed budget in any funds.

c. Changes In Actuarial Assumptions

There were no changes in actuarial assumptions for:

OPEB

IMRF

PPERS

FPERS

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Combining and Individual Fund Financial Statements and Schedules

Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and investments	\$ 4,614,673	\$ 10,741,026	\$ 15,355,699
Receivables (net, where applicable, of allowances for uncollectibles)			
Due from other governments	181,548	365,259	546,807
Accrued interest	-	34,540	34,540
TOTAL ASSETS	\$ 4,796,221	\$ 11,140,825	\$ 15,937,046
LIABILITIES			
Accounts payable	\$ 10,421	\$ 273,056	\$ 283,477
Accrued payroll	7,739	-	7,739
Due to other funds	18,799	-	18,799
Unearned revenue	-	10,350	10,350
Total liabilities	36,959	283,406	320,365
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Park District loan	-	40,000	40,000
FUND BALANCES			
Restricted for streets and highways	1,013,115	-	1,013,115
Restricted for public safety	785,582	-	785,582
Restricted for economic development	2,960,565	-	2,960,565
Unrestricted			
Assigned for capital projects	-	10,817,419	10,817,419
Total fund balances	4,759,262	10,817,419	15,576,681
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,796,221	\$ 11,140,825	\$ 15,937,046

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 3,522,484	\$ 2,488,571	\$ 6,011,055
Intergovernmental	2,329,784	50,237	2,380,021
Charges for services	-	355,215	355,215
Fines and forfeits	17,005	-	17,005
Investment income	176,384	162,966	339,350
Miscellaneous	35	74,765	74,800
Total revenues	6,045,692	3,131,754	9,177,446
EXPENDITURES			
Current			
Public safety	182,516	-	182,516
Economic development	2,232,432	-	2,232,432
Capital outlay	1,974,233	2,502,416	4,476,649
Total expenditures	4,389,181	2,502,416	6,891,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,656,511	629,338	2,285,849
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	87,712	87,712
Transfers in	-	766,986	766,986
Transfers (out)	(7,672,000)	(19,218)	(7,691,218)
Total other financing sources (uses)	(7,672,000)	835,480	(6,836,520)
NET CHANGE IN FUND BALANCES	(6,015,489)	1,464,818	(4,550,671)
FUND BALANCE, JANUARY 1 - AS RESTATED	10,774,751	9,352,601	20,127,352
FUND BALANCE, DECEMBER 31	\$ 4,759,262	\$ 10,817,419	\$ 15,576,681

(See independent auditor's report.)

Nonmajor Special Revenue Funds

Motor Fuel Tax Fund - to account for the expenditure of the Village's share of State Motor Fuel Tax Allotments. These expenditures must follow the guidelines issued by the Illinois Department of Transportation.

Community Development Block Grant Fund - to account for the expenditure of federal Community Development Block Grant funds. These expenditures must follow the guidelines of the Department of Housing and Urban Development.

Federal Equitable Sharing Fund - to account for the expenditure of the Village's share of federal asset seizure funds under programs from the Department of Justice and Department of the Treasury. These expenditures must follow the guidelines issued by these two Departments.

State Equitable Sharing Fund - to account for the expenditure of the Village's share of state asset seizure funds. These expenditures must follow the guidelines found in state statute.

DUI Fines Fund - to account for the expenditure of DUI funds. These expenditures must follow the guidelines found in state statute.

Foreign Fire Tax Fund - to account for the expenditure of Foreign Fire Insurance Taxes received by the State. These expenditures must follow the guidelines found in state statute and are administered locally by the Foreign Fire Tax Board.

Dundee Road TIF Fund - to account for the expenditure of tax increment financing funds generated within this TIF District. These expenditures must follow the guidelines found in state statute.

Rand/Dundee TIF Fund - to account for the expenditure of tax increment financing funds generated within this TIF District. These expenditures must follow the guidelines found in state statute.

Rand/Lake Cook TIF Fund - to account for the expenditure of tax increment financing funds generated within this TIF District. These expenditures must follow the guidelines found in state statute.

Special Fire Grant Fund - to account for the expenditure of grant funds specifically designated for Fire Department related purposes from a variety of granting agencies. These expenditures must follow the guidelines issued by the grantors. This fund had no activity in 2018.

Special Police Grant Fund - to account for the expenditure of grant funds specifically designated for Police Department related purposes from a variety of granting agencies. These expenditures must follow the guidelines issued by the grantors.

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VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2018

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
ASSETS					
Cash and investments	\$ 864,215	\$ -	\$ 301,983	\$ 260,680	\$ 86,346
Receivables					
Due from other governments	148,900	6,110	-	-	-
TOTAL ASSETS	\$ 1,013,115	\$ 6,110	\$ 301,983	\$ 260,680	\$ 86,346
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 6,110	\$ 161	\$ 4,150	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	6,110	161	4,150	-
FUND BALANCES					
Restricted for streets and highways	1,013,115	-	-	-	-
Restricted for public safety	-	-	301,822	256,530	86,346
Restricted for economic development	-	-	-	-	-
Total fund balances	1,013,115	-	301,822	256,530	86,346
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,013,115	\$ 6,110	\$ 301,983	\$ 260,680	\$ 86,346

(See independent auditor's report.)

Foreign Fire Tax	Dundee Road TIF	Rand/ Dundee TIF	Rand/ Lake Cook TIF	Special Police Grant	Total
\$ 140,884	\$ 1,743,879	\$ 886,300	\$ 330,386	\$ -	\$ 4,614,673
-	-	-	-	26,538	181,548
\$ 140,884	\$ 1,743,879	\$ 886,300	\$ 330,386	\$ 26,538	\$ 4,796,221
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,421
-	-	-	-	7,739	7,739
-	-	-	-	18,799	18,799
-	-	-	-	26,538	36,959
-	-	-	-	-	1,013,115
140,884	-	-	-	-	785,582
-	1,743,879	886,300	330,386	-	2,960,565
140,884	1,743,879	886,300	330,386	-	4,759,262
\$ 140,884	\$ 1,743,879	\$ 886,300	\$ 330,386	\$ 26,538	\$ 4,796,221

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2018

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,828,246	220,724	27,532	57,476	-
Fines and forfeits	-	-	-	-	17,005
Investment income	12,510	-	5,414	4,813	1,534
Miscellaneous	-	-	-	-	-
Total revenues	1,840,756	220,724	32,946	62,289	18,539
EXPENDITURES					
Current					
Public safety	-	-	8,810	5,814	4,873
Economic development	-	159,628	-	-	-
Capital outlay	1,913,137	61,096	-	-	-
Total expenditures	1,913,137	220,724	8,810	5,814	4,873
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,381)	-	24,136	56,475	13,666
OTHER FINANCING SOURCES (USES)					
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(72,381)	-	24,136	56,475	13,666
FUND BALANCES, JANUARY 1	1,085,496	-	277,686	200,055	72,680
FUND BALANCES, DECEMBER 31	\$ 1,013,115	\$ -	\$ 301,822	\$ 256,530	\$ 86,346

(See independent auditor's report.)

Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Rand/ Lake Cook TIF	Special Police Grant	Total
\$ -	\$ 2,996,847	\$ 315,439	\$ 210,198	\$ -	\$ 3,522,484
70,528	-	-	-	125,278	2,329,784
-	-	-	-	-	17,005
116	132,660	14,583	4,754	-	176,384
35	-	-	-	-	35
70,679	3,129,507	330,022	214,952	125,278	6,045,692
37,741	-	-	-	125,278	182,516
-	1,657,804	415,000	-	-	2,232,432
-	-	-	-	-	1,974,233
37,741	1,657,804	415,000	-	125,278	4,389,181
32,938	1,471,703	(84,978)	214,952	-	1,656,511
-	(7,672,000)	-	-	-	(7,672,000)
-	(7,672,000)	-	-	-	(7,672,000)
32,938	(6,200,297)	(84,978)	214,952	-	(6,015,489)
107,946	7,944,176	971,278	115,434	-	10,774,751
\$ 140,884	\$ 1,743,879	\$ 886,300	\$ 330,386	\$ -	\$ 4,759,262

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Motor fuel tax allotment	\$ 1,814,200	\$ 1,814,200	\$ 1,828,246
Investment income	750	750	12,510
Total revenues	1,814,950	1,814,950	1,840,756
EXPENDITURES			
Capital outlay			
Street improvements	1,921,125	1,921,125	1,913,137
Total expenditures	1,921,125	1,921,125	1,913,137
NET CHANGE IN FUND BALANCE	<u>\$ (106,175)</u>	<u>\$ (106,175)</u>	(72,381)
FUND BALANCE, JANUARY 1			<u>1,085,496</u>
FUND BALANCE, DECEMBER 31			<u>\$ 1,013,115</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 419,608	\$ 240,724	\$ 220,724
Total revenues	419,608	240,724	220,724
EXPENDITURES			
Economic development			
Administrative fees - General Fund	83,921	83,921	83,921
Social service agencies	82,941	82,941	75,707
Capital outlay			
Rights of way improvements	252,746	73,862	61,096
Total expenditures	419,608	240,724	220,724
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL EQUITABLE SHARING FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 20,000	\$ 20,000	\$ 27,532
Investment income	-	-	5,414
Total revenues	20,000	20,000	32,946
EXPENDITURES			
Public safety			
Police			
Supplies and services	20,000	20,000	8,810
Total expenditures	20,000	20,000	8,810
NET CHANGE IN FUND BALANCE	\$ -	\$ -	24,136
FUND BALANCE, JANUARY 1			277,686
FUND BALANCE, DECEMBER 31			\$ 301,822

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STATE EQUITABLE SHARING FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 5,000	\$ 8,000	\$ 57,476
Investment income	-	-	4,813
Total revenues	5,000	8,000	62,289
EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	8,000	5,814
Total expenditures	5,000	8,000	5,814
NET CHANGE IN FUND BALANCE	\$ -	\$ -	56,475
FUND BALANCE, JANUARY 1			200,055
FUND BALANCE, DECEMBER 31			\$ 256,530

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DUI FINES FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Fines and forfeits			
DUI fines	\$ 30,000	\$ 30,000	\$ 17,005
Investment income	-	-	1,534
Total revenues	30,000	30,000	18,539
EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	5,000	4,873
Total expenditures	5,000	5,000	4,873
NET CHANGE IN FUND BALANCE	\$ 25,000	\$ 25,000	13,666
FUND BALANCE, JANUARY 1			72,680
FUND BALANCE, DECEMBER 31			\$ 86,346

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOREIGN FIRE TAX FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Foreign fire tax	\$ 70,000	\$ 70,000	\$ 70,528
Investment income	-	-	116
Miscellaneous			
Other	-	-	35
Total revenues	70,000	70,000	70,679
EXPENDITURES			
Public safety			
Fire			
Supplies and services	70,000	70,000	37,741
Total expenditures	70,000	70,000	37,741
NET CHANGE IN FUND BALANCE	\$ -	\$ -	32,938
FUND BALANCE, JANUARY 1			107,946
FUND BALANCE, DECEMBER 31			\$ 140,884

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DUNDEE ROAD TIF FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 2,756,800	\$ 2,756,800	\$ 2,996,847
Investment income	750	750	132,660
Total revenues	2,757,550	2,757,550	3,129,507
EXPENDITURES			
Economic development			
Project expenditures	-	1,804	1,804
Surplus distribution	828,000	1,656,000	1,656,000
Capital outlay			
Rights of way improvements	-	1,257	-
Street improvements	-	829	-
Total expenditures	828,000	1,659,890	1,657,804
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,929,550	1,097,660	1,471,703
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(7,672,000)	(7,672,000)
Total other financing sources (uses)	-	(7,672,000)	(7,672,000)
NET CHANGE IN FUND BALANCE	\$ 1,929,550	\$ (6,574,340)	(6,200,297)
FUND BALANCE, JANUARY 1			7,944,176
FUND BALANCE, DECEMBER 31			\$ 1,743,879

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RAND/DUNDEE TIF FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 278,600	\$ 278,600	\$ 315,439
Investment income	750	750	14,583
Total revenues	279,350	279,350	330,022
EXPENDITURES			
Economic development			
Surplus distribution	84,000	415,000	415,000
Total expenditures	84,000	415,000	415,000
NET CHANGE IN FUND BALANCE	\$ 195,350	\$ (135,650)	(84,978)
FUND BALANCE, JANUARY 1			971,278
FUND BALANCE, DECEMBER 31			\$ 886,300

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RAND/LAKE COOK TIF FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 156,600	\$ 156,600	\$ 210,198
Investment income	-	-	4,754
Total revenues	156,600	156,600	214,952
EXPENDITURES			
Economic development			
Project expenditures	213,900	-	-
Total expenditures	213,900	-	-
NET CHANGE IN FUND BALANCE	<u>\$ (57,300)</u>	<u>\$ 156,600</u>	214,952
FUND BALANCE, JANUARY 1			<u>115,434</u>
FUND BALANCE, DECEMBER 31			<u>\$ 330,386</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL POLICE GRANT FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 125,290	\$ 125,278
Total revenues	-	125,290	125,278
EXPENDITURES			
Public safety Police Personnel	-	125,290	125,278
Total expenditures	-	125,290	125,278
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

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Nonmajor Capital Projects Funds

Capital Equipment Acquisition Fund - to account for the acquisition of new and replacement capital equipment for all departments of the Village.

Capital Improvement Fund - to account for the acquisition and construction of capital facilities and capital improvements other than those financed by other funds.

Village Hall Renovation Fund - to account for the accumulation of resources and payment of construction costs related to the renovation of the Village Hall. This fund was closed at year-end.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2018

	Capital Equipment Acquisition	Capital Improvement	Village Hall Renovation	Total
ASSETS				
Cash and investments	\$ 6,194,641	\$ 4,542,169	\$ 4,216	\$ 10,741,026
Receivables				
Due from other governments	192,872	172,387	-	365,259
Accrued interest	9,735	24,805	-	34,540
TOTAL ASSETS	\$ 6,397,248	\$ 4,739,361	\$ 4,216	\$ 11,140,825
LIABILITIES				
Accounts payable	\$ 72,789	\$ 196,051	\$ 4,216	\$ 273,056
Unearned revenue	10,350	-	-	10,350
Total liabilities	83,139	196,051	4,216	283,406
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue -				
Park District loan	40,000	-	-	40,000
FUND BALANCES				
Unrestricted				
Assigned for capital projects	6,274,109	4,543,310	-	10,817,419
Total fund balances	6,274,109	4,543,310	-	10,817,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,397,248	\$ 4,739,361	\$ 4,216	\$ 11,140,825

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended December 31, 2018

	Capital Equipment Acquisition	Capital Improvement	Village Hall Renovation	Total
REVENUES				
Taxes	\$ 1,573,843	\$ 914,728	\$ -	\$ 2,488,571
Intergovernmental	50,006	231	-	50,237
Charges for services	282,975	72,240	-	355,215
Investment income	92,363	69,825	778	162,966
Miscellaneous	-	74,765	-	74,765
Total revenues	1,999,187	1,131,789	778	3,131,754
EXPENDITURES				
Capital outlay	1,420,212	1,057,046	25,158	2,502,416
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	578,975	74,743	(24,380)	629,338
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	84,209	3,503	-	87,712
Transfers in	584,000	182,986	-	766,986
Transfers (out)	-	-	(19,218)	(19,218)
Total other financing sources (uses)	668,209	186,489	(19,218)	835,480
NET CHANGE IN FUND BALANCE	1,247,184	261,232	(43,598)	1,464,818
FUND BALANCE, JANUARY 1 - AS RESTATED	5,026,925	4,282,078	43,598	9,352,601
FUND BALANCE, DECEMBER 31	\$ 6,274,109	\$ 4,543,310	\$ -	\$ 10,817,419

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL EQUIPMENT ACQUISITION FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 780,560	\$ 780,560	\$ 633,843
Electric utility use tax	940,000	940,000	940,000
Intergovernmental			
TIF Rebate	50,000	50,000	50,006
Charges for services			
Rental income	192,785	192,785	282,975
Investment income	7,500	7,500	92,363
Total revenues	1,970,845	1,970,845	1,999,187
EXPENDITURES			
Capital outlay			
Technology	394,000	315,169	238,477
Vehicles and equipment	1,672,730	1,229,484	1,181,735
Total expenditures	2,066,730	1,544,653	1,420,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(95,885)	426,192	578,975
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	50,000	51,350	84,209
Transfers in	584,000	584,000	584,000
Total other financing sources (uses)	634,000	635,350	668,209
NET CHANGE IN FUND BALANCE	\$ 538,115	\$ 1,061,542	1,247,184
FUND BALANCE, JANUARY 1			5,026,925
FUND BALANCE, DECEMBER 31			\$ 6,274,109

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 898,060	\$ 898,060	\$ 714,728
Electric utility use tax	200,000	200,000	200,000
Intergovernmental			
Park district reimbursement	-	-	231
Charges for services			
Improvement cost sharing programs	-	-	72,240
Investment income	7,500	7,500	69,825
Miscellaneous			
Reimbursements	-	-	74,765
Total revenues	1,105,560	1,105,560	1,131,789
EXPENDITURES			
Capital outlay			
Buildings and facilities	210,000	209,953	209,953
Rights of way improvements	355,000	383,370	382,077
Street improvements	345,325	507,313	465,016
Total expenditures	910,325	1,100,636	1,057,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	195,235	4,924	74,743
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	-	3,503
Transfers in	105,000	163,768	182,986
Total other financing sources (uses)	105,000	163,768	186,489
NET CHANGE IN FUND BALANCE	\$ 300,235	\$ 168,692	261,232
FUND BALANCE, JANUARY 1 - AS RESTATED			4,282,078
FUND BALANCE, DECEMBER 31			\$ 4,543,310

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VILLAGE HALL RENOVATION FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 778
Total revenues	-	-	778
EXPENDITURES			
Capital outlay			
Buildings and facilities	-	25,159	25,158
Total expenditures	-	25,159	25,158
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(25,159)	(24,380)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(19,218)	(19,218)
Total other financing sources (uses)	-	(19,218)	(19,218)
NET CHANGE IN FUND BALANCE	\$ -	\$ (44,377)	(43,598)
FUND BALANCE, JANUARY 1			43,598
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

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Internal Service Funds

Fleet Services Fund - to account for the provision of fleet maintenance services to the various departments of the Village and certain external governmental agencies. Financing is provided through a vehicle maintenance fee charged to all user departments and external agencies.

Health Insurance Fund - to account for the Village's self-administered health insurance program. Financing is provided through employee and employer contributions.

Casualty and Liability Insurance Fund - to account for the Village's self-administered casualty and liability insurance program. Financing is provided through an insurance fee charged to various departments.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

December 31, 2018

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CURRENT ASSETS				
Cash and investments	\$ 926,951	\$ 1,972,814	\$ 6,030,610	\$ 8,930,375
Receivables				
Other	18,235	-	-	18,235
Accrued interest	-	4,605	41,805	46,410
Prepaid items	-	70,816	-	70,816
Inventories	191,955	-	-	191,955
Total current assets	1,137,141	2,048,235	6,072,415	9,257,791
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	72,365	-	-	72,365
CURRENT LIABILITIES				
Accounts payable	87,930	-	76	88,006
Accrued payroll	25,754	-	-	25,754
Claims payable	-	923,749	139,270	1,063,019
Unearned revenue	-	8,401	-	8,401
Compensated absences payable	8,535	-	-	8,535
Net OPEB liability	1,722	-	-	1,722
Total current liabilities	123,941	932,150	139,346	1,195,437
LONG-TERM LIABILITIES				
Claims payable	-	-	1,056,015	1,056,015
Compensated absences payable	34,125	-	-	34,125
Net pension liability	25,436	-	-	25,436
Net OPEB liability	36,552	-	-	36,552
Total long-term liabilities	96,113	-	1,056,015	1,152,128
Total liabilities	220,054	932,150	1,195,361	2,347,565
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	297,933	-	-	297,933
Deferred inflows related to OPEB	2,329	-	-	2,329
Total deferred inflows of resources	300,262	-	-	300,262
NET POSITION				
Unrestricted	689,190	1,116,085	4,877,054	6,682,329
TOTAL NET POSITION	\$ 689,190	\$ 1,116,085	\$ 4,877,054	\$ 6,682,329

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2018

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
OPERATING REVENUES				
Intergovernmental	\$ 11,110	\$ -	\$ -	\$ 11,110
Charges for services	1,686,574	6,946,529	1,498,200	10,131,303
Miscellaneous	27,811	-	99,799	127,610
Total operating revenues	1,725,495	6,946,529	1,597,999	10,270,023
OPERATING EXPENSES				
Costs of sales and services	1,761,292	7,361,044	1,503,697	10,626,033
Total operating expenses	1,761,292	7,361,044	1,503,697	10,626,033
OPERATING INCOME (LOSS)	(35,797)	(414,515)	94,302	(356,010)
NONOPERATING REVENUES (EXPENSES)				
Investment income	17,360	34,088	89,849	141,297
Total nonoperating revenues (expenses)	17,360	34,088	89,849	141,297
NET INCOME BEFORE TRANSFERS	(18,437)	(380,427)	184,151	(214,713)
Transfers (out)	(58,768)	-	-	(58,768)
CHANGE IN NET POSITION	(77,205)	(380,427)	184,151	(273,481)
NET POSITION, JANUARY 1 - AS RESTATED	766,395	1,496,512	4,692,903	6,955,810
NET POSITION, DECEMBER 31	\$ 689,190	\$ 1,116,085	\$ 4,877,054	\$ 6,682,329

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2018

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 206,050	\$ 1,305,051	\$ 99,799	\$ 1,610,900
Receipts from interfund services transactions	1,516,000	5,642,904	1,498,200	8,657,104
Payments to suppliers	(896,421)	(7,377,914)	(1,461,405)	(9,735,740)
Payments to employees	(852,175)	-	-	(852,175)
Net cash from operating activities	(26,546)	(429,959)	136,594	(319,911)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (out)	(58,768)	-	-	(58,768)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
None	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	17,360	35,138	78,694	131,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,954)	(394,821)	215,288	(247,487)
CASH AND CASH EQUIVALENTS, JANUARY 1	994,905	2,367,635	5,815,322	9,177,862
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 926,951</u>	<u>\$ 1,972,814</u>	<u>\$ 6,030,610</u>	<u>\$ 8,930,375</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (35,797)	\$ (414,515)	\$ 94,302	\$ (356,010)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
(Increase) decrease in				
Other receivables	(3,445)	-	-	(3,445)
Prepaid items	-	(8,239)	-	(8,239)
Inventories	(11,690)	-	-	(11,690)
Deferred outflows related to pensions	172,929	-	-	172,929
Increase (decrease) in				
Accounts payable	(4,155)	(4,137)	(13,983)	(22,275)
Accrued payroll	1,699	-	-	1,699
Claims payable	-	(4,494)	56,275	51,781
Unearned revenue	-	1,426	-	1,426
Compensated absences payable	(1,230)	-	-	(1,230)
Net pension liability	(375,017)	-	-	(375,017)
Net OPEB liability	(815)	-	-	(815)
Deferred inflows related to pensions	228,646	-	-	228,646
Deferred inflows related to OPEB	2,329	-	-	2,329
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (26,546)</u>	<u>\$ (429,959)</u>	<u>\$ 136,594</u>	<u>\$ (319,911)</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
FLEET SERVICES FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Intergovernmental			
Gasoline tax rebate	\$ 13,500	\$ 13,500	\$ 11,110
Charges for services			
Vehicle maintenance	1,706,000	1,706,000	1,686,574
Miscellaneous			
Recoveries and refunds	15,000	15,000	27,719
Other	-	-	92
Total operating revenues	1,734,500	1,734,500	1,725,495
OPERATING EXPENSES			
Costs of sales and services			
Public works			
Personnel	873,270	873,270	880,716
Supplies and services	1,025,540	1,025,540	880,576
Total operating expenses	1,898,810	1,898,810	1,761,292
OPERATING INCOME	(164,310)	(164,310)	(35,797)
NONOPERATING REVENUES (EXPENSES)			
Investment income	250	250	17,360
NET INCOME BEFORE TRANSFERS	(164,060)	(164,060)	(18,437)
Transfers (out)	-	(58,768)	(58,768)
CHANGE IN NET POSITION	<u>\$ (164,060)</u>	<u>\$ (222,828)</u>	(77,205)
NET POSITION, JANUARY 1 - AS RESTATED			<u>766,395</u>
NET POSITION, DECEMBER 31			<u>\$ 689,190</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
HEALTH INSURANCE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums			
Retiree	\$ 829,375	\$ 829,375	\$ 720,460
COBRA	-	-	24,983
Employee	564,400	564,400	558,182
Employer	5,599,900	5,599,900	5,642,904
Total operating revenues	6,993,675	6,993,675	6,946,529
OPERATING EXPENSES			
Costs of sales and services			
Administration	1,628,275	1,426,024	1,394,449
Insurance claims	5,625,000	5,998,900	5,966,595
Total operating expenses	7,253,275	7,424,924	7,361,044
OPERATING INCOME (LOSS)	(259,600)	(431,249)	(414,515)
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,000	15,000	34,088
CHANGE IN NET POSITION	\$ (244,600)	\$ (416,249)	(380,427)
NET POSITION, JANUARY 1			1,496,512
NET POSITION, DECEMBER 31			\$ 1,116,085

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
CASUALTY AND LIABILITY INSURANCE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums	\$ 1,498,200	\$ 1,498,200	\$ 1,498,200
Miscellaneous			
Reimbursements	-	68,047	99,799
Total operating revenues	1,498,200	1,566,247	1,597,999
OPERATING EXPENSES			
Costs of sales and services			
Administration	945,560	947,060	890,385
Insurance claims	840,000	906,547	613,312
Total operating expenses	1,785,560	1,853,607	1,503,697
OPERATING INCOME (LOSS)	(287,360)	(287,360)	94,302
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,000	15,000	89,849
CHANGE IN NET POSITION	<u>\$ (272,360)</u>	<u>\$ (272,360)</u>	184,151
NET POSITION, JANUARY 1			<u>4,692,903</u>
NET POSITION, DECEMBER 31			<u>\$ 4,877,054</u>

(See independent auditor's report.)

Fiduciary Funds

Pension Trust Funds

Police Pension Fund - to account for the accumulation of resources for pension benefits for qualified sworn police personnel. Financing is provided by employee contributions and an actuarially determined employer contribution.

Firefighters' Pension Fund - to account for the accumulation of resources for pension benefits for qualified sworn fire personnel. Financing is provided by employee contributions and an actuarially determined employer contribution.

Custodial Fund

Special Service Area Fund - to account for the debt service expenditures to retire special service area bonds for which the Village has no obligation. Funding is provided by an ad valorem tax on all of the parcels within the special service area tax.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS

December 31, 2018

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	\$ 1,055,714	\$ 1,132,563	\$ 2,188,277
Investments			
U.S. Treasury securities	6,474,270	15,596,122	22,070,392
U.S. agency securities	857,668	412,838	1,270,506
Corporate and international bonds	15,859,799	9,237,816	25,097,615
Municipal bonds	534,979	-	534,979
Money market mutual funds	741,345	23,591	764,936
Equities	46,991,840	42,312,925	89,304,765
Receivables			
Accrued interest	169,804	187,920	357,724
Total assets	72,685,419	68,903,775	141,589,194
LIABILITIES			
None	-	-	-
NET POSITION			
Restricted for pensions	\$ 72,685,419	\$ 68,903,775	\$ 141,589,194

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS

For the Year Ended December 31, 2018

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 4,322,198	\$ 4,675,335	\$ 8,997,533
Employee	1,168,307	979,942	2,148,249
Other	50	-	50
Total contributions	5,490,555	5,655,277	11,145,832
Investment earnings			
Net increase (decrease) in the fair value of investments	(7,327,080)	(5,870,206)	(13,197,286)
Interest	2,433,754	1,693,538	4,127,292
Total investment earnings	(4,893,326)	(4,176,668)	(9,069,994)
Less investment expense	(250,717)	(203,523)	(454,240)
Net investment earnings	(5,144,043)	(4,380,191)	(9,524,234)
Total additions	346,512	1,275,086	1,621,598
DEDUCTIONS			
Administration	23,340	12,405	35,745
Benefits and refunds			
Retirement benefits	4,860,754	5,155,963	10,016,717
Refunds of contributions	153,444	15,859	169,303
Total deductions	5,037,538	5,184,227	10,221,765
CHANGE IN NET POSITION	(4,691,026)	(3,909,141)	(8,600,167)
NET POSITION			
January 1	77,376,445	72,812,916	150,189,361
December 31	\$ 72,685,419	\$ 68,903,775	\$ 141,589,194

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN NET POSITION -
BUDGET AND ACTUAL
POLICE PENSION FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 4,308,000	\$ 4,379,300	\$ 4,322,198
Employee	1,118,145	1,118,145	1,168,307
Other	-	-	50
Total contributions	5,426,145	5,497,445	5,490,555
Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	(7,327,080)
Interest	750,000	750,000	2,433,754
Total investment earnings	1,000,000	1,000,000	(4,893,326)
Less investment expense	(300,000)	(300,000)	(250,717)
Net investment earnings	700,000	700,000	(5,144,043)
Total additions	6,126,145	6,197,445	346,512
DEDUCTIONS			
Administration	62,400	62,400	23,340
Benefits and refunds			
Retirement benefits	5,085,000	5,085,000	4,860,754
Refunds of contributions	100,000	100,000	153,444
Total deductions	5,247,400	5,247,400	5,037,538
CHANGE IN NET POSITION	\$ 878,745	\$ 950,045	(4,691,026)
NET POSITION			
January 1			77,376,445
December 31			\$ 72,685,419

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN NET POSITION -
BUDGET AND ACTUAL
FIREFIGHTERS' PENSION FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 4,597,000	\$ 4,732,535	\$ 4,675,335
Employee	915,315	915,315	979,942
Total contributions	5,512,315	5,647,850	5,655,277
Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	(5,870,206)
Interest	750,000	750,000	1,693,538
Total investment earnings	1,000,000	1,000,000	(4,176,668)
Less investment expense	(250,000)	(250,000)	(203,523)
Net investment earnings	750,000	750,000	(4,380,191)
Total additions	6,262,315	6,397,850	1,275,086
DEDUCTIONS			
Administration	38,500	38,500	12,405
Benefits and refunds			
Retirement benefits	5,625,000	5,625,000	5,155,963
Refunds of contributions	100,000	100,000	15,859
Total deductions	5,763,500	5,763,500	5,184,227
CHANGE IN NET POSITION	\$ 498,815	\$ 634,350	(3,909,141)
NET POSITION			
January 1			72,812,916
December 31			\$ 68,903,775

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
CUSTODIAL FUND - SPECIAL SERVICE AREA FUND

December 31, 2018

ASSETS

Cash and cash equivalents	\$ 1,262,096
Receivables - Property taxes	<u>588,231</u>

Total assets	<u>1,850,327</u>
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LIABILITIES

None	<u>-</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	<u>587,850</u>
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NET POSITION

Restricted for debt service	<u><u>\$ 1,262,477</u></u>
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(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN NET POSITION
CUSTODIAL FUND - SPECIAL SERVICE AREA FUND

For the Year Ended December 31, 2018

ADDITIONS	
Contributions	
Property owner	\$ 594,511
Investment earnings	
Interest	<u>19,935</u>
Total additions	<u>614,446</u>
DEDUCTIONS	
Debt service	
Principal retirement	90,000
Interest	495,450
Fiscal charges	<u>6,000</u>
Total deductions	<u>591,450</u>
CHANGE IN NET POSITION	22,996
NET POSITION	
January 1 - as restated	<u>1,239,481</u>
December 31	<u><u>\$ 1,262,477</u></u>

(See independent auditor's report.)

Supplementary Information

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
TAXES			
Property tax			
Police protection	\$ 3,720,274	\$ 3,720,274	\$ 3,656,060
Fire protection	3,720,274	3,720,274	3,654,714
FICA	2,467,000	2,467,000	2,423,922
IMRF	1,085,000	1,085,000	1,065,341
Police pension	4,308,000	4,308,000	4,250,900
Fire pension	4,597,000	4,597,000	4,539,806
Home rule sales tax	4,180,900	4,180,900	4,446,002
Food and beverage tax	1,317,500	1,317,500	1,271,622
Motel occupancy tax	210,700	210,700	190,071
Electric utility use tax	1,190,000	1,190,000	1,220,118
Total taxes	26,796,648	26,796,648	26,718,556
LICENSES AND PERMITS			
Professional and occupational	225,000	225,000	226,613
Liquor licenses	331,700	331,700	314,846
Rental dwelling licenses	465,000	465,000	434,453
Building permits and fees	925,000	925,000	824,079
Vehicle licenses	1,200,000	1,200,000	1,174,018
Other licenses and permits	248,000	248,000	252,861
Total licenses and permits	3,394,700	3,394,700	3,226,870
INTERGOVERNMENTAL			
State sales tax	8,083,800	8,083,800	8,244,674
State income tax	5,972,500	5,972,500	6,565,435
Local use tax	1,858,800	1,858,800	1,918,640
Township road and bridge tax	700,000	700,000	692,747
Fire protection district reimbursement	654,080	654,080	654,077
Police consultant - schools	683,870	683,870	724,050
TIF Rebate	-	206,835	206,827
State highway maintenance	169,070	169,070	169,429
Personal property replacement tax	112,500	112,500	109,211
Grants	30,000	30,000	61,054
Other intergovernmental	79,270	79,270	187,902
Total intergovernmental	18,343,890	18,550,725	19,534,046

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
CHARGES FOR SERVICES			
Cable TV franchise fees	\$ 1,248,500	\$ 1,248,500	\$ 1,143,321
Plan review fees	360,000	360,000	325,555
Inspection fees	400,000	400,000	366,575
Special police service	136,200	136,200	175,147
Special fire service	252,890	252,890	104,356
Ambulance fees	1,504,000	1,504,000	1,645,061
Vehicle impound fees	145,000	145,000	195,500
Streetfest revenue	190,000	190,000	176,230
Rental income	144,025	144,025	232,679
Other charges for services	70,000	70,000	151,487
Total charges for services	4,450,615	4,450,615	4,515,911
FINES AND FORFEITS			
Circuit court fines	320,000	320,000	422,642
Parking fines	185,000	185,000	213,636
Compliance fines	430,000	430,000	514,353
Red light violation fines	700,000	700,000	706,999
Adjudication and other fines	120,500	120,500	78,786
Total fines and forfeits	1,755,500	1,755,500	1,936,416
INVESTMENT INCOME	228,520	228,520	567,404
MISCELLANEOUS			
Recoveries and refunds	50,000	50,000	64,013
Reimbursements	375,000	378,600	372,518
Donations	-	5,000	7,100
Other	9,921	9,921	8,352
Total miscellaneous	434,921	443,521	451,983
TOTAL REVENUES	<u>\$ 55,404,794</u>	<u>\$ 55,620,229</u>	<u>\$ 56,951,186</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
Mayor and council			
Personnel	\$ 197,630	\$ 219,685	\$ 208,143
Supplies and services	43,565	49,915	31,519
Boards and commissions			
Supplies and services	53,520	59,099	53,097
Village clerk			
Personnel	154,705	155,455	146,556
Supplies and services	16,450	16,450	9,824
Village manager			
Personnel	724,205	756,375	788,651
Supplies and services	414,520	418,380	349,555
Finance and operations			
Personnel	636,545	675,355	634,468
Supplies and services	330,770	325,270	248,294
Legal			
Personnel	72,510	72,510	46,946
Supplies and services	411,750	411,750	318,076
Human resources			
Personnel	820,915	380,945	370,772
Supplies and services	66,695	73,445	63,482
Planning and zoning			
Personnel	485,700	483,685	396,120
Supplies and services	18,115	18,115	11,605
Information technology			
Personnel	940,560	948,300	924,560
Supplies and services	340,380	359,060	307,333
Liability insurance			
Supplies and services	1,388,200	1,388,200	1,388,200
Less administrative fees			
CDBG Fund	(83,921)	(83,921)	(83,921)
Waterworks fund	(425,000)	(425,000)	(425,000)
Sewerage fund	(425,000)	(425,000)	(425,000)
Refuse fund	(119,000)	(119,000)	(119,000)
Motor Vehicle Parking System fund	(115,000)	(115,000)	(115,000)
Total general government	5,948,814	5,644,073	5,129,280

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
PUBLIC SAFETY			
Community services			
Personnel	\$ 2,230,875	\$ 2,208,790	\$ 2,142,085
Supplies and services	189,280	221,911	191,902
Police			
Personnel	21,008,430	21,230,550	20,862,116
Supplies and services	1,455,695	1,456,491	1,421,153
Fire			
Personnel	17,991,715	18,300,852	18,106,150
Supplies and services	770,110	775,367	748,540
Total public safety	43,646,105	44,193,961	43,471,946
PUBLIC WORKS			
Public works			
Personnel	4,013,180	4,046,960	3,877,788
Supplies and services	2,276,695	2,335,024	2,187,619
Total public works	6,289,875	6,381,984	6,065,407
TOTAL EXPENDITURES	\$ 55,884,794	\$ 56,220,018	\$ 54,666,633

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL OBLIGATION BOND FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property tax	\$ 2,646,085	\$ 2,646,085	\$ 2,651,249
Intergovernmental			
Build america bond interest rebate	476,985	476,985	480,063
Investment income	4,505	37,550	60,992
Total revenues	3,127,575	3,160,620	3,192,304
EXPENDITURES			
Debt service			
Principal retirement	1,410,000	9,240,000	9,240,000
Interest	1,713,075	1,713,075	1,713,070
Fiscal charges	4,500	141,786	135,789
Total expenditures	3,127,575	11,094,861	11,088,859
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(7,934,241)	(7,896,555)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued, at par	-	6,235,000	6,235,000
Bond premium	-	903,241	903,240
Transfers in	-	780,566	780,566
Total other financing sources (uses)	-	7,918,807	7,918,806
NET CHANGE IN FUND BALANCE	\$ -	\$ (15,434)	22,251
FUND BALANCE, JANUARY 1			206,369
FUND BALANCE, DECEMBER 31			\$ 228,620

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 11,109,000	\$ 11,120,473	\$ 10,911,870
Miscellaneous	35,000	35,000	222,872
Total operating revenues	11,144,000	11,155,473	11,134,742
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	9,178,560	8,832,660	7,619,188
Administrative fees - General Fund	425,000	425,000	425,000
Total operating expenses excluding depreciation	9,603,560	9,257,660	8,044,188
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,540,440	1,897,813	3,090,554
DEPRECIATION	-	-	840,450
OPERATING INCOME (LOSS)	1,540,440	1,897,813	2,250,104
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,000	15,000	131,957
Interest and fiscal charges	(205,840)	(205,840)	(120,710)
Loss on disposal of capital assets	-	-	(65,665)
Income (Expense) from joint venture	-	-	525,390
Total nonoperating revenues (expenses)	(190,840)	(190,840)	470,972
NET INCOME (LOSS) BEFORE TRANSFERS	1,349,600	1,706,973	2,721,076
Transfers (out)	(292,000)	(292,000)	(292,000)
CHANGE IN NET POSITION	\$ 1,057,600	\$ 1,414,973	2,429,076
NET POSITION, JANUARY 1 - AS RESTATED			28,156,649
NET POSITION, DECEMBER 31			\$ 30,585,725

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Water use fees			
Resident	\$ 8,710,000	\$ 8,710,000	\$ 8,436,752
Nonresident	1,683,000	1,694,473	1,669,791
Water penalties			
Resident	60,000	60,000	70,065
Nonresident	10,000	10,000	9,888
User charge			
Resident	526,000	526,000	529,619
Nonresident	30,000	30,000	31,860
System development surcharge	20,000	20,000	-
Water extension fee	20,000	20,000	110,912
Water connection fees	15,000	15,000	(1,002)
Water meter sales	15,000	15,000	34,866
Water turn-on/service fees	20,000	20,000	19,119
Total charges for services	11,109,000	11,120,473	10,911,870
Miscellaneous - reimbursements	35,000	35,000	222,872
TOTAL OPERATING REVENUES	\$ 11,144,000	\$ 11,155,473	\$ 11,134,742

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Personnel	\$ 479,220	\$ 476,920	\$ 507,311
Supplies and services	225,020	225,020	234,812
Liability insurance			
Supplies and services	55,000	55,000	55,000
Public works			
Personnel	1,156,760	1,159,060	1,216,209
Supplies and services	881,240	899,466	751,055
Water purchase			
Northwest Water Commission	3,017,460	3,017,460	2,937,410
Capital projects			
Technology	25,000	35,215	26,335
Buildings and facilities	60,000	100,224	98,845
Water system	3,278,860	2,864,295	2,852,450
Less: Nonoperating			
Capital assets capitalized	-	-	(1,060,239)
Total costs of sales and services	9,178,560	8,832,660	7,619,188
Administrative fees - General Fund	425,000	425,000	425,000
TOTAL OPERATING EXPENSES	\$ 9,603,560	\$ 9,257,660	\$ 8,044,188

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 4,170,800	\$ 4,170,800	\$ 4,303,186
Miscellaneous	250	250	45,370
Total operating revenues	4,171,050	4,171,050	4,348,556
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	3,829,355	2,022,862	1,972,450
Administrative fees - General Fund	425,000	425,000	425,000
Total operating expenses excluding depreciation	4,254,355	2,447,862	2,397,450
OPERATING INCOME BEFORE DEPRECIATION	(83,305)	1,723,188	1,951,106
DEPRECIATION	-	-	1,184,130
OPERATING INCOME (LOSS)	(83,305)	1,723,188	766,976
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	68,536
Interest and fiscal charges	(256,625)	(256,625)	(233,738)
Total nonoperating revenues (expenses)	(251,625)	(251,625)	(165,202)
NET INCOME (LOSS) BEFORE TRANSFERS	(334,930)	1,471,563	601,774
Transfers (out)	(292,000)	(292,000)	(292,000)
CHANGE IN NET POSITION	\$ (626,930)	\$ 1,179,563	309,774
NET POSITION, JANUARY 1 - AS RESTATED			19,034,578
NET POSITION, DECEMBER 31			\$ 19,344,352

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Sewer use fees			
Resident	\$ 2,500,000	\$ 2,500,000	\$ 2,651,797
Nonresident	490,000	490,000	469,470
Sewer penalties			
Resident	25,000	25,000	28,769
Nonresident	2,000	2,000	2,637
Sewer connection fees	6,000	6,000	5,622
Surcharges			
Fair Meadows	1,800	1,800	2,079
Flood control	1,146,000	1,146,000	1,128,407
50/50 sewer extension	-	-	7,200
Detention Fees	-	-	7,205
Total charges for services	4,170,800	4,170,800	4,303,186
Miscellaneous - reimbursements	250	250	45,370
TOTAL OPERATING REVENUES	\$ 4,171,050	\$ 4,171,050	\$ 4,348,556

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Liability insurance			
Supplies and services	\$ 55,000	\$ 55,000	\$ 55,000
Public works			
Personnel	746,975	746,975	781,175
Supplies and services	207,380	186,275	181,964
Capital projects			
Flood control	670,000	865,982	785,680
Sanitary sewer	2,150,000	168,630	168,631
Total costs of sales and services	3,829,355	2,022,862	1,972,450
Administrative fees - General Fund	425,000	425,000	425,000
TOTAL OPERATING EXPENSES	\$ 4,254,355	\$ 2,447,862	\$ 2,397,450

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Parking fees	\$ 698,000	\$ 698,000	\$ 729,953
Total operating revenues	698,000	698,000	729,953
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	544,595	482,668	378,435
Administrative fees - General Fund	115,000	115,000	115,000
Total operating expenses excluding depreciation	659,595	597,668	493,435
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	38,405	100,332	236,518
DEPRECIATION	-	-	784,080
OPERATING INCOME (LOSS)	38,405	100,332	(547,562)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,000	1,000	29,700
Insurance recovery	-	310,000	309,188
Total nonoperating revenues (expenses)	1,000	311,000	338,888
CHANGE IN NET POSITION	\$ 39,405	\$ 411,332	(208,674)
NET POSITION, JANUARY 1			9,635,337
NET POSITION, DECEMBER 31			\$ 9,426,663

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Supplies and services	\$ 80,700	\$ 80,700	\$ 74,934
Public works			
Personnel	5,370	5,370	5,149
Supplies and services	358,525	358,525	260,280
Capital projects			
Buildings and facilities	100,000	38,073	38,072
Total costs of sales and services	544,595	482,668	378,435
Administrative fees - General Fund	115,000	115,000	115,000
TOTAL OPERATING EXPENSES	\$ 659,595	\$ 597,668	\$ 493,435

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
REFUSE COLLECTION FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Refuse billing	\$ 4,602,115	\$ 4,602,115	\$ 4,515,375
Total operating revenues	4,602,115	4,602,115	4,515,375
OPERATING EXPENSES			
Refuse collection	4,475,580	4,475,580	4,405,457
Administrative fees - General Fund	119,000	119,000	119,000
Total operating expenses	4,594,580	4,594,580	4,524,457
OPERATING INCOME	7,535	7,535	(9,082)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,500	1,500	26,348
NET INCOME BEFORE TRANSFERS	9,035	9,035	17,266
Transfers (out)	(105,000)	(105,000)	(105,000)
CHANGE IN NET POSITION	\$ (95,965)	\$ (95,965)	(87,734)
NET POSITION, JANUARY 1			1,001,070
NET POSITION, DECEMBER 31			\$ 913,336

(See independent auditor's report.)

STATISTICAL SECTION

Statistical Section

This part of the Village's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information displays about the Village's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have been changed over time.	136 - 145
Revenue Capacity	
These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	146 - 150
Debt Capacity	
These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue debt in the future.	151 - 154
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	155 - 156
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	157 - 158

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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VILLAGE OF PALATINE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 133,517,262	\$ 133,599,587	\$ 129,862,356	\$ 134,215,974
Restricted	42,399,832	40,641,243	10,854,118	3,233,577
Unrestricted	(17,696,179)	(10,074,468)	26,919,088	34,104,500
TOTAL GOVERNMENTAL ACTIVITIES	\$ 158,220,915	\$ 164,166,362	\$ 167,635,562	\$ 171,554,051
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 38,891,700	\$ 35,931,798	\$ 35,235,617	\$ 43,155,964
Restricted	-	-	-	-
Unrestricted	11,648,072	15,456,420	17,683,868	12,113,363
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 50,539,772	\$ 51,388,218	\$ 52,919,485	\$ 55,269,327
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 169,531,385	\$ 165,097,973	\$ 177,371,938	\$ 179,040,186
Restricted	40,641,243	10,854,118	3,233,577	3,600,787
Unrestricted	5,381,952	44,602,956	46,217,863	51,448,655
TOTAL PRIMARY GOVERNMENT	\$ 215,554,580	\$ 220,555,047	\$ 226,823,378	\$ 234,089,628

* Implementation of GASB Statement 68

** Implementation of GASB-75

Data Source

Audited Financial Statements

2013	2014	2015*	2016	2017	2018**
\$ 140,609,666	\$ 144,374,387	\$ 157,741,380	\$ 164,820,305	\$ 166,189,158	\$ 168,673,918
3,600,787	2,236,148	1,838,578	1,750,986	1,748,002	3,925,818
30,819,755	35,764,493	(51,107,972)	(61,926,571)	(66,937,376)	(80,303,379)
\$ 175,030,208	\$ 182,375,028	\$ 108,471,986	\$ 104,644,720	\$ 100,999,784	\$ 92,296,357
\$ 38,430,520	\$ 38,870,993	\$ 32,408,120	\$ 32,913,880	\$ 32,491,180	\$ 32,259,964
-	-	-	-	-	-
20,628,900	20,657,402	24,957,201	22,065,439	25,552,745	28,010,112
\$ 59,059,420	\$ 59,528,395	\$ 57,365,321	\$ 54,979,319	\$ 58,043,925	\$ 60,270,076
\$ 183,245,380	\$ 183,245,380	\$ 190,149,500	\$ 197,734,185	\$ 198,680,338	\$ 200,933,882
2,236,148	2,236,148	1,838,578	1,750,986	1,748,002	3,925,818
56,421,895	56,421,895	(26,150,771)	(39,861,132)	(41,384,631)	(52,293,267)
\$ 241,903,423	\$ 241,903,423	\$ 165,837,307	\$ 159,624,039	\$ 159,043,709	\$ 152,566,433

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011
EXPENSES			
Governmental activities			
General government	\$ 8,314,739	\$ 7,911,734	\$ 8,092,022
Public safety	33,898,460	35,204,860	37,174,518
Public works	10,720,807	10,000,129	11,346,788
Economic development	1,539,146	6,828,477	7,618,221
Interest and fiscal charges	3,411,066	4,190,376	4,965,687
Total governmental activities expenses	57,884,218	64,135,576	69,197,236
Business-type activities			
Waterworks	6,188,396	6,121,039	7,199,466
Sewerage	3,391,245	3,103,688	3,063,914
Parking system	1,431,482	1,405,859	1,344,734
Refuse collection	4,227,437	4,218,165	4,388,685
Total business-type activities expenses	15,238,560	14,848,751	15,996,799
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 73,122,778	\$ 78,984,327	\$ 85,194,035
PROGRAM REVENUES			
Governmental activities			
Charges for services			
General government	\$ 4,192,225	\$ 4,129,923	\$ 3,988,510
Public safety	3,750,916	3,345,737	4,167,979
Other activities	259,356	242,032	1,001,900
Operating grants	2,899,524	3,564,551	3,166,903
Capital grants and contributions	1,592,266	3,465,779	1,726,883
Total governmental activities program revenues	12,694,287	14,748,022	14,052,175
Business-type activities			
Charges for services			
Waterworks	6,417,950	7,208,992	9,084,694
Sewerage	3,128,333	3,189,687	3,250,125
Parking system	630,319	654,485	679,455
Refuse collection	4,414,604	4,426,123	4,649,761
Operating grants	-	-	12,320
Capital grants and contributions	4,271	208,347	90,997
Total business-type activities program revenues	14,595,477	15,687,634	17,767,352
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 27,289,764	\$ 30,435,656	\$ 31,819,527
NET REVENUE (EXPENSE)			
Governmental activities	\$ (49,387,554)	\$ (55,145,061)	\$ (55,214,512)
Business-type activities	838,883	1,770,553	2,549,483
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ (48,548,671)	\$ (53,374,508)	\$ (52,665,029)

* Implementation of GASB-68

** Implementation of GASB-75

Data Source

Audited Financial Statements

2012	2013	2014*	2015	2016	2017	2018**
\$ 5,687,081	\$ 3,618,746	\$ 6,085,713	\$ 5,181,480	\$ 7,411,863	\$ 4,992,470	\$ 4,792,852
39,154,692	39,226,832	40,893,455	39,766,935	53,993,443	58,319,928	53,387,729
10,978,933	14,290,195	12,001,792	10,574,340	11,764,624	10,938,679	10,658,853
7,785,928	5,914,067	3,400,486	5,187,476	4,080,021	1,464,895	6,692,302
4,782,927	4,334,822	4,214,079	3,685,197	3,466,073	3,490,399	2,800,515
68,389,561	67,384,662	66,595,525	64,395,428	80,716,024	79,206,371	78,332,251
6,851,401	7,511,430	8,235,391	10,988,330	12,485,417	9,115,608	9,071,013
3,688,412	3,335,908	3,041,236	3,641,693	4,580,455	3,373,247	3,815,318
1,355,716	1,269,605	1,323,599	1,226,379	1,526,641	1,256,792	1,277,515
4,430,979	4,426,461	4,553,742	4,553,546	4,394,918	4,408,987	4,524,457
16,326,508	16,543,404	17,153,968	20,409,948	22,987,431	18,154,634	18,688,303
\$ 84,716,069	\$ 83,928,066	\$ 83,749,493	\$ 84,805,376	\$ 103,703,455	\$ 97,361,005	\$ 97,020,554
\$ 3,178,125	\$ 2,792,931	\$ 4,002,813	\$ 4,338,815	\$ 4,443,342	\$ 4,348,698	\$ 4,333,166
4,107,608	4,128,702	4,183,645	4,290,067	4,608,293	4,954,398	5,586,131
2,150,261	2,107,948	2,099,120	2,079,704	2,273,555	2,454,501	2,408,431
3,133,237	3,645,430	3,555,697	2,766,089	3,277,846	2,795,038	2,870,901
605,818	315,830	31,077	-	1,200,000	-	-
13,175,049	12,990,841	13,872,352	13,474,675	15,803,036	14,552,635	15,198,629
9,818,910	9,767,730	10,277,604	10,572,378	11,504,526	11,756,016	11,134,742
3,411,343	3,422,980	3,718,386	3,539,701	3,821,872	3,987,480	4,348,556
678,488	683,780	711,723	701,265	631,587	709,390	729,953
4,518,425	4,511,043	4,530,632	4,537,427	4,518,775	4,537,890	4,515,375
-	-	-	-	-	-	-
448,825	2,177,900	-	-	-	-	-
18,875,991	20,563,433	19,238,345	19,350,771	20,476,760	20,990,776	20,728,626
\$ 32,051,040	\$ 33,554,274	\$ 33,110,697	\$ 32,825,446	\$ 36,279,796	\$ 35,543,411	\$ 35,927,255
\$ (54,393,821)	\$ (52,723,173)	\$ (52,723,173)	\$ (50,920,753)	\$ (64,912,988)	\$ (64,653,736)	\$ (63,133,622)
4,020,029	2,084,377	2,084,377	(1,059,177)	(2,510,671)	2,836,142	2,040,323
\$ (50,373,792)	\$ (50,638,796)	\$ (50,638,796)	\$ (51,979,930)	\$ (67,423,659)	\$ (61,817,594)	\$ (61,093,299)

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities			
Taxes			
Property	\$ 33,667,265	\$ 32,191,912	\$ 33,563,321
Home rule sales tax	3,992,663	4,100,988	4,232,849
Telecommunications	2,834,118	2,796,032	2,462,499
Electric utility use	-	-	1,428,854
Other	1,286,211	1,280,923	1,248,610
State shared sales taxes	7,905,175	8,472,661	8,628,389
State shared income tax	5,476,622	5,307,674	5,341,577
Other intergovernmental revenues	166,343	543,868	884,021
Investment income	400,701	305,545	285,881
Miscellaneous	403,633	333,398	285,260
Gain on sale of capital assets	50,333	-	-
Transfers	-	-	253,000
Total governmental activities	56,183,064	55,333,001	58,614,261
Business-type activities			
Investment income	31,731	9,563	13,714
Income (loss) from joint venture	-	-	-
Miscellaneous	-	-	-
Transfers	-	-	(253,000)
Total business-type activities	31,731	9,563	(239,286)
TOTAL PRIMARY GOVERNMENT	\$ 56,214,795	\$ 55,342,564	\$ 58,374,975
CHANGE IN NET POSITION			
Governmental activities	\$ 10,143,070	\$ 9,226,707	\$ 3,987,940
Business-type activities	(633,520)	599,597	1,456,412
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ 9,509,550	\$ 9,826,304	\$ 5,444,352

Data Source

Audited Financial Statements

	2012	2013	2014	2015	2016	2017	2018
\$	32,904,361	\$ 31,515,066	\$ 31,303,000	\$ 31,387,642	\$ 31,113,482	\$ 32,991,371	\$ 34,799,347
	4,199,803	4,305,118	4,471,298	4,360,722	4,217,287	4,111,583	4,446,002
	2,550,703	2,239,240	1,906,545	1,891,654	1,869,966	1,490,678	1,348,572
	1,751,844	1,722,005	1,690,985	1,641,246	2,054,689	2,263,482	2,360,118
	1,267,148	1,242,698	1,309,644	1,400,596	1,407,848	1,456,653	1,461,691
	8,931,459	9,343,337	10,061,160	9,892,846	9,558,566	9,634,893	10,163,314
	6,023,925	6,532,135	6,563,909	7,294,684	6,673,615	6,296,903	6,565,435
	679,004	226,477	515,114	293,748	244,029	251,911	406,251
	321,140	300,305	309,200	305,362	391,626	698,159	1,129,713
	164,057	193,597	297,638	156,573	458,387	1,134,667	526,783
	-	-	-	-	-	-	-
	339,557	250,000	1,639,500	360,000	368,000	678,500	689,000
	59,133,001	57,869,978	60,067,993	58,985,073	58,357,495	61,008,800	63,896,226
	25,416	20,064	24,098	16,402	41,124	115,034	256,541
	-	-	-	-	-	791,930	525,390
	-	-	-	-	-	-	309,188
	(339,557)	(250,000)	(1,639,500)	(360,000)	(368,000)	(678,500)	(689,000)
	(314,141)	(229,936)	(1,615,402)	(343,598)	(326,876)	228,464	402,119
\$	58,818,860	\$ 57,640,042	\$ 58,452,591	\$ 58,641,475	\$ 58,030,619	\$ 61,237,264	\$ 64,298,345
\$	2,655,466	\$ 5,674,172	\$ 7,344,820	\$ 8,064,320	\$ (6,555,493)	\$ (3,644,936)	\$ 762,604
	2,319,547	2,404,627	468,975	(1,402,775)	(2,837,547)	3,064,606	2,442,442
\$	4,975,013	\$ 8,078,799	\$ 7,813,795	\$ 6,661,545	\$ (9,393,040)	\$ (580,330)	\$ 3,205,046

VILLAGE OF PALATINE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011*	2012
GENERAL FUND				
Reserved	\$ 5,898,008	\$ 6,025,530	\$ -	\$ -
Unreserved	10,608,000	9,745,168	-	-
Nonspendable	-	-	6,267,920	5,772,920
Unassigned	-	-	12,657,972	15,064,951
TOTAL GENERAL FUND	\$ 16,506,008	\$ 15,770,698	\$ 18,925,892	\$ 20,837,871
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 42,712,889	\$ 57,463,551	\$ -	\$ -
Unreserved, reported in				
Special Revenue Funds	-	-	-	-
Capital Project Funds	(106,775)	-	-	-
Restricted	-	-	36,631,487	32,349,656
Assigned	-	-	10,844,611	11,900,695
Unassigned	-	-	-	(871,431)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 42,606,114	\$ 57,463,551	\$ 47,476,098	\$ 43,378,920

* GASB Statement 54 was implemented.

Data Source

Audited Financial Statements

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
5,277,920	4,782,920	5,022,070	5,261,220	4,470,370	3,738,890
16,880,750	18,124,529	17,012,432	18,224,006	18,909,919	21,145,386
\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	\$ 23,380,289	\$ 24,884,276
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
23,876,160	17,945,345	14,882,305	14,057,043	19,059,512	19,554,231
16,305,655	21,284,780	13,536,719	7,451,239	9,116,907	10,817,419
(2,484,768)	(43,615)	(43,615)	(35,515)	-	-
\$ 37,697,047	\$ 39,186,510	\$ 28,375,409	\$ 21,472,767	\$ 28,176,419	\$ 30,371,650

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
REVENUES				
Taxes	\$ 50,488,804	\$ 50,087,153	\$ 42,936,134	\$ 42,673,859
Licenses and permits	3,081,984	3,112,015	2,695,124	2,612,185
Intergovernmental	9,374,441	12,810,025	21,894,742	21,449,463
Charges for services	1,845,422	1,839,736	3,364,812	3,351,983
Fines and forfeitures	1,948,079	1,256,149	944,747	1,395,806
Investment income	404,698	305,545	285,881	321,140
Contributions	1,000,000	-	-	-
Miscellaneous	683,590	670,400	291,996	164,057
Total revenues	68,827,018	70,081,023	72,413,436	71,968,493
EXPENDITURES				
General government	8,507,772	7,713,816	6,296,980	5,448,017
Public safety	31,678,221	33,638,662	36,499,775	36,627,642
Public works	8,370,752	8,250,868	5,870,884	5,857,645
Economic development	1,504,577	6,828,477	5,776,274	7,999,863
Capital outlay	15,945,994	9,139,690	24,177,056	7,816,121
Debt service				
Principal retirement	12,649,263	5,493,745	5,708,490	6,403,904
Interest	3,964,551	4,341,907	5,082,194	4,768,086
Fiscal charges	294,487	-	160,195	91,906
Total expenditures	82,915,617	75,407,165	89,571,848	75,013,184
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,088,599)	(5,326,142)	(17,158,412)	(3,044,691)
OTHER FINANCING SOURCES (USES)				
Bonds issued, at par	33,340,315	32,158,385	7,000,000	-
Refunding bonds issued, at par	-	-	850,000	5,025,000
Bond premium	152,558	879,220	216,155	-
Payment to refunded bond escrow agent	(4,678,260)	(13,950,839)	(865,438)	(4,939,073)
Proceeds from sale of capital assets	88,594	61,483	3,172,436	325,429
Transfers in	-	65,000	253,000	3,609,447
Transfers (out)	(84,456)	(65,000)	-	(3,269,890)
Total other financing sources (uses)	28,818,751	19,148,249	10,626,153	750,913
NET CHANGE IN FUND BALANCES	\$ 14,730,152	\$ 13,822,107	\$ (6,532,259)	\$ (2,293,778)
Debt service as a percentage of noncapital expenditures	23.63%	14.43%	14.89%	15.56%

* The Village refunded outstanding debt under the crossover method, which increased debt service expenditures.

** The Village refunded outstanding debt under the crossover method and called and redeemed debt from current assets, which increased debt service expenditures.

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2017*	2018**
\$	41,024,128	\$ 40,681,472	\$ 40,681,860	\$ 40,663,272	\$ 42,313,767	\$ 44,415,730
	2,822,149	3,081,336	3,153,792	3,284,115	3,272,240	3,226,870
	22,102,467	22,735,622	22,291,479	21,845,363	21,401,178	22,394,130
	3,683,470	3,801,523	4,116,301	4,367,516	4,419,448	4,871,126
	1,376,629	1,394,054	1,394,381	1,582,252	1,753,256	1,953,421
	300,305	309,200	305,362	391,626	698,159	1,129,713
	-	-	-	-	-	-
	193,596	297,638	156,573	458,387	1,134,667	526,783
	71,502,744	72,300,845	72,099,748	72,592,531	74,992,715	78,517,773
	5,532,910	5,690,050	5,853,988	6,064,441	5,359,971	5,129,280
	37,149,960	38,212,533	40,197,022	40,907,770	42,657,188	43,654,462
	6,228,622	6,769,212	6,419,162	6,227,585	5,982,359	6,065,407
	5,914,067	3,400,486	5,187,476	4,080,021	1,464,895	6,692,302
	10,091,641	8,176,672	15,883,621	11,571,849	5,010,113	4,954,603
	6,346,812	6,089,339	6,988,013	6,138,391	14,589,233	13,715,000
	4,385,759	4,172,391	3,729,681	3,498,783	3,381,270	2,677,751
	8,303	122,338	11,611	6,900	219,828	139,164
	75,658,074	72,633,021	84,270,574	78,495,740	78,664,857	83,027,969
	(4,155,330)	(332,176)	(12,170,826)	(5,903,209)	(3,672,142)	(4,510,196)
	-	-	-	-	-	-
	-	10,985,000	-	-	18,355,000	6,235,000
	-	212,225	-	-	265,712	903,240
	-	(11,076,385)	-	-	(9,086,571)	-
	115,692	211,418	51,778	83,291	58,216	87,712
	5,249,753	12,364,540	3,451,125	466,031	716,596	9,219,552
	(4,999,753)	(10,736,130)	(3,016,125)	(98,031)	(38,096)	(8,471,784)
	365,692	1,960,668	486,778	451,291	10,270,857	7,973,720
\$	(3,789,638)	\$ 1,628,492	\$ (11,684,048)	\$ (5,451,918)	\$ 6,598,715	\$ 3,463,524
	15.06%	14.75%	14.88%	13.38%	23.25%	20.06%

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VILLAGE OF PALATINE, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial, Farm and Railroad Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2008	\$ 1,737,493,759	\$ 403,925,657	\$ 187,266,934	NA	\$ 2,328,686,350	\$ 0.914	\$ 6,986,059,050
2009	1,900,562,138	367,743,939	163,729,362	NA	2,432,035,439	0.882	7,296,106,317
2010	1,696,347,388	324,004,088	161,853,695	NA	2,182,205,171	1.022	6,546,615,513
2011	1,563,334,770	278,224,339	145,507,673	NA	1,987,066,782	1.121	5,961,200,346
2012	1,448,021,095	266,901,767	134,160,019	NA	1,849,082,881	1.200	5,547,248,643
2013	1,218,389,388	248,664,150	122,708,665	NA	1,589,762,203	1.390	4,769,286,609
2014	1,286,288,306	261,895,895	58,787,142	NA	1,606,971,343	1.368	4,820,914,029
2015	1,251,420,992	255,861,463	56,605,366	NA	1,563,887,821	1.406	4,691,663,463
2016	1,499,369,745	253,938,396	60,969,048	NA	1,814,277,189	1.212	5,442,831,567
2017	1,503,316,838	261,662,095	62,863,747	NA	1,827,842,680	1.249	5,483,528,040

NA = Not Available

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

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

Tax Levy Year	2008	2009	2010	2011
TAX RATES				
Village of Palatine				
Social Security	\$ 0.091	\$ 0.087	\$ 0.097	\$ 0.109
IMRF	0.052	0.054	0.060	0.060
Police Protection	0.217	0.216	0.241	0.233
Fire Protection	0.301	0.215	0.239	0.233
Fire Pension	0.056	0.085	0.110	0.148
Police Pension	0.081	0.112	0.149	0.154
Debt Service	0.116	0.113	0.126	0.184
Total Village of Palatine	0.914	0.882	1.022	1.121
School Districts				
Palatine CCSD No. 15	2.385	2.307	2.603	2.943
Junior College No. 512	0.256	0.258	0.295	0.334
Township HSD No. 211	1.928	1.916	2.204	2.482
Park District	0.419	0.408	0.468	0.517
Library District	0.240	0.229	0.198	0.222
County				
County of Cook	0.415	0.394	0.423	0.462
Forest Preserve	0.051	0.049	0.051	0.058
Township				
Palatine Township	0.035	0.034	0.039	0.044
General Assistance	0.008	0.008	0.010	0.012
Road and Bridge	0.063	0.061	0.070	0.079
Other Districts				
Northwest Mosquito	0.008	0.008	0.009	0.010
Sanitary District	0.252	0.261	0.274	0.320
Elections (ELCO)	-	0.021	-	0.025
TOTAL TAX RATES	\$ 6.974	\$ 6.836	\$ 7.666	\$ 8.629
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE	13.11%	12.90%	13.33%	12.99%

Data Source

Office of the County Clerk

	2012		2013		2014		2015		2016		2017
\$	0.122	\$	0.148	\$	0.119	\$	0.125	\$	0.111	\$	0.136
	0.065		0.081		0.080		0.085		0.075		0.060
	0.267		0.305		0.306		0.295		0.215		0.206
	0.267		0.305		0.306		0.295		0.215		0.206
	0.163		0.196		0.204		0.210		0.218		0.254
	0.163		0.187		0.191		0.222		0.227		0.238
	0.153		0.168		0.162		0.174		0.151		0.149
	1.200		1.390		1.368		1.406		1.212		1.249
	3.269		3.849		3.868		4.035		3.543		3.618
	0.373		0.444		0.451		0.466		0.416		0.425
	2.772		3.197		3.213		3.309		2.871		2.922
	0.574		0.680		0.696		0.725		0.648		0.657
	0.248		0.293		0.295		0.308		0.268		0.276
	0.594		0.560		0.568		0.552		0.533		0.496
	0.062		0.069		0.069		0.069		0.063		0.062
	0.049		0.058		0.059		0.063		0.054		0.055
	0.014		0.017		0.017		0.018		0.012		0.010
	0.082		0.092		0.090		0.092		0.079		0.078
	0.011		0.013		0.013		0.011		0.010		0.010
	0.370		0.417		0.430		0.426		0.406		0.402
	-		0.031		-		0.034		-		0.031
\$	9.618	\$	11.110	\$	11.137	\$	11.514	\$	10.115	\$	10.291
	12.48%		12.51%		12.28%		12.21%		11.98%		12.14%

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Levy Year and Nine Levy Years Ago

Taxpayer	Tax Year 2017			Tax Year 2008		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Weber Stephen Products	\$ 19,769,505	1	1.08%	NA	NA	NA
Deer Grove Center	15,217,224	2	0.83%	\$ 23,123,155	1	0.99%
Wal Mart	13,703,000	3	0.75%	17,603,690	5	0.76%
Bourbon Square Apartments	12,737,779	4	0.70%	15,710,700	6	0.67%
United Parcel Service	12,423,126	5	0.68%	18,717,296	4	0.80%
Arlington Toyota	9,364,138	6	0.51%	NA	NA	NA
Regency Retail LLC	9,301,343	7	0.51%	13,778,542	7	0.59%
Draper & Kramer Clays	8,894,085	8	0.49%	NA	NA	NA
Nare Management LLC	7,950,023	9	0.43%	NA	NA	NA
Target	7,055,205	10	0.39%	9,667,764	10	0.42%
PFC Marquette Company	NA	NA	NA	21,501,253	2	0.92%
Mid America Park Place	NA	NA	NA	19,461,312	3	0.84%
Hamilton Partners	NA	NA	NA	11,289,966	8	0.48%
Square D Company	NA	NA	NA	11,093,033	9	0.48%
	<u>\$ 116,415,428</u>		<u>6.37%</u>	<u>\$ 161,946,711</u>		<u>6.95%</u>

Note:

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

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied		Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$	21,286,105	\$ 18,913,144	88.85%	\$ 2,122,973	\$ 21,036,117	98.83%
2009		21,450,553	18,588,397	86.66%	2,698,668	21,287,065	99.24%
2010		22,302,137	21,350,808	95.73%	876,357	22,227,165	99.66%
2011		22,275,019	21,834,784	98.02%	218,411	22,053,195	99.00%
2012		22,188,995	21,661,897	97.62%	347,428	22,009,325	99.19%
2013		22,097,695	21,729,359	98.33%	(61,887)	21,667,472	98.05%
2014		21,983,368	21,698,390	98.70%	124,273	21,822,663	99.27%
2015		21,988,263	21,688,247	98.64%	118,191	21,806,438	99.17%
2016		21,989,040	21,682,685	98.61%	273,234	21,955,919	99.85%
2017		22,829,755	22,611,087	99.04%	-	22,611,087	99.04%

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities			Business- Type Activities	Percent		
	General Obligation Bonds	TIF Revenue Bonds	Tax Increment Notes	General Obligation Bonds	Total Primary Government	of Personal Income*	Per Capita*
2009	\$ 83,303,077	\$ 5,995,000	\$ 148,548	\$ 21,349,916	\$ 110,796,541	5.19%	\$ 1,590
2010	96,605,992	-	137,983	20,051,477	116,795,452	4.74%	1,704
2011	98,342,273	-	122,402	18,892,992	117,357,667	4.79%	1,722
2012	91,969,327	-	116,859	17,526,482	109,612,668	4.45%	1,599
2013	85,483,105	-	111,664	16,479,732	102,074,501	3.85%	1,382
2014	80,207,505	-	105,565	14,464,348	94,777,418	3.85%	1,382
2015	72,530,000	-	97,417	17,310,000	89,937,417	4.42%	1,300
2016	66,400,000	-	89,026	13,910,000	80,399,026	3.31%	1,162
2017	61,050,000	-	79,793	12,315,000	73,444,793	2.97%	1,068
2018	53,570,000	-	79,793	10,835,000	64,484,793	2.60%	938

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

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended	General Obligation Bonds		Less: Net Position Restricted for Debt Service	Total Primary Government	Percent of Estimated Actual Taxable Value of Property*		Per Capita*
	Governmental Activities	Business- Type Activities					
2009	\$ 83,303,077	\$ 21,349,916	\$ 2,190,803	\$ 102,462,190	1.18%		\$ 1,166
2010	96,605,992	20,051,477	2,685,963	113,971,506	1.47%		1,554
2011	98,342,273	18,892,992	2,584,143	114,651,122	1.56%		1,662
2012	91,969,327	17,526,482	2,122,279	107,373,530	1.74%		1,664
2013	85,483,105	16,479,732	1,865,098	100,097,739	1.80%		1,566
2014	80,207,505	14,464,348	-	94,671,853	1.71%		1,381
2015	72,530,000	17,310,000	-	89,840,000	1.65%		1,335
2016	66,400,000	13,910,000	-	80,310,000	1.32%		1,298
2017	61,050,000	12,315,000	-	73,365,000	1.35%		1,067
2018	53,570,000	10,835,000	-	64,405,000	1.17%		937

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

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2018

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 53,649,793	100.00%	\$ 53,649,793
School Districts (2)			
Community Unit District 15	36,508,431	50.57%	18,462,314
Township High School District 214	34,395,000	0.02%	6,879
Community College District 512	126,895,000	9.36%	11,877,372
Total school districts	197,798,431		30,346,565
Other than schools (2)			
Cook County	3,098,491,750	1.16%	35,942,504
Cook County Forest Preserve District	153,890,000	1.16%	1,785,124
Metropolitan Water Reclamation District	2,658,336,000	1.18%	31,368,365
Park Districts			
Arlington Heights Park District	10,890,000	0.06%	6,534
Palatine Park District	14,255,000	75.90%	10,819,545
Salt Creek Park District	1,620,000	50.30%	814,860
Total other than schools	5,937,482,750		80,736,932
Total Overlapping Governmental Activities Debt	6,135,281,181		111,083,497
Total Direct and Overlapping Governmental Activities Debt	\$ 6,188,930,974		\$ 164,733,290

(1) Determined by ratio of assessed valuation of property subject to taxation in the Village to valuation of property subject to taxation in overlapping unit. The 2016 EAV is the most current available.

(2) As of June 30, 2017

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2018

The Village is a home rule municipality.

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

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

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

VILLAGE OF PALATINE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2009	65,920	\$ 2,021,173,120	\$ 30,661	8.3%
2010	68,557	2,463,595,795	35,935	8.5%
2011	68,557	2,463,595,795	35,935	7.9%
2012	68,557	2,463,595,795	35,935	8.2%
2013	68,557	2,463,595,795	35,935	6.9%
2014	68,557	2,463,595,795	35,935	5.1%
2015	69,188	2,421,307,161	34,996	5.0%
2016	69,188	2,431,032,638	35,137	4.6%
2017	68,766	2,476,263,660	36,010	4.0%
2018	68,766	2,476,263,660	36,010	3.2%

Data Source

US Census Bureau

Illinois Department of Employment Security

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2018			2009		
	Rank	Approx. No. of Employees	Percentage of Total Village Population	Rank	Approx. No. of Employees	Percentage of Total Village Population
Community Consolidated School District 15	1	2,088	3.04%	2	1,714	2.60%
Township High School District 211	2	2,022	2.94%	1	2,002	3.04%
United States Postal Service	3	1,000	1.45%	3	1,100	1.67%
Community College District 512	4	948	1.38%	4	816	1.24%
United Parcel Service	5	500	0.73%	5	470	0.71%
Little City Foundation	6	420	0.61%	6	400	0.61%
Weber-Stephen Products	7	400	0.58%	9	200	0.30%
Village of Palatine	8	338	0.49%	8	345	0.52%
Intec Group, Inc.	9	150	0.22%	10	150	0.23%
Keller Williams	10	140	0.20%	NA	NA	NA
Schneider Electric - Square D	NA	NA	NA	7	350	0.53%

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL GOVERNMENT										
Village Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.5
Village Manager	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5	5.0	5.0
Finance and Operations	17.0	15.0	13.0	12.0	12.0	12.0	12.0	10.0	10.0	10.0
Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resources	4.0	4.0	4.0	2.5	2.5	2.5	2.5	3.0	3.0	3.0
Information systems	10.0	9.5	7.0	7.0	7.0	7.0	7.0	7.0	8.0	7.5
Planning and Zoning	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5	3.5
PUBLIC SAFETY										
Community services	19.5	16.5	14.5	15.5	15.0	15.0	16.0	16.0	20.5	20.0
Police										
Sworn personnel	112.0	111.0	110.0	109.0	109.0	108.0	109.0	109.0	109.0	109.0
Civilians	31.0	31.0	31.5	31.5	31.5	31.0	31.5	27.5	31.0	29.5
Fire										
Sworn personnel	95.0	93.0	92.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
Civilians	11.0	10.5	9.5	9.5	9.5	9.5	9.5	9.5	8.0	8.0
PUBLIC WORKS										
Public Works	66.5	66.0	64.5	63.5	63.5	63.5	63.5	63.0	62.0	62.0

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

OPERATING INDICATORS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police										
Physical arrests	2,308	2,224	1,657	1,506	1,475	1,527	1,660	1,832	2,155	2,233
Parking violations	7,315	6,908	6,264	4,364	4,754	4,756	5,664	5,645	6,638	7,017
Traffic violations	11,473	11,616	10,680	9,928	9,933	9,960	11,229	10,663	10,056	11,251
Fire										
Emergency responses	7,020	7,233	7,510	7,680	7,770	8,009	7,661	7,853	7,709	8,080
PUBLIC WORKS										
Water										
Number of connections	19,658	19,644	19,473	19,481	19,584	19,181	19,181	19,181	19,181	19,181
Avg daily consumption	6.44M	6.44M	6.47M	6.93M	6.57M	6.30M	6.49M	6.22M	5.75M	5.93M
CAPITAL ASSET STATISTICS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	28	28	28	28	28	28	28	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	7	7	7	7	7	7	7	7	7	7
PUBLIC WORKS										
Streets and highways										
Streets (miles)	160	160	160	160	160	160	160	160	160	160
Number of bridges	6	6	6	6	6	6	6	6	6	6
Waterworks										
Water mains (miles)	156	156	156	156	156	245	245	246	246	247
Fire hydrants	2,060	2,060	2,060	2,060	2,060	2,513	2,513	2,523	2,523	2,523
Sewerage										
Sanitary sewers (miles)	145	145	145	145	145	168	168	169	169	169
Storm sewers (miles)	225	225	225	225	225	260	260	263	263	264

Data Source

Village Records

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**Additional Disclosures Required
by SEC Rule 15c2-12**

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
STATEMENT OF INDEBTEDNESS
December 31, 2018

		As Percent of		Per Capita
		Assessed	Estimated	(2010 Special
	Amount	Value	True	Census Pop.
			Value	68,557)
<hr/>				
Taxable real property, 2017				
Assessed valuation	\$ 1,827,842,680	100.00%	33.33%	\$ 26,662
Estimated true value	5,483,528,040	300.00%	100.00%	79,985
<hr/>				
Total general obligation bonded debt (1):	64,405,000	3.52%	1.17%	939
Less: Self-Supporting	(32,725,000)	-1.79%	-0.60%	(477)
Net general obligation bonded debt	31,680,000	1.73%	0.58%	462
<hr/>				
Overlapping bonded debt payable from property taxes (2):				
Schools	30,346,565	1.66%	0.55%	443
Other than schools	80,736,932	4.42%	1.47%	1,178
Total overlapping bonded debt	111,083,497	6.08%	2.03%	1,620
<hr/>				
Total net direct and overlapping bonded debt	\$ 142,763,497	7.81%	2.60%	\$ 2,082
<hr/>				

Notes:

(1) The Village is a home-rule unit under the 1970 Illinois Constitution and as such has no debt limit nor is it required to seek referendum approval for the issuance of general obligation debt. See "Retirement Schedule of Outstanding Village General Obligation Debt" for a listing of the Village's non-general obligation debt and currently outstanding general obligation debt. Of the Village's general obligation debt \$32,725,000 or 50.8% is considered self-supporting.

(2) Overlapping bonded debt as of June 2018.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
RETIREMENT SCHEDULE OF OUTSTANDING VILLAGE GENERAL OBLIGATION DEBT
December 31, 2018

Due 12/1						
	Series			Series		
	2010	Series	Series	2014	Series	
	(2 Issues)	2011A	2012	(2 Issues)	2015	
2019	\$ 615,000	\$ 900,000	\$ 555,000	\$ 1,505,000	\$ 665,000	
2020	650,000	900,000	570,000	1,565,000	695,000	
2021	675,000	1,000,000	595,000	945,000	725,000	
2022	705,000	1,000,000	615,000	975,000	750,000	
2023	-	100,000	-	1,015,000	785,000	
2024	725,000	-	-	1,050,000	820,000	
2025	735,000	-	-	1,090,000	870,000	
2026	1,275,000	-	-	310,000	-	
2027	1,325,000	-	-	325,000	-	
2028	1,340,000	-	-	335,000	-	
2029	1,400,000	-	-	-	-	
2030	2,200,000	-	-	-	-	
2031	2,300,000	-	-	-	-	
2032	2,400,000	-	-	-	-	
2033	2,500,000	-	-	-	-	
2034	2,600,000	-	-	-	-	
	\$ 21,445,000	\$ 3,900,000	\$ 2,335,000	\$ 9,115,000	\$ 5,310,000	

Notes:

(1) The Village is a home rule unit under the 1970 Illinois Constitution and as such has no debt limit, nor is it required to seek referendum approval for the issuance of general obligation debt. This table excludes \$5,460,000 outstanding principal on Special Service Area Bonds, which are secured by a separate levy on property within the Special Service Area; \$79,793 outstanding principal on Tax Increment Financing bonds and notes secured only by the incremental revenues generated by the district; and various industrial revenue bonds which are fully secured by payments from the benefitting entities. This table also excludes the Village's obligations as a member of the Solid Waste agency of Northern Cook County (SWANCC), a municipal joint action agency created to construct and equip a waste project to dispose of the municipal waste of its members.

(2) The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$64,405,000 outstanding principal at December 31, 2018, the Village estimates that \$32,725,000 (50.8%) is self-supporting from non-property tax sources.

Data Source

Village Records

Series		Series		Total Maturities (2)	
2017		2018		Amount	
(4 Issues)				%	
\$	2,510,000	\$	345,000	\$	7,095,000 11.0%
	2,540,000		440,000		7,360,000 11.4%
	3,295,000		470,000		7,705,000 12.0%
	3,385,000		500,000		7,930,000 12.3%
	1,180,000		530,000		3,610,000 5.6%
	1,200,000		560,000		4,355,000 6.8%
	1,210,000		600,000		4,505,000 7.0%
	745,000		640,000		2,970,000 4.6%
	-		670,000		2,320,000 3.6%
	-		725,000		2,400,000 3.7%
	-		755,000		2,155,000 3.3%
	-	-	-		2,200,000 3.4%
	-	-	-		2,300,000 3.6%
	-	-	-		2,400,000 3.7%
	-	-	-		2,500,000 3.9%
	-	-	-		2,600,000 4.0%
\$	16,065,000	\$	6,235,000	\$	64,405,000 100.0%

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
 BONDED DEBT RATIOS AND PER CAPITA DEBT - LAST TEN GENERAL OBLIGATION BOND SALES
 December 31, 2018

Village Issue		Ratio to Estimated Actual Value				Per Capita			
		Direct and Overlapping Debt				Direct and Overlapping Debt			
		Direct Debt		Overlapping Debt		Overlapping Debt			
		Excluding		Excluding		Excluding			
		Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Population Estimate	
Sale Date	Amount	Supporting	(1)	Supporting	(1)	Supporting	(1)		
June 15, 2009	\$ 9,545,000	1.50%	0.41%	3.24%	2.15%	\$ 3,212	\$ 2,129	65,920	
September 15, 2009 (2)	16,600,000	1.65%	0.31%	3.52%	2.18%	3,496	2,166	65,920	
May 26, 2010 (2)	19,870,000	1.45%	0.27%	3.18%	2.00%	3,360	2,117	65,920	
August 9, 2010 (2)	19,745,000	1.69%	0.52%	3.41%	2.24%	3,619	2,375	65,920	
June 20, 2011 (3)	7,850,000	1.64%	0.61%	3.47%	2.44%	3,844	2,701	65,920	
December 3, 2012 (2)	5,025,000	1.89%	0.71%	4.17%	2.99%	4,243	2,597	68,557	
December 9, 2014 (2,3)	14,610,000	2.19%	0.73%	4.69%	3.23%	3,263	2,250	68,557	
December 2, 2015	7,165,000	1.98%	0.78%	4.52%	3.32%	3,184	2,337	68,557	
July 11, 2017 (3)	18,355,000	1.48%	0.84%	3.51%	2.67%	2,117	1,171	68,557	
September 5, 2018 (3)	6,235,000	1.32%	0.59%	3.35%	2.62%	2,674	2,095	68,557	

Notes:

(1) Excludes the Village's general obligation debt which is payable from non-property tax revenues.

(2) All or a portion of bond proceeds used for advance refunding purposes.

(3) All or a portion of bond proceeds used for current refunding purposes.

Data Source

Official Statements

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES
December 31, 2018

Governmental Unit	Percent of Village's Real Property in Taxing Body	Gross Debt (1)	Percent of Debt Applicable to the Village of Palatine (2)	Village of Palatine Share of Debt
School Districts				
Palatine Community District No. 15	100.0%	\$ 36,508,431	50.57%	\$ 18,462,314
Township High School District No. 214	0.1%	34,395,000	0.02%	6,879
Community College District No. 512	100.0%	126,895,000	9.36%	11,877,372
Total school districts		<u>197,798,431</u>		<u>30,346,565</u>
Other than schools				
Cook County	100.0%	3,098,491,750	1.16%	35,942,504
Cook County Forest Preserve District	100.0%	153,890,000	1.16%	1,785,124
Metropolitan Water Reclamation District	100.0%	2,658,336,000	1.18%	31,368,365
Park Districts				
Arlington Heights Park District	0.1%	10,890,000	0.06%	6,534
Palatine Park District	94.2%	14,255,000	75.90%	10,819,545
Salt Creek Park District	5.7%	1,620,000	50.30%	814,860
Total other than schools		<u>5,937,482,750</u>		<u>80,736,932</u>
Total Overlapping Governmental Activities Debt		<u>\$ 6,135,281,181</u>		<u>\$ 111,083,497</u>

Notes:

(1) As of June 2018.

(2) Overlapping debt percentages based on 2016 EAV, the most current available.

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES
December 31, 2018

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes (1)	Increase Over Prior Year
2008	\$ 2,328,686,350	\$ 194,197,517	\$ 2,522,883,867	7.2%
2009	2,432,035,439	171,135,223	2,603,170,662	3.2%
2010 (2)	2,182,205,171	155,066,131	2,337,271,302	-10.2%
2011	1,987,066,782	213,010,709	2,200,077,491	-5.9%
2012	1,849,082,881	104,823,912	1,953,906,793	-11.2%
2013 (2)	1,589,762,203	84,767,445	1,674,529,648	-14.3%
2014	1,606,971,343	197,915,722	1,804,887,065	7.8%
2015	1,563,887,821	82,951,271	1,646,839,092	-8.8%
2016 (2)	1,814,277,189	108,242,637	1,922,519,826	16.7%
2017	1,827,842,680	125,446,620	1,953,289,300	1.6%

Notes:

(1) Property in Cook County is separated into two primary classifications for assessment purposes (10% for residential and 25% for commercial property). After the assessor establishes the fair market value of a parcel of land, the value is multiplied by one of the classification percentages to arrive at the assessed valuation for that parcel. The Illinois Department of Revenue furnishes each county with an adjustment factor (the equalization factor) to equalize the level of assessment between counties. After the equalization factor is applied, the valuation of the property for taxing purposes has been established-tax rates are applied to the equalized valuation. This table excludes exemptions.

(2) Under the current triennial reassessment system, the Village is reassessed every third year.

The Village's tax rate is calculated based on the Village's net equalized assessed valuation (shown in this table as "Net for General Taxing Purposes") and is extended against its entire Equalized Assessed Valuation (shown in this table as "Total for all Taxing Purposes") excluding only the statutory exemptions. Of the taxes collected, that portion applicable to incremental valuation (valuation of tax increment districts) is remitted to the Village by the County Collector for deposit in the applicable tax allocation fund. The Equalized Assessed Valuation for which the Village receives its portion of the total tax rate for all non-TIF purposes is shown in this table as "Net for General Taxing Purposes".

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION
December 31, 2018

Tax Levy Year	2013	2014	2015	2016	2017
TAX RATES					
Village of Palatine (1)					
Social Security	\$ 0.148	\$ 0.119	\$ 0.125	\$ 0.111	\$ 0.136
IMRF	0.081	0.080	0.085	0.075	0.060
Corporate (Police Protection)	0.305	0.306	0.295	0.215	0.206
Fire Protection	0.305	0.306	0.295	0.215	0.206
Fire Pension	0.196	0.204	0.210	0.218	0.254
Police Pension	0.187	0.191	0.222	0.227	0.238
Debt Service	0.168	0.162	0.174	0.151	0.149
Total Village of Palatine	1.390	1.368	1.406	1.212	1.249
School Districts					
Palatine CCSD No. 15	3.849	3.868	4.035	3.543	3.618
Junior College No. 512	0.444	0.451	0.466	0.416	0.425
Township HSD No. 211	3.197	3.213	3.309	2.871	2.922
Park District	0.680	0.696	0.725	0.648	0.657
Library District	0.293	0.295	0.308	0.268	0.276
County					
County of Cook	0.560	0.568	0.552	0.533	0.496
Forest Preserve	0.069	0.069	0.069	0.063	0.062
Township					
Palatine Township	0.058	0.059	0.063	0.054	0.055
General Assistance	0.017	0.017	0.018	0.012	0.010
Road and Bridge	0.092	0.090	0.092	0.079	0.078
Other Districts					
Northwest Mosquito	0.013	0.013	0.011	0.010	0.010
Sanitary District	0.417	0.430	0.426	0.406	0.402
Elections (ELCO)	0.031	-	0.034	-	0.031
TOTAL TAX RATE (2)	\$ 11.110	\$ 11.137	\$ 11.514	\$ 10.115	\$ 10.291
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE	12.51%	12.28%	12.21%	11.98%	12.14%

Notes:

(1) As a home rule unit under the 1970 Illinois Constitution, the Village has no statutory tax rate or levy limitations. Totals may not add due to rounding.

(2) Total rate shown is for the largest tax code which accounted for 78% of the Village's equalized assessed valuation.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX EXTENSIONS AND COLLECTIONS
December 31, 2018

Levy Year	Tax Levied	Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 21,286,105	\$ 18,913,144	88.85%	\$ 2,122,973	\$ 21,036,117	98.83%
2009	21,450,553	18,588,397	86.66%	2,698,668	21,287,065	99.24%
2010	22,302,137	21,350,808	95.73%	876,357	22,227,165	99.66%
2011	22,275,019	21,834,784	98.02%	218,411	22,053,195	99.00%
2012	22,188,995	21,661,897	97.62%	347,428	22,009,325	99.19%
2013	22,097,695	21,729,359	98.33%	(61,887)	21,667,472	98.05%
2014	21,983,368	21,698,390	98.70%	124,273	21,822,663	99.27%
2015	21,988,263	21,688,247	98.64%	118,191	21,806,438	99.17%
2016	21,989,040	21,682,685	98.61%	273,234	21,955,919	99.85%
2017	22,829,755	22,611,087	99.04%	-	22,611,087	99.04%

Note:

Cook County property taxes are payable in two installments: the first on March 1, and the second on the latter of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill and is 55% of the prior year's bill. The second installment is based on the current levy, assessment and equalization and reflects any changes from the prior year in those factors.

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX BASE DISTRIBUTION BY PROPERTY CLASSIFICATION
December 31, 2018

Property Classification (1)	2013	2014	2015	2016	2017
Residential	\$ 1,218,389,388	\$ 1,286,288,306	\$ 1,251,420,992	\$ 1,499,369,745	\$ 1,503,316,838
Commercial	248,664,150	261,895,895	255,861,463	253,938,396	261,662,095
Industrial/Railroad/Farm	122,708,665	58,787,142	56,605,366	60,969,048	62,863,747
Net for General Taxing Purposes	1,589,762,203	1,606,971,343	1,563,887,821	1,814,277,189	1,827,842,680
Incremental Valuation (2)	84,767,445	197,915,722	82,951,271	108,242,637	125,446,620
Total for all Taxing Purposes	\$ 1,674,529,648	\$ 1,804,887,065	\$ 1,646,839,092	\$ 1,922,519,826	\$ 1,953,289,300
Percentage Increase	-14.3%	7.8%	-8.8%	6.5%	18.6%

Notes:

(1) Property in Cook County is separated into two primary classifications for assessment purposes (10% for residential and 25% for commercial property). After the assessor establishes the fair market value of a parcel of land, the value is multiplied by one of the classification percentages to arrive at the assessed valuation for that parcel. The Illinois Department of Revenue furnishes each county with an adjustment factor (the equalization factor) to equalize the level of assessment between counties. After the equalization factor is applied, the valuation of the property for taxing purposes has been established-tax rates are applied to the equalized valuation.

(2) The Village's tax rate is calculated based on the Village's net equalized assessed valuation (shown in this table as "Net for General Taxing Purposes") and is extended against its entire Equalized Assessed Valuation (shown in this table as "Total for all Taxing Purposes") excluding only the statutory exemptions. Of the taxes collected, that portion applicable to incremental valuation (valuation of tax increment districts) is remitted to the Village by the County Collector for deposit in the applicable tax allocation fund. The Equalized Assessed Valuation for which the Village receives its portion of the total tax rate for all non-TIF purposes is shown in this table as "Net for General Taxing Purposes".

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TEN LARGEST TAXPAYERS
December 31, 2018

Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Weber Stephen Products	Maunfacturing	\$ 19,769,505	1	1.08%
Deer Grove Center	Commercial Real Estate	15,217,224	2	0.83%
Wal Mart	Retail Store	13,703,000	3	0.75%
Bourbon Square Apartments	Apartments	12,737,779	4	0.70%
United Parcel Service	United Parcel Service	12,423,126	5	0.68%
Arlington Toyota	Automobile Dealership	9,364,138	6	0.51%
Regency Retail LLC	Commercial Real Estate	9,301,343	7	0.51%
Draper & Kramer Clays	Commercial Real Estate	8,894,085	8	0.49%
Nare Management LLC	Commercial Real Estate	7,950,023	9	0.43%
Target	Retail Store	<u>7,055,205</u>	10	<u>0.39%</u>
		<u>\$ 116,415,428</u>		<u>6.37%</u>

Note:

Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked. The 2017 is the most current available.

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2018

Summary Statement of Revenue, Expenditures and Changes in Fund Balance (1)
(Fiscal Year Ending December 31, 2014 - 2018)

	2014	2015	2016	2017	2018	CY 2019 Budget (2)
REVENUES						
Taxes	\$ 25,864,623	\$ 25,505,027	\$ 26,055,992	\$ 25,423,866	\$ 26,718,556	\$ 27,337,912
Licenses and permits	3,081,336	3,153,792	3,284,115	3,272,240	3,226,870	3,343,200
Intergovernmental	18,899,416	19,484,491	18,532,713	18,461,630	19,534,046	20,708,449
Charges for services	3,494,656	3,855,071	4,092,172	4,108,578	4,515,911	4,219,945
Fines and forfeits	1,365,125	1,367,053	1,552,117	1,726,483	1,936,416	1,954,600
Investment income	273,846	266,890	300,885	426,061	567,404	188,195
Miscellaneous	209,354	80,843	427,647	164,619	451,983	435,000
Sale of capital assets	-	-	1,142	-	-	-
Transfers	175,410	-	-	38,096	-	-
Total revenues	53,363,766	53,713,167	54,246,783	53,621,573	56,951,186	58,187,301
EXPENDITURES						
General government	5,690,050	5,853,988	6,064,441	5,359,971	5,129,280	7,020,480
Public safety	37,982,977	40,046,839	40,504,033	42,384,180	43,471,946	45,096,285
Public works	6,769,212	6,419,162	6,227,585	5,982,359	6,065,407	6,366,790
Transfers	2,782,498	2,266,125	-	-	780,566	-
Total expenditures	53,224,737	54,586,114	52,796,059	53,726,510	55,447,199	58,483,555
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	139,029	(872,947)	1,450,724	(104,937)	1,503,987	\$ (296,254)
FUND BALANCE, JANUARY 1	22,768,420	22,907,449	22,034,502	23,485,226	23,380,289	
FUND BALANCE, DECEMBER 31	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	\$ 23,380,289	\$ 24,884,276	

Notes:

(1) See Note 1 to the "Combined Statement-All Funds" table for auditor's basis of accounting, etc.

(2) Budgets are adopted on a basis consistent with generally accepted accounting principles. The Village Manager prepares a proposed budget which is presented to the Village Council for review and adoption after public hearings. The Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the Village Council. The Manager regularly conducts quarterly reviews and initiates supplemental appropriations as necessary. The adopted Village Budget is based on the use of the budgetary tool known as "Target Budgeting". The target budget is a tool to involve department heads, municipal administrators, finance officers and policy officials in a joint effort to maximize the use of funds. This method of budgeting is a modification of zero based budgeting. It accepts the premise that the Village provides certain basic services and attempts to "target" funds for these basic service levels. Beyond the basic service levels, discretionary expenditures are identified, and then evaluated, prioritized and matched against available revenues. A shifting pattern of services can therefore be created without inadvertent disruption of basic services.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2018

Balance Sheet (1)					
(December 31, 2014 - 2018)					
	2014	2015	2016	2017	2018
ASSETS					
Cash and investments	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309	\$ 17,286,112	\$ 19,083,224
Receivables					
Property taxes	19,265,543	19,153,128	19,053,174	19,941,934	20,254,536
Other	658,730	772,440	808,115	773,590	841,524
Due from other governments	4,451,668	4,382,548	5,304,769	4,451,760	4,719,989
Accrued interest	15,590	5,580	7,990	37,330	98,235
Due from other funds	329,213	722,987	232,959	27,861	18,799
Prepaid expenses	-	-	-	-	75,000
Advance to other funds	4,782,920	5,022,070	5,261,220	4,470,370	3,663,890
TOTAL ASSETS	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536	\$ 46,988,957	\$ 48,755,197
A not = L + FB					
LIABILITIES					
Accounts payable	\$ 402,771	\$ 235,896	\$ 422,969	\$ 602,576	\$ 498,390
Deferred revenues	10,000	14,054	-	-	-
All other liabilities	1,748,047	1,873,098	1,849,167	2,018,324	2,139,693
TOTAL LIABILITIES	2,160,818	2,123,048	2,272,136	2,620,900	2,638,083
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	19,180,161	19,081,548	19,053,174	19,897,548	20,254,536
Unavailable revenue	-	-	1,200,000	1,090,220	978,302
TOTAL DEFERRED INFLOWS OF RESOURCES	19,180,161	19,081,548	20,253,174	20,987,768	21,232,838
FUND BALANCES					
Nonspendable	4,782,920	5,022,070	5,261,220	4,470,370	75,000
Unassigned	18,124,529	17,012,432	18,224,006	18,909,919	21,145,386
TOTAL FUND BALANCES	22,907,449	22,034,502	23,485,226	23,380,289	21,220,386
BS Not = IS					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536	\$ 46,988,957	\$ 45,091,307

Note:

(1) See Note 1 to the "Combined Statement-All Funds" table for auditor's basis of accounting, etc.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
COMBINED STATEMENT - ALL FUNDS (1)
December 31, 2018

<i>Fund Balances/Net Position</i>					
	2014	2015	2016	2017	2018
Governmental Fund Types					
General	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	\$ 23,380,289	\$ 24,884,276
Special Revenue	17,706,348	14,674,480	13,829,100	18,853,143	19,325,611
Debt Service	195,382	164,210	192,428	206,369	228,620
Capital Projects	21,284,780	13,536,719	7,451,239	9,116,907	10,817,419
	62,093,959	50,409,911	44,957,993	51,556,708	55,255,926
Proprietary Fund Types					
Enterprise Funds	59,528,395	57,365,321	54,979,319	58,043,925	60,270,076
Internal Service Funds	6,575,101	6,899,091	6,844,394	6,994,899	6,682,329
	66,103,496	64,264,412	61,823,713	65,038,824	66,952,405
Fiduciary Fund Types (2):					
Pension Trust	121,861,769	121,333,691	130,441,483	150,189,361	141,589,194
Total All Funds (Memo Only)	\$ 250,059,224	\$ 236,008,014	\$ 237,223,189	\$ 266,784,893	\$ 263,797,525

<i>Cash and Investments</i>					
	2014	2015	2016	2017	2018
Fund					
General	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309	\$ 17,286,112	\$ 19,083,224
Special Revenue	5,506,022	7,005,104	8,685,090	12,557,189	16,648,905
Debt Service	184,613	154,219	192,428	200,314	228,620
Capital Projects	21,019,849	15,203,368	7,522,738	9,012,473	10,741,026
Enterprise Funds	11,827,277	16,632,413	10,910,092	13,277,740	15,771,557
Internal Service Funds	8,723,459	8,592,296	8,731,379	9,177,862	8,930,375
Pension Trust	121,588,332	121,019,158	130,119,926	149,711,055	141,231,470
Total All Funds (Memo Only)	\$ 183,594,316	\$ 181,786,903	\$ 181,503,962	\$ 211,222,745	\$ 212,635,177

Notes:

(1) These condensed financial statements for the years ending December 31, 2014 - 2018, have been prepared from the full Comprehensive Annual Financial Reports (CAFR) of the Village of Palatine and do not purport to be complete audits. The full financial statements, together with the report of the Village's independent accountants, are included herewith. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental funds are accounted for using the modified accrual basis of accounting, with revenues being recorded when they become measurable and available as net current assets and expenditures recognized when the related fund liability is incurred. The accrual basis of accounting is used for proprietary and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Village's CAFR for the fiscal year ended December 31, 2018, included an unmodified "Report of Independent Auditors". Similar unmodified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2014 - 2017. The "Report of Independent Auditors" included in the latest audit states, in part: "In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palatine, Illinois, as of December 31, 2018, and the results of operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles."

(2) Excludes the Village's Custodial Funds.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

CAPITAL ASSETS

December 31, 2018

	Governmental Activities	Business- Type Activities
Land	\$ 11,565,020	\$ 4,858,690
Land - Rights of way	139,806,925	-
Machinery and equipment	11,733,315	2,838,680
Buildings and improvements	52,208,475	23,018,430
Streets	30,213,570	-
Bridges	1,596,735	-
Sanitary sewer system	-	26,952,900
Storm sewer system	-	34,351,055
Water system	-	22,237,204
	247,124,040	114,256,959
Less: Accumulated depreciation	39,090,455	70,509,430
Net investment in capital assets	\$ 208,033,585	\$ 43,747,529

Data Source

Village Records