

VILLAGE OF PALATINE, ILLINOIS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
DECEMBER 31, 2016

VILLAGE OF PALATINE, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
December 31, 2016**

Prepared by the Finance Department

**Paul D. Mehring, CPA
Director of Finance and Operations**

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INTRODUCTORY SECTION

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2016

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

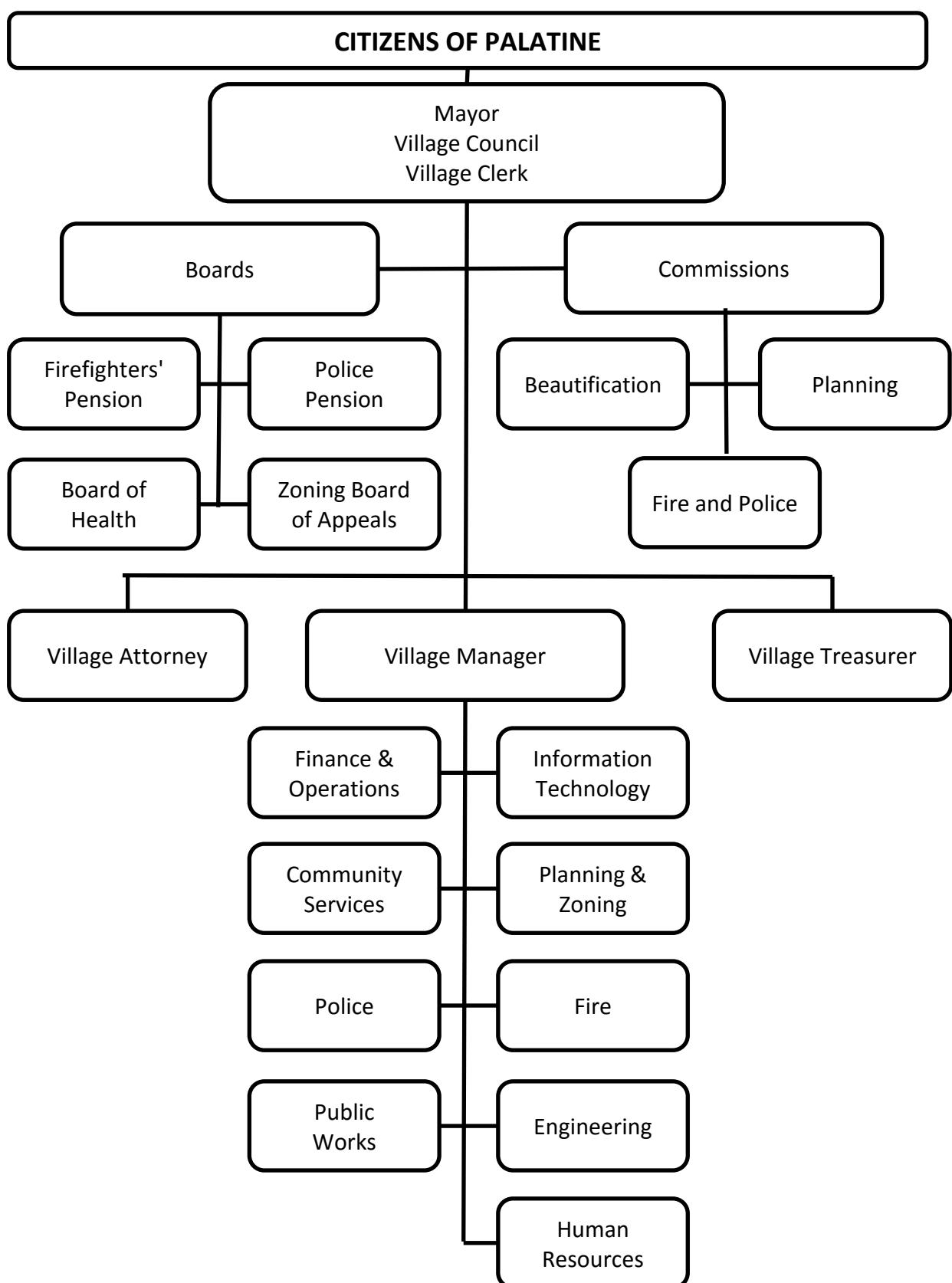
ADMINISTRATIVE

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

VILLAGE OF PALATINE, ILLINOIS

ORGANIZATION CHART

December 31, 2016





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, 2015

A handwritten signature in black ink that reads "Jeffrey R. Emmer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emmer" on the bottom line.

Executive Director/CEO

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June 1, 2017

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, 2016.

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, 2016, 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, 2016, 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 74-76 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 87.

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 a number of 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 2016 decreased by approximately \$700,000 (5.5%) from the prior year. This decrease is mainly the result of two significant sales tax producers leaving the community.

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. Economic development in the area directly Southwest of Palatine is expected to continue at a strong pace. Additionally, the Village of Deer Park, continues to develop once vacant land immediately north of the Village. Deer Park Towne Center, an upscale shopping mall, and an office building are already developed with future plans including another office building and additional retail development. As the Village of Palatine supplies Deer Park with water, their most recent development proposal and associated request for additional water allocation resulted in the Deer Park agreeing to share a portion of the sales taxes generated by the new development with the Village of Palatine. While the retail sales are not occurring within Palatine, the Village of Palatine will benefit from additional sales tax revenues, as well as increased revenues in our water fund.

Despite the Village of Palatine's efforts to facilitate economic development, actions taken by Cook County are creating an unequal playing field between Palatine and our neighboring communities to the north that are located within Lake County. Cook County's recent actions related to an increase in the County's sales tax rate, adjustments to minimum wage, and paid sick leave are forcing local businesses to overcome additional challenges that businesses in some of our neighboring communities aren't facing. While not passing judgement on these various issues, the County's actions are creating 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 – During the past year, The Grand at Twin Lakes senior housing project was completed and began operation. In addition, tenants are currently within the Village's zoning review process to occupy the retail space that was developed within the Grand at Twin Lakes complex. These tenants will not only serve the residents

with the Grand at Twin Lakes, but also capitalize on their proximity to Northwest Highway and nearby office uses. The redevelopment of a former gas station site at Northwest Highway and Wilson Street with two new free-standing buildings was completed. This development includes a new Advance Auto Part store, an Athletico Physical Therapy center, and a relocated Great Clips. Lastly, the redevelopment of the property at the northwest corner of Colfax Street and Northwest Highway was recently completed that resulted in the relocation of the former lamp shade store to another center on Northwest Highway, the demolition of the former building, and the construction of a new drive-through Starbucks.

Rand and Dundee Corridors - During the past year there were several significant commercial related developments that occurred within the Rand and Dundee corridors. Hobby Lobby relocated from Northwest Highway to the former Dominick's space in the Deer Grove Shopping Center. In conjunction with their relocation, extensive exterior façade renovations, as well as significant interior modifications, were completed. In addition, Aldi opened a new store, the largest in North America, within the Deer Grove Center. The redevelopment of the former Idol's site (northeast corner of Rand & Dundee) is underway and will include a drive-through Panera and additional commercial tenant spaces. The Village recently approved a commercial out-lot development along the south side of Lake Cook Road, directly east of the Grossinger Hyundai Dealership. This development will include a drive-through Starbucks and a second retail building. Lastly, the construction of a 54-unit townhouse development along Lake Cook Road continues. This project is located within the Rand – Lake Cook TIF, but did not receive any Village financial assistance.

Long-term financial planning

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2016, 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.

During 2015, a detail review and forecast of the Village's capital needs over a ten-year horizon revealed a funding gap. In December 2015, the Village Council adopted an ordinance to increase the Village's electric use tax effective on July 1, 2016, to provide increased revenue to fill the identified funding gap.

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. Calendar 2016 also saw the completion of the Village-Wide AMR meter conversion.

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, 2015. This was the 16th consecutive year that the Village has received this prestigious award. In order 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

FINANCIAL SECTION



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Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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, 2016, 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. 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, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14, the Village adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which established standards for recognizing employer pension contributions made after the measurement date of the net pension liability, due to a change in the recognition of the net pension liability. Our opinion is not modified with respect to this matter.

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.

Sikich LLP

Naperville, Illinois

June 1, 2017

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General Purpose External Financial Statements

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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 decreased by \$9.4 million (5.5%) during the current year. The governmental net position decreased by \$6.6 million and the business-type activities net position decreased by \$2.8 million.
- The Village's combined Governmental Funds ending fund balance decreased \$5.45 million (10.82%).
- At the end of the current year, fund balance for the General Fund increased by \$1.45 million (6.6%) to \$23.49 million or 44.48% of General Fund expenditures.
- The Village substantially completed the Village Hall renovation culminating in the opening of the newly renovated Village Hall at the end of June 2016.
- The Village adopted GASB Statement No. 77, Tax Abatement Disclosures, which requires certain disclosures about tax abatement agreements entered into between a government and individuals or entities.

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 3-5) 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 3) is designed to be similar to bottom line

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

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 4-5) 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 of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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, General Obligation Bond Fund, and Village Hall Renovation 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.

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

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 12-17) 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 Agency Fund, see pages 18-19). 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.

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 8 and 11). 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 20 - 73 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

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

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 74-86 of this report. The combining and individual fund statements for non-major governmental, enterprise, and internal service funds are presented on pages 87-113 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.

GOVERNMENT-WIDE STATEMENT

Statement of Position

The Village's combined net position decreased by \$9.4 million (5.5%) from the prior 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 \$104.6 million, a \$6.6 million (5.9%) decrease. The business-type activities net position was \$55.0 million, a \$2.8 million (4.8%) decrease from the prior year. The following table reflects the condensed statement of net position for the current and prior years (presented in millions):

	Current Year			Prior Year		
	<i>Govern- ment- al Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- ment- al Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
Current and other assets	79.8	24.6	104.4	85.3	30.5	115.8
Capital assets	211.5	47.7	259.2	208.5	49.1	257.6
Total Assets	291.3	72.3	363.6	293.8	79.6	373.4
Deferred outflows of resources	27.1	1.0	28.1	31.0	1.1	32.1
Noncurrent liabilities	181.4	16.4	197.8	186.3	19.8	206.1
Other liabilities	4.3	1.9	6.2	5.7	3.1	8.8
Total liabilities	185.7	18.3	204.0	192.0	22.9	214.9
Deferred inflows of resources	28.1	-	28.1	21.7	-	21.7
Net position						
Net investment in capital assets	164.8	32.9	197.7	157.7	32.4	190.1
Restricted	1.7	-	1.7	1.9	-	1.9
Unrestricted	(61.9)	22.1	(39.8)	(48.5)	25.4	(23.1)
Total net position	104.6	55.0	159.6	111.1	57.8	168.9

For more detailed information see the statement of net position (page 3).

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

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.

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 \$9.4 million decrease of combined net position (which is the Village's bottom line) was the result of the governmental activities net position decreasing by \$6.6 million and the business-type activities net position decreasing by \$2.8 million.

Governmental Activities

Total assets decreased by \$2.5 million reflecting a planned use of assets; deferred outflows of resources decreased by \$3.9 million and deferred inflows of resources increased by \$6.4 million related to pensions; and total liabilities decreased by \$6.3 million reflecting regular bond principal retirements during the year.

Business-Type Activities

Total assets decreased by \$7.3 million mainly resulting from utilization of the proceeds of bonds issued in the prior year. Total liabilities decreased by another \$4.6 million as the result of regular bond principal retirements during the year.

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

Changes in Net Position

The Village's combined change in net position of (\$9.4) million represents a decrease of \$19.3 million (196.9%) from the prior year. The Village's total revenues increased by \$2.8 million, while the cost of all programs increased by \$21.9 million. The following chart shows the revenue and expenses of the Village's activities (presented in millions):

	Current Year			Prior Year		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for services	11.3	20.5	31.8	10.7	19.4	30.1
Operating grants	3.3	-	3.3	2.8	-	2.8
Capital grants and contributions	1.2	-	1.2	-	-	-
General revenues						
Property taxes	31.1	-	31.1	31.4	-	31.4
Other taxes	9.5	-	9.5	9.3	-	9.3
Other revenues	17.3	0.1	17.4	17.9	-	17.9
Total revenues	73.7	20.6	94.3	72.1	19.4	91.5
Expenses						
Governmental activities						
General government	7.4	-	7.4	4.4	-	4.4
Public safety	54.0	-	54.0	38.9	-	38.9
Public works	11.8	-	11.8	9.7	-	9.7
Economic development	4.1	-	4.1	5.2	-	5.2
Interest & fiscal charges	3.4	-	3.4	3.6	-	3.6
Business-type activities						
Waterworks	-	12.5	12.5	-	10.8	10.8
Sewerage	-	4.6	4.6	-	3.4	3.4
Refuse collection	-	1.5	1.5	-	1.2	1.2
Motor vehicle parking	-	4.4	4.4	-	4.6	4.6
Total expenses	80.7	23.0	103.7	61.8	20.0	81.8
Change in net position before transfers	(7.0)	(2.4)	(9.4)	10.3	(0.6)	9.7
Transfers	0.4	(0.4)	-	0.4	(0.4)	-
Change in net position	(6.6)	(2.8)	(9.4)	10.7	(1.0)	9.7
Net position, beginning - As Restated	111.2	57.8	169.0	100.4	58.8	159.2
Net position, ending	104.6	55.0	159.6	111.1	57.8	168.9

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.

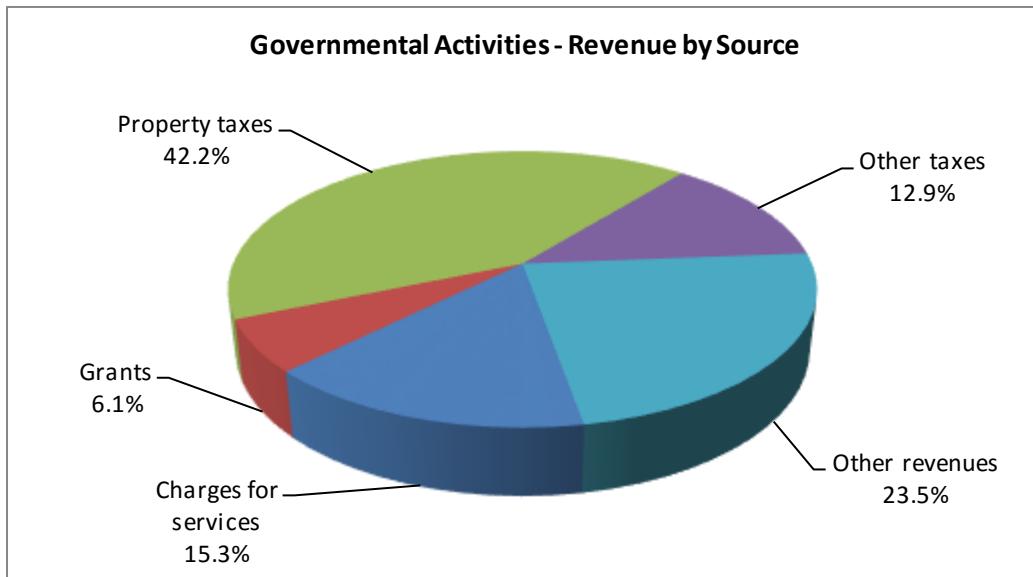
Inflation - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

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 \$73.7 million, an increase of \$1.6 million (0.6%). Property taxes continue to be the Village's largest revenue source coming in at \$31.1 million and representing 42.9% of total Governmental Activity revenue. Other revenues, representing support from other governmental agencies (mainly shared revenue from the State of Illinois), provide 23.9% of total governmental revenues.

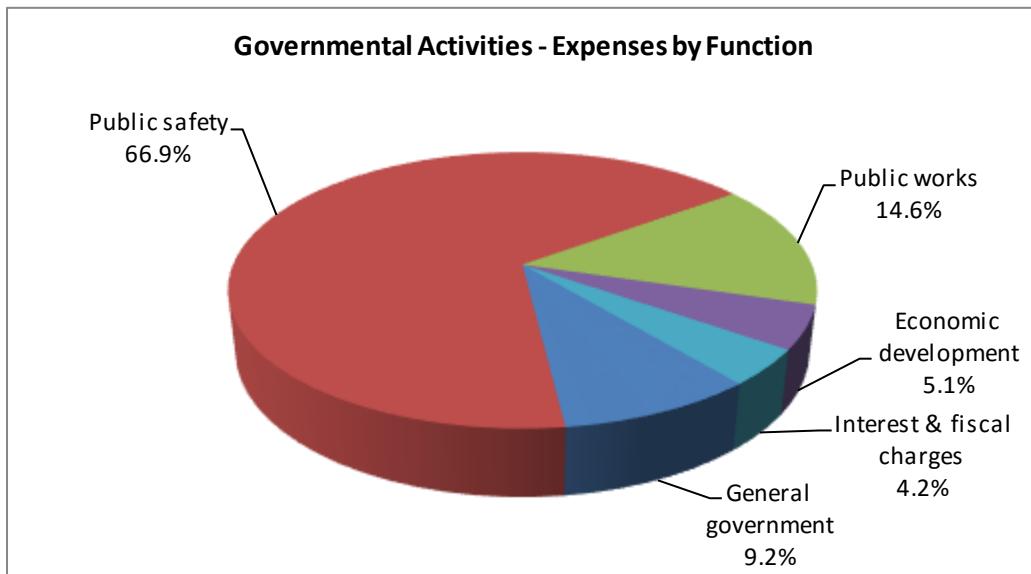
General revenues (property taxes, other taxes, and other revenues) decreased by \$0.7 million mainly due to decreased state shared sales taxes.

The charges for services category increase of \$0.6 million results from general rate increases and an increase in discretionary services that relate directly to improving economic conditions.

Operating grants increased by \$0.5 million resulting from a \$0.4 million increase in Community Development Block Grant funding and a \$0.1 increase in state-shared motor fuel tax; and capital grants and contributions increased by \$1.2 million resulting from an intergovernmental loan from the Village to the Park District for building renovations.

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

Expenses



For the current year, expenses from Governmental Activities totaled \$80.7 million, which represents a \$18.9 million (30.6%) increase from the prior year.

General government expenses experienced an increase of \$3.0 million (68.2%) mainly resulting from a \$1.2 million increase in expenditures related to an intergovernmental agreement, \$1.0 million increase in capital asset depreciation and disposals and a \$0.8 million increase related to pensions.

Public safety expenses show an increase of \$15.1 million (38.8%) mainly due to a \$11.0 million increase related to pensions, a \$0.6 million increase related to OPEB, a \$1.2 million increase in capital expenditures, and a \$0.8 million increase in liability insurance.

Public works expenses show an increase of \$2.1 million (21.6%) mainly due to a \$0.8 million planned increase in infrastructure maintenance costs, a \$0.4 million increase from pensions, and an increase of \$0.6 million related to liability insurance.

Economic development activities show a decrease of \$1.1 million (21.2%), as a result of a planned decrease in redevelopment activities within the Village's TIF Funds.

Interest and fiscal charges reflect a \$0.2 million (5.6%) decrease from reduced interest charges from paid-down principal balances.

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

Business-Type Activities

Revenues

Total revenue for the business-type activities experienced a \$1.2 million (5.7%) increase in the current year, which was mainly due to a water and sewer rate increase enacted by the Village Council.

Expenses

Business-type activity total expenses increased by \$3.0 million (15.0%), which was mainly a result of increased water system infrastructure maintenance.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

The Governmental Funds (as presented on page 6-11) reported a combined total fund balance of \$45.0 million, which is a \$5.4 million decrease from the prior year balance of \$50.4 million. This decrease is mainly attributable to planned capital expenditures and redevelopment activities within the Village's TIF Districts. The total fund balance of \$45.0 million is comprised of the following components:

Nonspendable Fund Balance of \$5.3 million represents the portion of fund balance that is not available to be spent, either short-term or long-term, in form: \$5.3 million for advances.

Restricted Fund Balance totaling \$14.1 million represents the portion of fund balance that is subject to external enforceable legal restrictions: \$1.1 million for highways and streets; \$0.2 million for debt service; \$0.7 million for public safety; and \$12.1 million for economic development.

Assigned Fund Balance in the amount of \$7.5 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 \$18.1 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 \$1.45 million (6.6%) from the prior year; the fund balance for the prior year showed a decrease of \$0.9 million. Revenues increased by \$0.5 million and expenditures increased by \$0.5 million, resulting in no change in

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

results from operations compared to the prior year, both before other financing uses (transfers). Net financing sources (uses) decreased by \$2.4 million, which had a positive effect on fund balance.

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>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Actual</i>	
Revenues	\$ 54.0	\$ 54.4	\$ 54.2	\$ 53.7	
Expenditures	53.8	54.5	52.8	52.3	
Excess (deficiency) of revenues over expenditures	0.2	(0.1)	1.4	1.4	
Other financing sources (uses)	-	-	0.1	(2.3)	
Net change in fund balance	\$ 0.2	\$ (0.1)	\$ 1.5	\$ (0.9)	

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

		<i>Current Year</i>	<i>Prior Year</i>	<i>Increase/(Decrease)</i>
Property tax	\$ 18.9	\$ 18.9	\$ -	-
State sales tax	7.9	8.4	(0.5)	
Home rule sales tax	4.2	4.4	(0.2)	
State income tax	6.7	7.3	(0.6)	

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 \$0.5 million higher than the prior year mainly due an increase in personnel costs due to regular wage and pension contribution increases and a decrease in supplies and services expenditures.

General Fund actual revenues and actual expenditures were \$0.2 million lower and \$1.7 million lower than the final budgeted amounts, respectively. Approximately one-half 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 Fund experienced a negative net change in fund balance in the amount of \$2.5 million mainly due to a \$2.8 million write-down of land being held for development purposes. The Rand Road Corridor TIF Fund experienced a negative net change in fund balance of \$0.3 million mainly due to decreasing incremental values of properties within the district.

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

The General Obligation Bond Fund experienced a break-even year. The Village Hall Renovation Fund shows a net decrease in fund balance of \$6.2 million, which represents the planned spending of resources on hand for this project.

Proprietary Funds

The Enterprise Funds' (as presented on pages 12-17) total net position decreased by \$2.8 million (4.9%). This decrease is primarily due to a \$2.0 million decrease in the Waterworks and Sewerage Funds from a planned increase in infrastructure maintenance expenses; a net break-even in the Refuse Collection Fund; and a \$0.8 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 \$259.2 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 \$1.5 million net increase (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 34-35.

The net capital assets for governmental activities increased by \$3.0 million and net capital assets for business-type activities decreased from last year by \$1.5. The increase in governmental activities net capital assets was mainly due to the capitalization of the Village Hall Renovation Project and the decrease in business-type activities net capital assets was due mainly to net depreciation exceeding capital additions and reductions.

DEBT OUTSTANDING

In calendar year 2016, the Village did not issue any general obligation bonds.

The Village currently has eighteen general obligation bond series and one tax increment revenue limited obligation redevelopment notes series outstanding. \$80.31 million of general obligation bonds and \$0.1 million of tax increment revenue limited obligation redevelopment notes are currently outstanding.

\$19.799 million (24.7%) of the \$80.31 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.

The Village, under its home rule authority, does not have a legal debt limit. In calendar year 2016, Standard and Poor's reaffirmed the Village's AA+ rating and Moody's Investors Service

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

downgraded the Village's rating from AA1 to AA2. Moody's cited the Village's unfunded pension liabilities as the primary factor in their decision.

Additional information of the Village's long-term debt can be found in the Notes to the Financial Statements on pages 36-39.

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 2017 budget includes a stable property tax levy, which marks six consecutive years of either a decreased or constant tax levy. Sales taxes are projected to increase due to the assumption that the economy will continue to grow moderately; however, this projection also takes into account known economic development activities that will impact sales tax. Building permit revenues and planning and inspection fees are projected to moderately increase due to the continued increased activity in the housing market. State income tax revenue is forecasted to increase based on historical experience. Although, with the precarious situation of the State's budget, previous proposals to balance the State's budget have included the potential reduction of this revenue source by one half. At this point, no changes have been made to the budget to reflect this reduction; however, the Village will be closely monitoring this revenue source and any discussions regarding its reduction and react accordingly. A combined \$0.40 (8.4%) increase in 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.

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 40,473,944	\$ 10,910,092	\$ 51,384,036
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	21,713,632	-	21,713,632
Accounts	-	1,929,481	1,929,481
Other	1,057,801	158,769	1,216,570
Due from other governments	5,911,916	-	5,911,916
Accrued interest	7,990	-	7,990
Prepaid expenses	60,325	-	60,325
Inventories	179,300	-	179,300
Land held for resale	10,384,300	-	10,384,300
Investment in joint venture			
Northwest Water Commission	-	11,624,500	11,624,500
Capital assets not being depreciated	151,371,945	4,858,690	156,230,635
Capital assets being depreciated (net of accumulated depreciation)	60,164,505	42,824,540	102,989,045
Total assets	291,325,658	72,306,072	363,631,730
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	330,420	189,855	520,275
Deferred outflows related to pensions	26,733,704	813,396	27,547,100
Total deferred outflows of resources	27,064,124	1,003,251	28,067,375
LIABILITIES			
Accounts payable	1,193,299	1,343,652	2,536,951
Accrued payroll	1,384,323	67,202	1,451,525
Accrued interest payable	254,475	43,325	297,800
Deposits payable	495,180	268,773	763,953
Claims payable	930,425	-	930,425
Unearned revenues	14,580	144,650	159,230
Noncurrent liabilities			
Due within one year	5,608,315	1,618,180	7,226,495
Due in more than one year	175,773,468	14,801,863	190,575,331
Total liabilities	185,654,065	18,287,645	203,941,710
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	21,713,632	-	21,713,632
Deferred inflows related to pensions	6,377,365	42,359	6,419,724
Total deferred inflows of resources	28,090,997	42,359	28,133,356
NET POSITION			
Net investment in capital assets	164,820,305	32,913,880	197,734,185
Restricted for			
Streets and highways	1,091,444	-	1,091,444
Public safety	659,542	-	659,542
Unrestricted	(61,926,571)	22,065,439	(39,861,132)
TOTAL NET POSITION	\$ 104,644,720	\$ 54,979,319	\$ 159,624,039

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Grants and Contributions	
			Operating	Capital
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 7,411,863	\$ 4,443,342	\$ -	\$ 1,200,000
Public safety	53,993,443	4,608,293	270,601	-
Public works	11,764,624	2,273,555	2,247,141	-
Economic development	4,080,021	-	129,956	-
Interest and fiscal charges	3,466,073	-	630,148	-
Total governmental activities	80,716,024	11,325,190	3,277,846	1,200,000
Business-Type Activities				
Waterworks	12,485,417	11,504,526	-	-
Sewerage	4,580,455	3,821,872	-	-
Motor vehicle parking system	1,526,641	631,587	-	-
Refuse collection	4,394,918	4,518,775	-	-
Total business-type activities	22,987,431	20,476,760	-	-
TOTAL PRIMARY GOVERNMENT	\$ 103,703,455	\$ 31,801,950	\$ 3,277,846	\$ 1,200,000

See accompanying notes to financial statements.

Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$	\$	\$	\$
(1,768,521)	-	(1,768,521)	(1,768,521)
(49,114,549)	-	(49,114,549)	(49,114,549)
(7,243,928)	-	(7,243,928)	(7,243,928)
(3,950,065)	-	(3,950,065)	(3,950,065)
(2,835,925)	-	(2,835,925)	(2,835,925)
(64,912,988)	-	(64,912,988)	(64,912,988)
-	(980,891)	(980,891)	(980,891)
-	(758,583)	(758,583)	(758,583)
-	(895,054)	(895,054)	(895,054)
-	123,857	123,857	123,857
-	(2,510,671)	(2,510,671)	(2,510,671)
(64,912,988)	(2,510,671)	(67,423,659)	(67,423,659)
General Revenues			
Taxes			
Property	31,113,482	-	31,113,482
Home rule sales	4,217,287	-	4,217,287
Telecommunications	1,869,966	-	1,869,966
Electric utility use	2,054,689	-	2,054,689
Other	1,407,848	-	1,407,848
State shared sales taxes (unrestricted)	9,558,566	-	9,558,566
State shared income tax (unrestricted)	6,673,615	-	6,673,615
Other intergovernmental revenues (unrestricted)	244,029	-	244,029
Investment income	391,626	41,124	432,750
Miscellaneous	458,387	-	458,387
Transfers	368,000	(368,000)	-
Total	58,357,495	(326,876)	58,030,619
CHANGE IN NET POSITION			
	(6,555,493)	(2,837,547)	(9,393,040)
NET POSITION, JANUARY 1 - AS RESTATED			
	111,200,213	57,816,866	169,017,079
NET POSITION, DECEMBER 31			
	\$ 104,644,720	\$ 54,979,319	\$ 159,624,039

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2016

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Village Hall Renovation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 15,342,309	\$ -	\$ 276,779	\$ 192,428	\$ 440,068	\$ 15,490,981	\$ 31,742,565
Receivables (net, where applicable, of allowances for uncollectibles)							
Property taxes	19,053,174	-	-	2,660,458	-	-	21,713,632
Other	808,115	204,506	-	-	-	2,220	1,014,841
Due from other governments	5,304,769	-	-	-	-	607,147	5,911,916
Accrued interest	7,990	-	-	-	-	-	7,990
Due from other funds	232,959	-	-	-	-	-	232,959
Land held for resale	-	5,609,300	4,775,000	-	-	-	10,384,300
Advance to other funds	5,261,220	-	-	-	-	-	5,261,220
TOTAL ASSETS	\$ 46,010,536	\$ 5,813,806	\$ 5,051,779	\$ 2,852,886	\$ 440,068	\$ 16,100,348	\$ 76,269,423

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Village Hall Renovation	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES							
Accounts payable	\$ 422,969	\$ 28,584	\$ -	\$ -	\$ 371,583	\$ 213,089	\$ 1,036,225
Accrued payroll	1,355,061	-	-	-	-	7,743	1,362,804
Due to other funds	-	179,610	-	-	-	53,349	232,959
Deposits payable	494,106	1,074	-	-	-	-	495,180
Unearned revenues	-	-	-	-	-	9,410	9,410
Advance from other funds	-	5,261,220	-	-	-	-	5,261,220
 Total liabilities	 2,272,136	 5,470,488	 -	 -	 371,583	 283,591	 8,397,798
DEFERRED INFLOWS OF RESOURCES							
Deferred property taxes	19,053,174	-	-	2,660,458	-	-	21,713,632
Unavailable revenue - Park District loan	1,200,000	-	-	-	-	-	1,200,000
 20,253,174	 -	 -	 -	 2,660,458	 -	 -	 22,913,632
FUND BALANCES							
Nonspendable in form - advances	5,261,220	-	-	-	-	-	5,261,220
Restricted for streets and highways	-	-	-	-	-	1,091,444	1,091,444
Restricted for debt service	-	-	-	192,428	-	-	192,428
Restricted for public safety	-	-	-	-	-	659,542	659,542
Restricted for economic development	-	343,318	5,051,779	-	-	6,718,532	12,113,629
Unrestricted							
Assigned for capital projects	-	-	-	-	68,485	7,382,754	7,451,239
Unassigned	18,224,006	-	-	-	-	(35,515)	18,188,491
 Total fund balances	 23,485,226	 343,318	 5,051,779	 192,428	 68,485	 15,816,757	 44,957,993
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
	\$ 46,010,536	\$ 5,813,806	\$ 5,051,779	\$ 2,852,886	\$ 440,068	\$ 16,100,348	\$ 76,269,423

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, 2016

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 44,957,993
<hr/>	
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	1,200,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	211,536,450
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(66,489,026)
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	36,505
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	(393,070)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	330,420
Accrued interest on long-term debt is reported as a liability on the statement of net position	(254,475)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,391,570)
Less compensated absences payable reported in internal service funds	39,975
The net position of internal service funds is included in the governmental activities in the statement of net position	6,844,394
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(2,480,135)
The following items related to pensions are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred outflows	26,733,704
Less deferred outflows reported in internal service funds	(388,410)
Deferred inflows	(6,377,365)
Less deferred inflows reported in internal service funds	15,128
Net pension liability	(109,756,142)
Less net pension liability reported in internal service funds	480,344
<hr/> NET POSITION OF GOVERNMENTAL ACTIVITIES	<hr/> <hr/> \$ 104,644,720

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, 2016

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Village Hall Renovation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 26,055,992	\$ 4,970,011	\$ 1,764,648	\$ 2,657,299	\$ -	\$ 5,215,322	\$ 40,663,272
Licenses and permits	3,284,115	-	-	-	-	-	3,284,115
Intergovernmental	18,532,713	127,125	-	503,022	-	2,682,503	21,845,363
Charges for services	4,092,172	-	-	-	-	275,344	4,367,516
Fines and forfeits	1,552,117	-	-	-	-	30,135	1,582,252
Investment income	300,885	23,243	4,713	5,092	6,653	51,040	391,626
Miscellaneous	427,647	-	-	-	-	30,740	458,387
Total revenues	54,245,641	5,120,379	1,769,361	3,165,413	6,653	8,285,084	72,592,531
EXPENDITURES							
Current							
General government	6,064,441	-	-	-	-	-	6,064,441
Public safety	40,504,033	-	-	-	-	403,737	40,907,770
Public works	6,227,585	-	-	-	-	-	6,227,585
Economic development	-	2,851,862	316,203	-	-	911,956	4,080,021
Capital outlay	-	-	7,482	-	6,346,086	5,218,281	11,571,849
Debt service							
Principal retirement	-	3,678,391	1,160,000	1,300,000	-	-	6,138,391
Interest	-	1,068,818	595,670	1,834,295	-	-	3,498,783
Fiscal charges	-	2,650	1,350	2,900	-	-	6,900
Total expenditures	52,796,059	7,601,721	2,080,705	3,137,195	6,346,086	6,533,974	78,495,740

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Village Hall Renovation	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,449,582	\$ (2,481,342)	\$ (311,344)	\$ 28,218	\$ (6,339,433)	\$ 1,751,110	\$ (5,903,209)
OTHER FINANCING SOURCES (USES)							
Bonds issued, at par	-	-	-	-	-	-	-
Refunding bonds issued, at par	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Payment to refunded bond escrow agen	-	-	-	-	-	-	-
Proceeds from sale of capital assets	1,142	-	-	-	-	82,149	83,291
Transfers in	-	-	-	-	98,031	368,000	466,031
Transfers (out)	-	-	-	-	-	(98,031)	(98,031)
Total other financing sources (uses)	1,142	-	-	-	98,031	352,118	451,291
NET CHANGE IN FUND BALANCES	1,450,724	(2,481,342)	(311,344)	28,218	(6,241,402)	2,103,228	(5,451,918)
FUND BALANCES, JANUARY 1	22,034,502	2,824,660	5,363,123	164,210	6,309,887	13,713,529	50,409,911
FUND BALANCES, DECEMBER 31	\$ 23,485,226	\$ 343,318	\$ 5,051,779	\$ 192,428	\$ 68,485	\$ 15,816,757	\$ 44,957,993

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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (5,451,918)
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	6,463,250
Revenues in the statement of activities that are not available in governmental funds are not reported as a revenue in governmental funds until received	1,200,000
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	(2,809,695)
Depreciation	(652,045)
Cost of capital assets disposed	(652,045)
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	6,138,391
Principal repayment	6,138,391
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,480)
The amortization of premium on long-term debt is reported as a reduction of expense on the statement of activities	161,220
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(133,325)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	17,195
The change in compensated absences payable is shown as an expense on the statement of activities	(55,830)
The change in net position of certain activities of internal service funds is reported in governmental funds on the statement of activities	(216,249)
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(670,299)
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	(4,079,113)
Deferred inflows related to pensions	(6,324,780)
Net pension liability	<u>(136,815)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (6,555,493)</u></u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2016

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
CURRENT ASSETS							
Cash and investments	\$ 4,909,064	\$ 2,632,359	\$ 1,359,162	\$ 2,009,507	\$ 10,910,092	\$ 8,731,379	
Receivables (net, where applicable, of allowances for uncollectibles)							
Accounts	1,426,326	487,172	-	15,983	1,929,481	-	
Other	-	18,240	3,190	137,339	158,769	42,960	
Prepaid expenses	-	-	-	-	-	60,325	
Inventories	-	-	-	-	-	179,300	
Total current assets	6,335,390	3,137,771	1,362,352	2,162,829	12,998,342	9,013,964	
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	20,663,560	61,303,955	-	-	81,967,515	-	
Machinery and equipment	2,575,285	404,580	-	-	2,979,865	-	
Accumulated depreciation	(16,433,215)	(37,832,085)	(10,875,970)	-	(65,141,270)	-	
Total capital assets	14,285,235	24,473,995	8,924,000	-	47,683,230	-	
Other assets							
Investment in joint venture							
Northwest Water Commission	11,624,500	-	-	-	11,624,500	-	
Total noncurrent assets	25,909,735	24,473,995	8,924,000	-	59,307,730	-	
Total assets	32,245,125	27,611,766	10,286,352	2,162,829	72,306,072	9,013,964	

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	1,030	188,825	-	-	189,855		-
Deferred outflows related to pensions	559,200	254,196	-	-	813,396	388,410	
Total deferred outflows of resources	560,230	443,021	-	-	1,003,251	388,410	
CURRENT LIABILITIES							
Accounts payable	87,588	81,613	116,732	1,057,719	1,343,652	157,074	
Accrued payroll	50,310	16,892	-	-	67,202	21,519	
Accrued interest payable	19,365	23,960	-	-	43,325	-	
Deposits payable	268,773	-	-	-	268,773	-	
Claims payable	-	-	-	-	-	930,425	
Unearned revenues	-	-	-	144,650	144,650	5,170	
Compensated absences payable	19,405	3,775	-	-	23,180	7,995	
General obligation bonds payable	672,000	923,000	-	-	1,595,000	-	
Total current liabilities	1,117,441	1,049,240	116,732	1,202,369	3,485,782	1,122,183	
LONG-TERM LIABILITIES							
Claims payable	-	-	-	-	-	908,345	
Compensated absences payable	77,600	15,095	-	-	92,695	31,980	
Net pension liability	960,688	384,275	-	-	1,344,963	480,344	
General obligation bonds payable	5,504,585	7,859,620	-	-	13,364,205	-	
Total long-term liabilities	6,542,873	8,258,990	-	-	14,801,863	1,420,669	
Total liabilities	7,660,314	9,308,230	116,732	1,202,369	18,287,645	2,542,852	
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	30,256	12,103	-	-	42,359	15,128	
NET POSITION							
Net investment in capital assets	8,109,680	15,880,200	8,924,000	-	32,913,880	-	
Unrestricted	17,005,105	2,854,254	1,245,620	960,460	22,065,439	6,844,394	
TOTAL NET POSITION	\$ 25,114,785	\$ 18,734,454	\$ 10,169,620	\$ 960,460	\$ 54,979,319	\$ 6,844,394	

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, 2016

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle	Refuse Collection	Total	Internal Service
			Parking System			
OPERATING REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,864
Charges for services	11,278,568	3,520,489	631,587	4,518,775	19,949,419	10,139,441
Miscellaneous	225,958	301,383	-	-	527,341	80,971
Total operating revenues	11,504,526	3,821,872	631,587	4,518,775	20,476,760	10,233,276
OPERATING EXPENSES						
EXCLUDING DEPRECIATION						
Costs of sales and services	11,438,365	3,095,928	742,561	4,394,918	19,671,772	10,489,423
Total operating expenses excluding depreciation	11,438,365	3,095,928	742,561	4,394,918	19,671,772	10,489,423
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	66,161	725,944	(110,974)	123,857	804,988	(256,147)
DEPRECIATION	805,340	1,192,325	784,080	-	2,781,745	-
OPERATING INCOME (LOSS)	(739,179)	(466,381)	(895,054)	123,857	(1,976,757)	(256,147)
NONOPERATING REVENUES (EXPENSES)						
Investment income	19,188	12,337	4,906	4,693	41,124	39,898
Interest expense	(172,092)	(292,202)	-	-	(464,294)	-
Loss on disposal of capital assets	(38,020)	-	-	-	(38,020)	-
Joint venture	(31,600)	-	-	-	(31,600)	-
Total nonoperating revenues (expenses)	(222,524)	(279,865)	4,906	4,693	(492,790)	39,898

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	\$ (961,703)	\$ (746,246)	\$ (890,148)	\$ 128,550	\$ (2,469,547)	\$ (216,249)	
Transfers (out)	(134,000)	(134,000)	-	(100,000)	(368,000)	-	
CHANGE IN NET POSITION	(1,095,703)	(880,246)	(890,148)	28,550	(2,837,547)	(216,249)	
NET POSITION, JANUARY 1 - AS RESTATED	<u>26,210,488</u>	<u>19,614,700</u>	<u>11,059,768</u>	<u>931,910</u>	<u>57,816,866</u>	<u>7,060,643</u>	
NET POSITION, DECEMBER 31	<u>\$ 25,114,785</u>	<u>\$ 18,734,454</u>	<u>\$ 10,169,620</u>	<u>\$ 960,460</u>	<u>\$ 54,979,319</u>	<u>\$ 6,844,394</u>	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	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	\$ 11,589,305	\$ 3,852,218	\$ 628,397	\$ 4,509,706	\$ 20,579,626	\$ 1,386,385	
Receipts from interfund services transactions	-	-	-	-	-	-	8,818,857
Payments to suppliers	(10,742,873)	(2,825,824)	(578,613)	(3,488,131)	(17,635,441)	(9,337,810)	
Payments to employees	(1,596,116)	(671,091)	(3,937)	-	(2,271,144)	(801,032)	
Payments for interfund services transactions	(155,000)	(392,000)	(62,000)	(113,000)	(722,000)	-	
Net cash from operating activities	(904,684)	(36,697)	(16,153)	908,575	(48,959)	66,400	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers (out)	(134,000)	(134,000)	-	(100,000)	(368,000)	-	
Net cash from noncapital financing activities	(134,000)	(134,000)	-	(100,000)	(368,000)	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital assets purchased	(1,255,830)	(118,500)	-	-	(1,374,330)	-	
Proceeds of bonds issued	-	-	-	-	-	-	
Principal payments on long-term debt	(2,370,000)	(1,030,000)	-	-	(3,400,000)	-	
Interest and fiscal charges paid on long-term debt	(258,743)	(313,823)	-	-	(572,566)	-	
Net cash from capital and related financing activities	(3,884,573)	(1,462,323)	-	-	(5,346,896)	-	
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	19,403	12,532	4,906	4,693	41,534	72,683	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,903,854)	(1,620,488)	(11,247)	813,268	(5,722,321)	139,083	
CASH AND CASH EQUIVALENTS, JANUARY 1	9,812,918	4,252,847	1,370,409	1,196,239	16,632,413	8,592,296	
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 4,909,064	\$ 2,632,359	\$ 1,359,162	\$ 2,009,507	\$ 10,910,092	\$ 8,731,379	

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)	\$ (739,179)	\$ (466,381)	\$ (895,054)	\$ 123,857	\$ (1,976,757)	\$ (256,147)	
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation	805,340	1,192,325	784,080	-	2,781,745	-	
(Acrease) decrease in							
Accounts receivables	44,794	20,828	-	11,728	77,350	-	
Other receivables	-	9,518	(3,190)	(21,817)	(15,489)	(23,395)	
Inventories	-	-	-	-	-	2,330	
Deferred outflows related to pensions	(200,040)	(106,194)	-	-	(306,234)	(206,995)	
Increase (decrease) in							
Accounts payable	(1,301,954)	(858,457)	98,011	793,787	(1,268,613)	30,181	
Accrued payroll	(9,988)	(8,351)	-	-	(18,339)	(8,535)	
Deposits payable	39,985	-	-	-	39,985	-	
Claims payable	-	-	-	-	-	307,068	
Unearned revenue	-	-	-	1,020	1,020	(4,639)	
Compensated absences payable	8,485	865	-	-	9,350	2,595	
Net pension liability	417,617	167,047	-	-	584,664	208,809	
Deferred inflows related to pensions	30,256	12,103	-	-	42,359	15,128	
NET CASH FROM OPERATING ACTIVITIES	\$ (904,684)	\$ (36,697)	\$ (16,153)	\$ 908,575	\$ (48,959)	\$ 66,400	

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Loss on disposal of capital assets	\$ (38,020)	\$ -	\$ -	\$ (38,020)	\$ -
Change in investment in joint venture	(31,600)	-	-	(31,600)	-
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	\$ (69,620)	\$ -	\$ -	\$ (69,620)	\$ -

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2016

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 1,814,346	\$ 1,472,487
Investments		
U.S. Treasury securities	16,615,750	-
U.S. agency securities	1,967,607	-
Corporate and international bonds	23,888,059	-
Municipal bonds	598,438	-
Money market mutual funds	317,421	-
Equities	84,918,305	-
Receivables		
Property taxes	-	589,500
Accrued interest	321,557	-
Due from primary government	-	-
Prepaid items	-	3,000
Total assets	130,441,483	\$ 2,064,987
LIABILITIES		
Accounts payable	-	\$ 5,251
Other liabilities	-	849,010
Due to bondholders	-	1,210,726
Total Liabilities	-	\$ 2,064,987
NET POSITION		
Restricted for pensions	\$ 130,441,483	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2016

ADDITIONS

Contributions	
Employer	\$ 7,198,409
Employee	1,955,598
Other	<u>1,337</u>
 Total contributions	 <u>9,155,344</u>
 Investment earnings	
Net increase (decrease) in the fair value of investments	6,094,414
Interest	<u>3,003,315</u>
 Total investment earnings	 9,097,729
Less investment expense	<u>(380,596)</u>
 Net investment earnings	 <u>8,717,133</u>
 Total additions	 <u>17,872,477</u>
 DEDUCTIONS	
Administration	63,948
Benefits and refunds	
Retirement benefits	8,653,529
Refunds of contributions	<u>47,208</u>
 Total deductions	 <u>8,764,685</u>
 CHANGE IN NET POSITION	 9,107,792
 NET POSITION	
January 1	<u>121,333,691</u>
December 31	<u>\$ 130,441,483</u>

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

INDEX TO
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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VILLAGE OF PALATINE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 no component units that are required to be included in the financial statements of the Village.

The Village's financial statements include two 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 and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, 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.

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

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 and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, 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 (NWWC)

NWWC 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 NWWC beyond its representation on the Board of Directors. NWWC 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.

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

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 assets held on behalf of outside parties, including other governments or on behalf of other funds within the government. The Village utilizes pension trust funds (for its Police and Firefighters' Pension Funds) and agency funds (for its Special Service Areas debt service and various other activities) 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.

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

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 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 Hall Renovation Fund accounts for the accumulation of resources and payment of construction costs related to the renovation of the Village Hall. For 2016, while this fund does not fall under the requirements of major fund reporting, the Village has elected treat this fund as a major fund to be consistent with prior year reporting.

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

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.

Additionally, the Village reports the following proprietary fund:

Internal Service Funds account for the Village's self-insurance program 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 Areas Fund, Letters of Credit Fund, and Section 125 Fund are reported as agency funds as the assets in these funds are not available for use by the Village.

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. Agency funds use the accrual basis of accounting but have no measurement focus. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. 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.

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

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 state 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.

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

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.

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

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

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

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 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.

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

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

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

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 generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Village Deposits and Investments

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include 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 and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the

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

2. DEPOSITS AND INVESTMENTS (Continued)

Village Deposits and Investments (Continued)

participant's fair value). 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. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

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

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions (Continued)

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 2016 attach as an enforceable lien on January 1, 2016, 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 August 1 each year and are payable in two installments, on or about March 1 and September 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 2016 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	\$ 14,215
Ambulance service and fees	112,855
Cable franchise fees	302,965
Food and beverage tax	129,070
Red light violations	53,520
Electric utility tax	195,490
Loan receivable	204,506
Billed receivables	45,180
Total governmental activities	<u>1,057,801</u>
BUSINESS-TYPE ACTIVITIES	
Disposal fees	137,339
Parking fees	3,190
Sewer loan program	18,240
Total business-type activities	<u>158,769</u>
TOTAL OTHER RECEIVABLES	
	<u>\$ 1,216,570</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	\$ 2,000,000
Home rule sales tax	1,064,000
Loan to park district	1,200,000
Grants	63,349
State income tax	767,072
Public safety reimbursements	77,905
Court fines	87,115
Other state sources	80,840
Motor fuel tax allotments	162,635
Telecommunications tax	409,000
Total government activities	<u>5,911,916</u>
BUSINESS-TYPE ACTIVITIES	
	<u>-</u>
TOTAL DUE FROM OTHER GOVERNMENTS	
	<u>\$ 5,911,916</u>

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

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 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
Buildings and improvements –				
construction in progress	10,848,005	5,146,085	15,994,090	-
Total capital assets not being depreciated	162,219,950	5,146,085	15,994,090	151,371,945
Capital assets being depreciated				
Buildings and improvements	39,225,130	15,994,090	3,010,745	52,208,475
Machinery and equipment	10,909,480	583,610	252,730	11,240,360
Streets	28,478,530	733,555	36,665	29,175,420
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	80,209,875	17,311,255	3,300,140	94,220,990
Less accumulated depreciation for				
Buildings and improvements	11,994,855	1,294,000	2,384,050	10,904,805
Machinery and equipment	5,929,235	899,475	227,380	6,601,330
Streets	15,116,160	584,220	36,665	15,663,715
Bridges	854,635	32,000	-	886,635
Total accumulated depreciation	33,894,885	2,809,695	2,648,095	34,056,485
Total capital assets being depreciated, net	46,314,990	14,501,560	652,045	60,164,505
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 208,534,940	\$ 19,647,645	\$ 16,646,135	\$ 211,536,450

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

4. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,858,690	\$ -	\$ -	\$ 4,858,690
Total capital assets not being depreciated	<u>4,858,690</u>	<u>-</u>	<u>-</u>	<u>4,858,690</u>
Capital assets being depreciated				
Equipment	2,861,365	118,500	-	2,979,865
Buildings and improvements	7,336,950	-	-	7,336,950
Water system	19,518,050	1,255,830	110,320	20,663,560
Sewer system	61,303,955	-	-	61,303,955
Parking improvements	15,881,480	-	200,000	15,681,480
Total capital assets being depreciated	<u>106,901,800</u>	<u>1,374,330</u>	<u>310,320</u>	<u>107,965,810</u>
Less accumulated depreciation for				
Equipment	1,648,250	267,345	-	1,915,595
Buildings and improvements	4,239,475	168,905	-	4,408,380
Water system	10,126,330	410,535	72,300	10,464,565
Sewer system	36,325,880	1,150,880	-	37,476,760
Parking improvements	10,291,890	784,080	200,000	10,875,970
Total accumulated depreciation	<u>62,631,825</u>	<u>2,781,745</u>	<u>272,300</u>	<u>65,141,270</u>
Total capital assets being depreciated, net	<u>44,269,975</u>	<u>(1,407,415)</u>	<u>38,020</u>	<u>42,824,540</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 49,128,665</u>	<u>\$ (1,407,415)</u>	<u>\$ 38,020</u>	<u>\$ 47,683,230</u>

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 316,195
Public safety	1,357,155
Public works	<u>1,136,345</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 2,809,695</u>

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

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 \$101,820,000. During the year, no general obligation bonds were issued.

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	\$ 34,810,000
Governmental activities – refunding	2,525,000
Governmental activities – TIF	19,345,000
Governmental activities – TIF Refunding	9,720,000
Business-type activities	6,750,000
Business-type activities – refunding	<u>7,160,000</u>
 TOTAL	 <u>\$ 80,310,000</u>

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
2017	\$ 5,330,000	\$ 3,053,329	\$ 1,595,000	\$ 519,763
2018	5,525,000	2,875,830	1,480,000	460,363
2019	5,775,000	2,685,332	1,530,000	405,863
2020	5,925,000	2,469,209	1,600,000	349,363
2021	6,275,000	2,240,999	1,665,000	290,163
2022	6,405,000	1,975,167	1,725,000	228,663
2023	2,705,000	1,698,042	1,065,000	162,443
2024	3,420,000	1,571,968	1,110,000	116,518
2025	3,545,000	1,405,190	1,170,000	67,933
2026	2,875,000	1,230,092	310,000	27,683
2027	2,130,000	1,073,322	325,000	19,313
2028	2,200,000	954,235	335,000	10,050

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities			Business-Type Activities	
	Principal	Interest		Principal	Interest
2029	\$ 2,290,000	\$ 828,376		\$ -	\$ -
2030	2,200,000	696,000		-	-
2031	2,300,000	568,400		-	-
2032	2,400,000	435,000		-	-
2033	2,500,000	295,800		-	-
2034	2,600,000	150,800		-	-
TOTAL	\$ 66,400,000	\$ 26,207,091		\$ 13,910,000	\$ 2,658,118

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. 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.

Tax increment financing bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	0%	\$ 89,026

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

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 \$5,630,000. 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.

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

5. LONG-TERM DEBT (Continued)

f. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balances – as Restated	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 72,530,000	\$ -	\$ 6,130,000	\$ 66,400,000	\$ 5,330,000
TIF notes	97,417	-	8,391	89,026	-
Claims payable	561,895	745,535	399,085	908,345	-
Net pension liability*	109,410,518	5,969,916	5,624,292	109,756,142	-
Net OPEB obligation*	1,809,836	670,299	-	2,480,135	-
Compensated absences*	1,333,145	2,909,672	2,851,247	1,391,570	278,315
Total	185,742,811	10,295,422	15,013,015	181,025,218	5,608,315
Less deferred amounts					
Unamortized bond discount	(41,985)	-	(5,480)	(36,505)	-
Unamortized bond premium	554,290	-	161,220	393,070	-
Total deferred amounts	512,305	-	155,740	356,565	-
TOTAL GOVERNMENTAL ACTIVITIES	\$186,255,116	\$ 10,295,422	\$ 15,168,755	\$181,381,783	\$ 5,608,315
BUSINESS-TYPE ACTIVITIES					
General obligation bonds					
Water Fund	\$ 6,082,000	-	646,000	\$ 5,436,000	\$ 672,000
Sewer Fund	9,373,000	-	899,000	8,474,000	923,000
General obligation capital appreciation bonds					
Water Fund	1,724,000	-	1,724,000	-	-
Sewer Fund	131,000	-	131,000	-	-
Net pension liability					
Water Fund	543,071	417,617	-	960,688	-
Sewer Fund	217,228	167,047	-	384,275	-
Compensated absences					
Water Fund	88,520	88,703	80,218	97,005	19,405
Sewer Fund	18,005	44,817	43,952	18,870	3,775
Total	18,176,824	718,184	3,524,170	15,370,838	1,618,180
Less deferred amounts					
Unamortized bond discount	(16,240)	-	(1,260)	(14,980)	-
Unamortized bond premium	1,191,140	-	126,955	1,064,185	-
Total deferred amounts	1,174,900	-	125,695	1,049,205	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 19,351,274	\$ 718,184	\$ 3,649,865	\$ 16,420,043	\$ 1,618,180

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

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

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 \$110,000 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, 2014	\$ 710,800	\$ 1,285,965	\$ 186,005	\$ 2,182,770
Claims incurred – 2015	5,320,181	53,567	160,897	5,534,645
Claims payments – 2015	5,286,089	665,152	234,472	6,185,713
UNPAID CLAIMS,				
DECEMBER 31, 2015	744,892	674,380	112,430	1,531,702
Claims incurred – 2016	5,735,668	664,174	17,797	6,417,639
Claims payments – 2016	5,662,235	357,709	90,627	6,110,571
UNPAID CLAIMS,				
DECEMBER 31, 2016	\$ 818,325	\$ 980,845	\$ 39,600	\$ 1,838,770

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

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 (NWWC)

The Village has committed to purchase water from NWWC. The Village expects to pay approximately \$3,017,460 through December 31, 2017. 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 payment for operations and maintenance costs for 2017 is \$1,110,000. This is based on an estimated tipping fee of \$46.06 per ton for 24,102 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.

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

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 \$148,741.

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 \$349,902.

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 \$75,000.

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.

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

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

9. JOINT VENTURES (Continued)

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

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 \$1,133,139 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 (NWWC)

The Village is a member of NWWC which consists of four municipalities. NWWC is a municipal corporation and public body politic and corporate established pursuant to the Intergovernmental Cooperation Act of the State of Illinois. NWWC 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.

NWWC 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 NWWC are appointed by the Board of Commissioners. The Board of Commissioners determines the general policy of NWWC, 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.

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

9. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC) (Continued)

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

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 NWWC from the ownership and operation of the system and the sale of water. NWWC covenants to establish fees and charges sufficient to provide revenues to meet all its obligations.

NWWC 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.

NWWC 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 \$2,838,076 to NWWC during the year. The Village's equity interest in NWWC was \$11,624,500 at the date of this report. The Village's net investment and its share of the operating results of NWWC 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	Major governmental Downtown TIF	\$ 179,610
Major governmental General General	Nonmajor governmental Rand/Lake Cook TIF Special Police Grant	35,515 17,834
TOTAL		\$ 232,959

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

10. INDIVIDUAL FUND DISCLOSURES (Continued)

a. Due From/To Other Funds (Continued)

The purpose of the due from/to other funds are as follows:

- The amounts payable to the General Fund are for short-term cash loans at year end. The amounts will be repaid within one year.

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>5,261,220</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:

- \$134,000 from the Water Fund to the Capital Equipment Acquisition Fund.
- \$134,000 from the Sewer Fund to the Capital Equipment Acquisition Fund.
- \$100,000 from the Refuse Collection Fund to the Capital Improvement Fund.
- \$98,031 from the Capital Improvement Fund to the Village Hall Renovation Fund.

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

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

11. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At the date of this report, membership consisted of:

Retirees and beneficiaries currently receiving benefits	70
Active employees	
Fully eligible to retire	24
Not yet fully eligible to retire	<u>247</u>
 TOTAL	 <u>341</u>
 Participating employers	 <u>1</u>

d. Funding Policy

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

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the year were as follows:

Fiscal Year Year December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	730,925	340,470	46.58%	1,421,416
2015	762,490	374,070	49.06%	1,809,836
2016	1,187,900	517,601	43.57%	2,480,135

The net OPEB obligation at the date of this report was calculated as follows:

Annual required contribution	\$ 1,175,834
Interest on net OPEB obligation	72,393
Adjustment to annual required contribution	<u>(60,328)</u>
Annual OPEB cost	1,187,900
Contributions made	<u>(517,601)</u>
Change in net OPEB obligation	670,299
Net OPEB obligation, beginning of year	<u>1,809,836</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 2,480,135</u>

Funded Status and Funding Progress: The funded status and funding progress of the Plan at December 31, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 15,117,411
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 15,117,411
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 24,843,777
UAAL as a percentage of covered payroll	61.00%

The schedule of funding progress, presented in the required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

In the December 31, 2016 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% investment rate of return and a 10.2% initial healthcare cost trend rate, a 7.0% second year healthcare cost trend rate, and an ultimate healthcare inflation rate of 5.5%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

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

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.

Plan Membership

At December 31, 2015 (latest information available), membership consisted of:

Inactive plan members currently receiving benefits	165
Inactive plan members entitled to but not yet receiving benefits	107
Active employees	135
TOTAL	407

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.

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

Benefits Provided (Continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating 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 2016 was 12.79% of covered payroll.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2015 (latest information available), were as follows:

Total pension liability	\$ 68,281,849
Plan fiduciary net position	58,674,969
Village's net pension liability	9,606,880
Plan fiduciary net position as a percentage of the total pension liability	85.93%

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.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Illinois Municipal Retirement Fund (IMRF) (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.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.75 to 14.50%
Interest rate	7.47%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 – 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that was applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Discount Rate

The expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.47%.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2015	\$ 65,047,647	\$ 59,616,939	\$ 5,430,708
Changes for the period:			
Service cost	1,135,095	-	1,135,095
Interest	4,821,993	-	4,821,993
Difference between expected and actual experience	(422,884)	-	(422,884)
Changes in assumptions	172,219	-	172,219
Employer contributions	-	1,326,807	(1,326,807)
Employee contributions	-	486,317	(486,317)
Net investment income	-	296,437	(296,437)
Benefit payments and refunds	(2,472,221)	(2,472,221)	-
Administrative expense	-	-	-
Other (net transfer)	-	(579,310)	579,310
Net changes	3,234,202	(941,970)	4,176,172
BALANCES AT DECEMBER 31, 2015			
	\$ 68,281,849	\$ 58,674,969	\$ 9,606,880

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

There was a change with respect to actuarial assumptions regarding the discount rate.

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 7.47% 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 (6.47%) or 1 percentage point higher (8.47%) than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net Pension Liability	\$ 18,984,178	\$ 9,606,880	\$ 1,965,174

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized IMRF pension expense of \$1,813,866. At December 31, 2016, 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	\$ 93,984	\$ 302,562
Changes in assumptions	1,002,635	-
Net difference between projected and actual earnings on pension plan investments	3,779,355	-
Employer contributions after the measurement date	1,365,908	-
 Total	 \$ 6,241,882	 \$ 302,562

The \$1,365,908 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 ended December 31, 2017. 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>	
2017	\$ 1,548,163
2018	1,251,714
2019	947,858
2020	825,677
2021	-
Thereafter	-
 Total	 \$ 4,573,412

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

Plan Membership

At December 31, 2016, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	65
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>106</u>
 TOTAL	 <u>175</u>
 Number of participating employers	 <u>1</u>

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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 $\frac{1}{2}$ 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 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 $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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, 2016, the Village's contribution was 35.12% 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.

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

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	27.0%	7.7%
Large cap value	8.0%	7.7%
Large cap growth	8.0%	8.0%
Small - Mid	10.0%	8.9%
International	12.0%	7.6%
Fixed income	33.0%	3.5%
Cash and cash equivalents	2.0%	0.1%

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 2016, 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.

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

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. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.19%. 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:

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

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	\$ 5,778,680	\$ 300,402	\$ 1,369,855	\$ 571,300	\$ 3,537,123
U.S. Agency obligations	1,013,744	200,308	409,756	181,742	221,938
Corporate bonds	14,422,571	757,501	6,871,079	5,570,345	1,223,646
Municipal bonds	598,438	-	343,616	37,143	217,679
TOTAL	\$ 21,813,433	\$ 1,258,211	\$ 8,994,306	\$ 6,360,530	\$ 5,200,386

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, 2016. The U.S. Treasury obligations 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.

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

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, 2016	\$ 117,048,409	\$ 62,530,973	\$ 54,517,436
Changes for the period:			
Service cost	2,107,038	-	2,107,038
Interest	8,334,207	-	8,334,207
Difference between expected and actual experience	(4,910,367)	-	(4,910,367)
Changes in assumptions	(2,119,085)	-	(2,119,085)
Employer contributions	-	3,538,272	(3,538,272)
Employee contributions	-	1,055,702	(1,055,702)
Net investment income	-	4,490,541	(4,490,541)
Benefit payments and refunds	(4,187,653)	(4,187,653)	-
Administrative expense	-	(49,552)	49,552
Other (net transfer)	-	1,122	(1,122)
Net changes	(775,860)	4,848,432	(5,624,292)
 BALANCES AT DECEMBER 31, 2016	 \$ 116,272,549	 \$ 67,379,405	 \$ 48,893,144

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.

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

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, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 67,853,248	\$ 48,893,144	\$ 33,678,912

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

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, 2016, the Village recognized PPERS pension expense of \$4,436,779 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	\$ 1,490,549	\$ 4,255,651
Changes in assumptions	6,257,125	1,836,540
Net difference between projected and actual earnings on pension plan investments	2,728,603	-
 Total	 \$ 10,476,277	 \$ 6,092,191

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

Year Ending December 31,	
2017	\$ 3,089,007
2018	3,089,002
2019	1,475,008
2020	(925,784)
2021	(937,261)
Thereafter	(1,405,886)
 Total	 \$ 4,384,086

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.

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

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, 2016, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	66
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	91
<hr/>	
TOTAL	158
<hr/>	
Number of participating employers	1
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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.

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

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, 2016, the Village's contribution was 41.85% of covered payroll.

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

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%	0.10%

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

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 2016, 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. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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	\$ 10,837,070	\$ -	\$ 5,842,510	\$ 4,994,560	\$ -
U.S. Agency obligations	953,863	94	524,464	429,305	-
Corporate bonds	9,465,488	1,990,545	5,856,361	1,618,582	-
TOTAL	\$ 21,256,421	\$ 1,990,639	\$ 12,223,335	\$ 7,042,447	\$ -

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, 2016. The U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations and the corporate 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.

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

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, 2016	\$ 109,025,391	\$ 58,802,718	\$ 50,222,673
Changes for the period:			
Service cost	2,045,539	-	2,045,539
Interest	7,740,742	-	7,740,742
Difference between expected and actual experience	1,035,715	-	1,035,715
Changes in assumptions	328,856	-	328,856
Employer contributions	-	3,660,137	(3,660,137)
Employee contributions	-	899,896	(899,896)
Net investment income	-	4,226,592	(4,226,592)
Benefit payments and refunds	(4,513,084)	(4,513,084)	-
Administrative expense	-	(14,396)	14,396
Other (net transfer)	-	215	(215)
Net changes	6,637,768	4,259,360	2,378,408
 BALANCES AT DECEMBER 31, 2016	 \$ 115,663,159	 \$ 63,062,078	 \$ 52,601,081

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

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, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0 – 10.44%
Interest rate	7.25%
Cost of living adjustments	2.5%

Asset valuation method	Market
------------------------	--------

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 70,184,170	\$ 52,601,081	\$ 38,334,599

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

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, 2016, the Village recognized FPERS pension expense of \$4,627,794 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	\$ 914,111	\$ 24,971
Changes in assumptions	5,931,937	-
Net difference between projected and actual earnings on pension plan investments	<u>3,982,893</u>	-
 Total	 <u>\$ 10,828,941</u>	 <u>\$ 24,971</u>

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 <u>December 31,</u>	
2017	\$ 3,652,984
2018	3,652,984
2019	2,780,886
2020	171,619
2021	163,815
Thereafter	<u>381,682</u>
 Total	 <u>\$ 10,803,970</u>

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, 2015	December 31, 2016	December 31, 2016
Total pension liability (TPL)	\$ 68,281,849	\$ 116,272,549	\$ 115,663,159
Plan fiduciary net position	58,674,969	67,379,405	63,602,078
Net pension liability (NPL)	9,606,880	48,893,144	52,601,081
Plan fiduciary net position as a percentage of the TPL	85.93%	57.95%	54.52%
Covered payroll (active plan members)	\$ 10,563,758	\$ 10,358,270	\$ 9,137,439
Net pension liability as a percentage of covered payroll	90.94%	472.02%	575.67%

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	\$ 950,683	\$ 863,663	\$ 1,814,346
Investments			
U.S. Treasury securities	5,778,680	10,837,070	16,615,750
U.S. Agency securities	1,013,744	953,863	1,967,607
Corporate and international bonds	14,422,571	9,465,488	23,888,059
Municipal bonds	598,438	-	598,438
Money market mutual funds	290,720	26,701	317,421
Equities	44,165,459	40,752,846	84,918,305
Receivables			
Accrued interest	159,110	162,447	321,557
Total assets	67,379,405	63,602,078	130,441,483
LIABILITIES			
None	-	-	-
Total liabilities	-	-	-
NET POSITION	\$ 67,379,405	\$ 63,602,078	\$ 130,441,483

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	\$ 3,538,272	\$ 3,660,137	\$ 7,198,409
Employee	1,055,702	899,896	1,955,598
Other	1,122	215	1,337
Total contributions	4,595,096	4,560,248	9,155,344
 Investment income			
Net appreciation in fair value of investments	3,081,559	3,012,855	6,094,414
Interest income	1,620,549	1,382,766	3,003,315
Less investment expense	(211,567)	(169,029)	(380,596)
Net investment income	4,490,541	4,226,592	8,717,133
Total additions	9,805,637	8,786,840	17,872,477
 DEDUCTIONS			
Administrative	49,552	14,396	63,948
Pension benefits and refunds	4,187,653	4,513,084	8,700,737
Total deductions	4,237,205	4,527,480	8,764,685
CHANGE IN NET POSITION	4,848,432	4,259,360	9,107,792
 NET POSITION			
January 1	62,530,973	58,802,718	121,333,691
December 31	\$ 67,379,405	\$ 63,602,078	\$ 130,441,483

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

14. CHANGE IN ACCOUNTING PRINCIPLE

In 2016, the Village decided to report information from the December 31, 2015, actuarial valuation from IMRF to continue its dedication to timely financial reporting. Therefore, the related accounts were restated for the prior year to reflect the balances from the actuarial valuation as of the December 31, 2014, as follows:

	Entity-Wide Governmental Activities	Fleet Services Fund	Entity-Wide Business- Type Activities	Waterworks Fund	Sewerage Fund
Net position - as previously reported	\$ 108,471,986	\$ 348,834	\$57,365,319	\$25,891,053	\$19,482,588
Restatement of					
Net pension liability	3,591,508	208,809	584,664	417,617	167,047
Deferred outflows	(1,123,484)	(62,385)	(175,476)	(128,438)	(47,038)
Deferred inflows	260,203	15,128	42,359	30,256	12,103
Net position - as restated	<u>\$ 111,200,213</u>	<u>\$ 510,386</u>	<u>\$57,816,866</u>	<u>\$26,210,488</u>	<u>\$19,614,700</u>

15. SUBSEQUENT EVENT

The Village is planning to issue General Obligation Refunding Bonds in June 2017 to a) advance refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2009E (Build America Bonds - Direct Payment), b) advance refund the Village's outstanding Taxable General Obligation Bonds, Series 2009F (Build America Bonds - Direct Payment), c) advance refund a portion of the Village's outstanding General Obligation Bonds, Taxable Series 2007B, and advance refund the Village's outstanding Obligation Bonds, Taxable Series 2009F.

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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 25,864,853	\$ 25,864,853	\$ 26,055,992
Licenses and permits	3,090,700	3,090,700	3,284,115
Intergovernmental	19,764,260	19,800,407	18,532,713
Charges for services	3,608,300	3,608,300	4,092,172
Fines and forfeits	1,395,000	1,395,000	1,552,117
Investment income	219,105	219,105	300,885
Miscellaneous	100,000	383,933	427,647
 Total revenues	 54,042,218	 54,362,298	 54,245,641
EXPENDITURES			
General government	6,705,915	6,535,470	6,064,441
Public safety	40,435,835	41,304,658	40,504,033
Public works	6,660,105	6,634,216	6,227,585
 Total expenditures	 53,801,855	 54,474,344	 52,796,059
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 240,363	 (112,046)	 1,449,582
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	1,142	1,142
 Total other financing sources (uses)	 -	 1,142	 1,142
NET CHANGE IN FUND BALANCE	 \$ 240,363	 \$ (110,904)	 1,450,724
FUND BALANCE, JANUARY 1			 22,034,502
FUND BALANCE, DECEMBER 31			 \$ 23,485,226

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 4,775,000	\$ 4,790,000	\$ 4,970,011
Intergovernmental			
Build america bond interest rebate	136,475	136,475	127,125
Investment income	15,185	15,185	23,243
Total revenues	4,926,660	4,941,660	5,120,379
EXPENDITURES			
Economic development			
Supplies and services	20,000	35,000	33,131
Project expenditures	25,000	2,818,730	2,818,731
Debt service			
Principal retirement	3,688,000	3,687,000	3,678,391
Interest	1,068,820	1,068,820	1,068,818
Fiscal charges	5,250	5,250	2,650
Total expenditures	4,807,070	7,614,800	7,601,721
NET CHANGE IN FUND BALANCE	\$ 119,590	\$ (2,673,140)	(2,481,342)
FUND BALANCE, JANUARY 1			2,824,660
FUND BALANCE, DECEMBER 31			\$ 343,318

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 2,234,100	\$ 2,234,100	\$ 1,764,648
Investment income	1,500	1,500	4,713
 Total revenues	 2,235,600	 2,235,600	 1,769,361
 EXPENDITURES			
Economic development			
Supplies and services	20,000	20,000	244
Project expenditures	382,460	382,460	315,959
Capital outlay			
Rights of way improvements	-	7,483	7,482
Debt service			
Principal retirement	1,160,000	1,160,000	1,160,000
Interest	595,675	595,675	595,670
Fiscal charges	2,250	2,250	1,350
 Total expenditures	 2,160,385	 2,167,868	 2,080,705
 NET CHANGE IN FUND BALANCE	 \$ 75,215	 \$ 67,732	 (311,344)
 FUND BALANCE, JANUARY 1			 5,363,123
 FUND BALANCE, DECEMBER 31			 \$ 5,051,779

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

Actuarial Valuation Date December 31,	Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2011 ¹	\$ -	\$ 3,316,449	0.00%	\$ 3,316,449	\$ 23,495,020	14.12%
2012		- 5,329,063	0.00%	5,329,063	25,423,925	20.96%
2013 ¹		- 5,329,063	0.00%	5,329,063	25,423,925	20.96%
2014		- 9,984,783	0.00%	9,984,783	24,864,761	40.16%
2015 ¹		- 9,984,783	0.00%	9,984,783	24,864,761	40.16%
2016		- 15,117,411	0.00%	15,117,411	24,843,777	60.85%

¹ Results from prior year.

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Ten Fiscal Years

(schedule to be built prospectively)

Fiscal Year	Actuarially Determined Contribution		Contribution		Covered Payroll	Valuation Payroll	Actual Contribution as a % of Covered Payroll
	Actual Contribution	Deficiency/ (Excess)	Valuation				
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%

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

Fiscal Year	Actuarially Determined Contribution		Actual Contribution	Contribution Deficiency/ (Excess)	Covered Payroll	Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2007	\$ 1,380,059	\$ 1,368,869	\$ 11,190	\$ 7,384,968			18.54%
2008	1,677,795	1,824,972	(147,177)	8,323,248			21.93%
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%

Notes to the required supplementary information:

Valuation date	December 31, 2014
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 Years
Asset valuation method	Market
Inflation	3.00%
Salary increases	4.50%
Investment rate of return	7.50%
Retirement age	62 Years
Mortality	RP-2014 Mortality Table (BCHA)

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
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years

Fiscal Year	Actuarially Determined Contribution		Actual Contribution	Contribution Deficiency/ (Excess)	Covered Payroll	Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2007	\$ 1,066,636	\$ 1,062,061	\$ 4,575	\$ 6,826,186			15.56%
2008	1,219,549	1,440,275	(220,726)	7,161,378			20.11%
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%

Notes to the required supplementary information:

Valuation date	December 31, 2014
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 Years
Asset valuation method	Market
Inflation	3.00%
Salary increases	4.50%
Investment rate of return	7.50%
Retirement age	62 Years
Mortality	RP-2014 Mortality Table (BCHA)

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
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 135,226	\$ 275,095	49.16%
2012	135,224	279,920	48.31%
2013	227,937	384,551	59.27%
2014	340,470	724,052	47.02%
2015	374,070	753,014	49.68%
2016	517,601	1,175,834	44.02%

(See independent auditor's report.)

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)

Valuation Year Fiscal Year	2014 2015	2015 2016
TOTAL PENSION LIABILITY		
Service cost	\$ 1,215,353	\$ 1,135,095
Interest	4,415,607	4,821,993
Changes to benefit terms	-	-
Differences between expected and actual experience	216,592	(422,884)
Changes of assumptions	2,026,659	172,219
Benefit payments, including refunds of member contributions	(2,187,292)	(2,472,221)
Net change in total pension liability	5,686,919	3,234,202
Total pension liability		
Beginning	59,360,728	65,047,647
Ending	\$ 65,047,647	\$ 68,281,849
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 1,299,693	\$ 1,326,807
Contributions - member	528,559	486,317
Miscellaneous income	221,384	(579,310)
Net investment income	3,425,146	296,437
Benefit payments, including refunds of member contributions	(2,187,292)	(2,472,221)
Administrative expense	-	-
Net change in total pension liability	3,287,490	(941,970)
Plan net position		
Beginning	56,329,449	59,616,939
Ending	\$ 59,616,939	\$ 58,674,969
EMPLOYER'S NET PENSION LIABILITY		
	\$ 5,430,708	\$ 9,606,880
Plan fiduciary net position as a percentage of the total pension liability	91.65%	85.93%
Covered-employee payroll	\$ 10,139,928	\$ 10,563,758
Employer's net pension liability as a percentage of covered-employee payroll	53.56%	90.94%

(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)

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

(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)

Fiscal Year	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 2,045,539	\$ 1,980,545	\$ 2,175,704
Interest	7,740,742	7,087,978	6,540,584
Changes to benefit terms	-	-	-
Differences between expected and actual experience	1,035,715	4,554	(62,429)
Changes of assumptions	328,856	7,553,761	2,775,760
Benefit payments, including refunds of member contributions	<u>(4,513,084)</u>	<u>(4,215,646)</u>	<u>(4,046,416)</u>
Net change in total pension liability	6,637,768	12,411,192	7,383,203
Total pension liability	<u>109,025,391</u>	<u>96,614,199</u>	<u>89,230,996</u>
Beginning	<u>\$ 115,663,159</u>	<u>\$ 109,025,391</u>	<u>\$ 96,614,199</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 3,660,137	\$ 3,620,989	\$ 3,098,007
Contributions - member	899,896	857,036	836,025
Contributions - other	215	51	-
Net investment income	4,226,592	(1,071,694)	2,470,732
Benefit payments, including refunds of member contributions	<u>(4,513,084)</u>	<u>(4,215,646)</u>	<u>(4,046,416)</u>
Administrative expense	<u>(14,396)</u>	<u>(13,428)</u>	<u>(22,954)</u>
Net change in total pension liability	4,259,360	(822,692)	2,335,394
Plan net position	<u>58,802,718</u>	<u>59,625,410</u>	<u>57,290,016</u>
Beginning	<u>\$ 63,062,078</u>	<u>\$ 58,802,718</u>	<u>\$ 59,625,410</u>
EMPLOYER'S NET PENSION LIABILITY			
	<u>\$ 52,601,081</u>	<u>\$ 50,222,673</u>	<u>\$ 36,988,789</u>
Plan fiduciary net position as a percentage of the total pension liability	54.52%	53.93%	61.71%
Covered-employee payroll	\$ 9,137,439	\$ 8,905,763	\$ 8,744,586
Employer's net pension liability as a percentage of covered-employee payroll	575.67%	563.93%	422.99%

(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.

Fiscal Year	Police Pension Fund	Firefighters' Pension Fund
2014	7.45%	4.50%
2015	-0.37%	-1.82%
2016	7.19%	7.30%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principals. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service, and pension trust 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

IMRF

There was a change with respect to actuarial assumptions regarding the discount rate.

PPERS and FPERS

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

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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, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and investments	\$ 8,408,311	\$ 7,082,670	\$ 15,490,981
Receivables (net, where applicable, of allowances for uncollectibles)			
Due from other governments	198,147	409,000	607,147
Other	-	2,220	2,220
TOTAL ASSETS	\$ 8,606,458	\$ 7,493,890	\$ 16,100,348
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 110,138	\$ 102,951	\$ 213,089
Accrued payroll	7,743	-	7,743
Due to other funds	53,349	-	53,349
Unearned revenue	1,225	8,185	9,410
Total liabilities	172,455	111,136	283,591
FUND BALANCES (DEFICITS)			
Restricted for streets and highways	1,091,444	-	1,091,444
Restricted for public safety	659,542	-	659,542
Restricted for economic development	6,718,532	-	6,718,532
Unrestricted			
Assigned for capital projects	-	7,382,754	7,382,754
Unassigned	(35,515)	-	(35,515)
Total fund balances	8,434,003	7,382,754	15,816,757
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 8,606,458	\$ 7,493,890	\$ 16,100,348

(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, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 2,787,861	\$ 2,427,461	\$ 5,215,322
Intergovernmental	2,611,023	71,480	2,682,503
Charges for services	-	275,344	275,344
Fines and forfeits	30,135	-	30,135
Investment income	26,332	24,708	51,040
Miscellaneous	9,090	21,650	30,740
 Total revenues	 5,464,441	 2,820,643	 8,285,084
 EXPENDITURES			
Current			
Public safety	403,737	-	403,737
Economic development	911,956	-	911,956
Capital outlay	2,201,442	3,016,839	5,218,281
 Total expenditures	 3,517,135	 3,016,839	 6,533,974
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 1,947,306	 (196,196)	 1,751,110
 OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	82,149	82,149
Transfers in	-	368,000	368,000
Transfers (out)	-	(98,031)	(98,031)
 Total other financing sources (uses)	 -	 352,118	 352,118
 NET CHANGE IN FUND BALANCES	 1,947,306	 155,922	 2,103,228
 FUND BALANCE, JANUARY 1	 6,486,697	 7,226,832	 13,713,529
 FUND BALANCE, DECEMBER 31	 \$ 8,434,003	 \$ 7,382,754	 \$ 15,816,757

(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.

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, 2016

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
ASSETS					
Cash and investments	\$ 937,964	\$ -	\$ 431,451	\$ 167,568	\$ 59,998
Receivables					
Due from other governments	162,635	8,710	-	-	-
TOTAL ASSETS	\$ 1,100,599	\$ 8,710	\$ 431,451	\$ 167,568	\$ 59,998
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ 9,155	\$ 8,710	\$ 91,273	\$ 1,000	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	9,155	8,710	91,273	1,000	-
FUND BALANCES (DEFICITS)					
Restricted for streets and highways	1,091,444	-	-	-	-
Restricted for public safety	-	-	340,178	166,568	59,998
Restricted for economic development	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	1,091,444	-	340,178	166,568	59,998
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 1,100,599	\$ 8,710	\$ 431,451	\$ 167,568	\$ 59,998

(See independent auditor's report.)

Foreign Fire Tax	Dundee Road TIF	Rand/ Dundee TIF	Rand/ Lake Cook TIF	Special Fire Grant	Special Police Grant	Total
\$ 92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ -	\$ -	\$ 8,408,311
-	-	-	-	-	26,802	198,147
\$ 92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ -	\$ 26,802	\$ 8,606,458
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,138
-	-	-	-	-	7,743	7,743
-	-	-	35,515	-	17,834	53,349
-	-	-	-	-	1,225	1,225
 	 	 	35,515	 	26,802	172,455
-	-	-	-	-	-	1,091,444
92,798	-	-	-	-	-	659,542
-	5,962,366	756,166	-	-	-	6,718,532
-	-	-	(35,515)	-	-	(35,515)
 	 	 	(35,515)	 	 	
92,798	5,962,366	756,166	-	 	 	8,434,003
\$ 92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ 26,802	\$ 8,606,458	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,795,291	581,806	12,697	54,289	-
Fines and forfeits	-	-	-	-	30,135
Investment income	2,796	-	1,698	647	182
Miscellaneous	-	-	-	-	-
 Total revenues	 1,798,087	 581,806	 14,395	 54,936	 30,317
 EXPENDITURES					
Current					
Public safety	-	-	182,796	7,709	7,148
Economic development	-	129,956	-	-	-
Capital outlay	1,749,592	451,850	-	-	-
 Total expenditures	 1,749,592	 581,806	 182,796	 7,709	 7,148
 NET CHANGE IN FUND BALANCES (DEFICITS)	 48,495	 -	 (168,401)	 47,227	 23,169
 FUND BALANCES (DEFICITS), JANUARY 1	 1,042,949	 -	 508,579	 119,341	 36,829
 FUND BALANCES (DEFICITS), DECEMBER 31	 \$ 1,091,444	 \$ -	 \$ 340,178	 \$ 166,568	 \$ 59,998

(See independent auditor's report.)

Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Rand/ Lake Cook TIF	Special Fire Grant	Special Police Grant	Total
\$ 86,021	\$ 2,518,770	\$ 269,091	\$ -	\$ 1,399	\$ 79,520	\$ 2,787,861 2,611,023
-	-	-	-	-	-	30,135
72	18,442	2,495	-	-	-	26,332
990	-	-	8,100	-	-	9,090
87,083	2,537,212	271,586	8,100	1,399	79,520	5,464,441
 125,165	 - 700,000	 - 82,000	 - -	 1,399	 79,520	 403,737 911,956
-	-	-	-	-	-	2,201,442
125,165	700,000	82,000	-	1,399	79,520	3,517,135
(38,082)	1,837,212	189,586	8,100	-	-	1,947,306
130,880	4,125,154	566,580	(43,615)	-	-	6,486,697
\$ 92,798	\$ 5,962,366	\$ 756,166	\$ (35,515)	\$ -	\$ -	\$ 8,434,003

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Motor fuel tax allotment	\$ 1,608,500	\$ 1,858,706	\$ 1,795,291
Investment income	250	250	2,796
 Total revenues	 1,608,750	 1,858,956	 1,798,087
 EXPENDITURES			
Capital outlay			
Street improvements	1,573,455	1,843,670	1,749,592
 Total expenditures	 1,573,455	 1,843,670	 1,749,592
 NET CHANGE IN FUND BALANCE	 \$ 35,295	 \$ 15,286	 48,495
 FUND BALANCE, JANUARY 1			 1,042,949
 FUND BALANCE, DECEMBER 31			 \$ 1,091,444

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 371,311	\$ 738,187	\$ 581,806
Total revenues	371,311	738,187	581,806
EXPENDITURES			
Economic development			
Administrative fees - General Fund	74,260	74,260	74,260
Social service agencies	55,696	55,696	55,696
Capital outlay			
Rights of way improvements	241,355	596,967	451,850
Total expenditures	371,311	726,923	581,806
NET CHANGE IN FUND BALANCE	\$ -	\$ 11,264	-
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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 20,000	\$ 20,000	\$ 12,697
Investment income	-	-	1,698
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>14,395</u>
 EXPENDITURES			
Public safety			
Police			
Supplies and services	20,000	187,976	182,796
Total expenditures	<u>20,000</u>	<u>187,976</u>	<u>182,796</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (167,976)</u>	<u>(168,401)</u>
FUND BALANCE, JANUARY 1			<u>508,579</u>
FUND BALANCE, DECEMBER 31			<u>\$ 340,178</u>

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 5,000	\$ 9,250	\$ 54,289
Investment income	-	-	647
 Total revenues	 5,000	 9,250	 54,936
 EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	9,250	7,709
 Total expenditures	 5,000	 9,250	 7,709
 NET CHANGE IN FUND BALANCE	 \$ -	 \$ -	 47,227
 FUND BALANCE, JANUARY 1			 119,341
 FUND BALANCE, DECEMBER 31			 \$ 166,568

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Fines and forfeits			
DUI fines	\$ 30,000	\$ 30,000	\$ 30,135
Investment income	- -	- -	182
 Total revenues	 30,000	 30,000	 30,317
 EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	11,875	7,148
 Total expenditures	 5,000	 11,875	 7,148
 NET CHANGE IN FUND BALANCE	 \$ 25,000	 \$ 18,125	 23,169
 FUND BALANCE, JANUARY 1			 36,829
 FUND BALANCE, DECEMBER 31			 \$ 59,998

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Foreign fire tax	\$ 70,000	\$ 70,000	\$ 86,021
Investment income	-	-	72
Miscellaneous			
Other	-	-	990
	<hr/>	<hr/>	<hr/>
Total revenues	70,000	70,000	87,083
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Public safety			
Fire			
Supplies and services	70,000	125,165	125,165
	<hr/>	<hr/>	<hr/>
Total expenditures	70,000	125,165	125,165
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	\$ -	\$ (55,165)	(38,082)
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JANUARY 1			130,880
	<hr/>	<hr/>	<hr/>
FUND BALANCE, DECEMBER 31		\$ 92,798	
	<hr/>	<hr/>	

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 2,331,900	\$ 2,331,900	\$ 2,518,770
Investment income	750	750	18,442
 Total revenues	 2,332,650	 2,332,650	 2,537,212
EXPENDITURES			
Economic development			
Surplus distribution	700,000	700,000	700,000
 Total expenditures	 700,000	 700,000	 700,000
NET CHANGE IN FUND BALANCE	\$ 1,632,650	\$ 1,632,650	1,837,212
FUND BALANCE, JANUARY 1			4,125,154
FUND BALANCE, DECEMBER 31			\$ 5,962,366

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 272,000	\$ 272,000	\$ 269,091
Investment income	100	100	2,495
 Total revenues	 272,100	 272,100	 271,586
 EXPENDITURES			
Economic development			
Surplus distribution	82,000	82,000	82,000
 Total expenditures	 82,000	 82,000	 82,000
 NET CHANGE IN FUND BALANCE	 \$ 190,100	 \$ 190,100	 189,586
 FUND BALANCE, JANUARY 1			 566,580
 FUND BALANCE, DECEMBER 31			 \$ 756,166

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Miscellaneous			
Reimbursements	\$ -	\$ -	<u>8,100</u>
Total revenues	- -	- -	<u>8,100</u>
EXPENDITURES			
None			
Total expenditures	- -	- -	<u>- -</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>8,100</u>
FUND BALANCE (DEFICIT), JANUARY 1			<u>(43,615)</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>(35,515)</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$	-	<u>\$</u>
			<u>1,399</u>
Total revenues	-	-	<u>1,399</u>
 EXPENDITURES			
Public safety			
Fire			
Supplies and services	-	1,713	<u>1,399</u>
Total expenditures	-	1,713	<u>1,399</u>
 NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>-</u>	<u>(1,713)</u>
 FUND BALANCE, JANUARY 1			<u>-</u>
 FUND BALANCE, DECEMBER 31	<u>\$</u>		<u>-</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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$	\$ 79,520	\$ 79,520
Total revenues	-	79,520	79,520
EXPENDITURES			
Public safety			
Police			
Personnel	-	79,520	79,520
Total expenditures	-	79,520	79,520
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>-</u>	<u>\$</u>
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			<u>\$</u>

(See independent auditor's report.)

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 OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2016

	Capital Equipment Acquisition	Capital Improvement	Total
ASSETS			
Cash and investments	\$ 2,723,452	\$ 4,359,218	\$ 7,082,670
Receivables			
Due from other governments	190,480	218,520	409,000
Other	2,220	-	2,220
TOTAL ASSETS	\$ 2,916,152	\$ 4,577,738	\$ 7,493,890
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,986	\$ 87,965	\$ 102,951
Unearned revenue	8,185	-	8,185
Total liabilities	23,171	87,965	111,136
FUND BALANCES			
Unrestricted			
Assigned for capital projects	2,892,981	4,489,773	7,382,754
Total fund balances	2,892,981	4,489,773	7,382,754
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,916,152	\$ 4,577,738	\$ 7,493,890

(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, 2016

	Capital Equipment Acquisition	Capital Improvement	Total
REVENUES			
Taxes	\$ 846,842	\$ 1,580,619	\$ 2,427,461
Intergovernmental	71,480	-	71,480
Charges for services	220,523	54,821	275,344
Investment income	8,491	16,217	24,708
Miscellaneous	-	21,650	21,650
 Total revenues	 1,147,336	 1,673,307	 2,820,643
EXPENDITURES			
Capital outlay	1,158,098	1,858,741	3,016,839
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,762)	(185,434)	(196,196)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	82,149	-	82,149
Transfers in	268,000	100,000	368,000
Transfers (out)	-	(98,031)	(98,031)
 Total other financing sources (uses)	 350,149	 1,969	 352,118
NET CHANGE IN FUND BALANCE	339,387	(183,465)	155,922
FUND BALANCE, JANUARY 1	2,553,594	4,673,238	7,226,832
FUND BALANCE, DECEMBER 31	\$ 2,892,981	\$ 4,489,773	\$ 7,382,754

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 751,390	\$ 751,390	\$ 846,842
Intergovernmental			
TIF Rebate	50,000	50,000	71,480
Charges for services			
Rental income	232,950	232,950	220,523
Investment income	2,500	2,500	8,491
 Total revenues	 1,036,840	 1,036,840	 1,147,336
 EXPENDITURES	 	 	
Capital outlay			
Technology	138,300	185,946	112,719
Vehicles and equipment	1,081,495	1,100,640	1,045,379
 Total expenditures	 1,219,795	 1,286,586	 1,158,098
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (182,955)	 (249,746)	 (10,762)
 OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	50,000	50,000	82,149
Transfers in	268,000	268,000	268,000
 Total other financing sources (uses)	 318,000	 318,000	 350,149
 NET CHANGE IN FUND BALANCE	 \$ 135,045	 \$ 68,254	 339,387
 FUND BALANCE, JANUARY 1			 2,553,594
 FUND BALANCE, DECEMBER 31			 \$ 2,892,981

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 864,500	\$ 864,500	\$ 1,023,124
Electric utility use tax	557,495	557,495	557,495
Intergovernmental			
Grants	200,000	280,640	-
Charges for services			
Improvement cost sharing programs	-	-	54,821
Investment income	2,500	2,500	16,217
Miscellaneous			
Reimbursements	75,000	764,605	21,650
 Total revenues	 1,699,495	 2,469,740	 1,673,307
 EXPENDITURES			
Capital outlay			
Buildings and facilities	17,500	28,000	27,700
Rights of way improvements	600,000	462,821	444,428
Street improvements	1,128,630	1,407,857	1,386,613
 Total expenditures	 1,746,130	 1,898,678	 1,858,741
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (46,635)	 571,062	 (185,434)
 OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	100,000	100,000
Transfers (out)	-	(98,031)	(98,031)
 Total other financing sources (uses)	 100,000	 1,969	 1,969
 NET CHANGE IN FUND BALANCE	 \$ 53,365	 \$ 573,031	 (183,465)
 FUND BALANCE, JANUARY 1			 4,673,238
 FUND BALANCE, DECEMBER 31			 \$ 4,489,773

(See independent auditor's report.)

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, 2016

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CURRENT ASSETS				
Cash and investments	\$ 873,384	\$ 2,506,921	\$ 5,351,074	\$ 8,731,379
Receivables				
Other	42,960	-	-	42,960
Prepaid items	-	60,325	-	60,325
Inventories	179,300	-	-	179,300
Total current assets	1,095,644	2,567,246	5,351,074	9,013,964
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	388,410	-	-	388,410
CURRENT LIABILITIES				
Accounts payable	117,422	18,765	20,887	157,074
Accrued payroll	21,519	-	-	21,519
Claims payable	-	818,325	112,100	930,425
Unearned revenue	-	5,170	-	5,170
Compensated absences payable	7,995	-	-	7,995
Total current liabilities	146,936	842,260	132,987	1,122,183
LONG-TERM LIABILITIES				
Claims payable	-	-	908,345	908,345
Compensated absences payable	31,980	-	-	31,980
Net pension liability	480,344	-	-	480,344
Total long-term liabilities	512,324	-	908,345	1,420,669
Total liabilities	659,260	842,260	1,041,332	2,542,852
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	15,128	-	-	15,128
NET POSITION				
Unrestricted	809,666	1,724,986	4,309,742	6,844,394
TOTAL NET POSITION	\$ 809,666	\$ 1,724,986	\$ 4,309,742	\$ 6,844,394

(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, 2016

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
OPERATING REVENUES				
Intergovernmental	\$ 12,864	\$ -	\$ -	\$ 12,864
Charges for services	1,957,127	6,479,914	1,702,400	10,139,441
Miscellaneous	20,620	56	60,295	80,971
Total operating revenues	<u>1,990,611</u>	<u>6,479,970</u>	<u>1,762,695</u>	<u>10,233,276</u>
OPERATING EXPENSES				
Costs of sales and services	1,694,000	7,525,901	1,269,522	10,489,423
Total operating expenses	<u>1,694,000</u>	<u>7,525,901</u>	<u>1,269,522</u>	<u>10,489,423</u>
OPERATING INCOME (LOSS)	<u>296,611</u>	<u>(1,045,931)</u>	<u>493,173</u>	<u>(256,147)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,669	15,658	21,571	39,898
Total nonoperating revenues (expenses)	<u>2,669</u>	<u>15,658</u>	<u>21,571</u>	<u>39,898</u>
CHANGE IN NET POSITION	<u>299,280</u>	<u>(1,030,273)</u>	<u>514,744</u>	<u>(216,249)</u>
NET POSITION, JANUARY 1 - AS RESTATED	<u>510,386</u>	<u>2,755,259</u>	<u>3,794,998</u>	<u>7,060,643</u>
NET POSITION, DECEMBER 31	<u>\$ 809,666</u>	<u>\$ 1,724,986</u>	<u>\$ 4,309,742</u>	<u>\$ 6,844,394</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2016

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 182,336	\$ 1,143,754	\$ 60,295	\$ 1,386,385
Receipts from interfund services transactions	1,784,880	5,331,577	1,702,400	8,818,857
Payments to suppliers	(834,017)	(7,485,627)	(1,018,166)	(9,337,810)
Payments to employees	(801,032)	-	-	(801,032)
Net cash from operating activities	<u>332,167</u>	<u>(1,010,296)</u>	<u>744,529</u>	<u>66,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
None	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
None	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>2,669</u>	<u>31,588</u>	<u>38,426</u>	<u>72,683</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>334,836</u>	<u>(978,708)</u>	<u>782,955</u>	<u>139,083</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>538,548</u>	<u>3,485,629</u>	<u>4,568,119</u>	<u>8,592,296</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 873,384</u></u>	<u><u>\$ 2,506,921</u></u>	<u><u>\$ 5,351,074</u></u>	<u><u>\$ 8,731,379</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 296,611	\$ (1,045,931)	\$ 493,173	\$ (256,147)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
(Increase) decrease in				
Other receivables	(23,395)	-	-	(23,395)
Inventories	2,330	-	-	2,330
Deferred outflows related to pensions	(206,995)	-	-	(206,995)
Increase (decrease) in				
Accounts payable	45,619	(33,159)	17,721	30,181
Accrued payroll	(8,535)	-	-	(8,535)
Claims payable	-	73,433	233,635	307,068
Unearned revenue	-	(4,639)	-	(4,639)
Compensated absences payable	2,595	-	-	2,595
Net pension liability	208,809	-	-	208,809
Deferred inflows related to pensions	15,128	-	-	15,128
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 332,167</u></u>	<u><u>\$ (1,010,296)</u></u>	<u><u>\$ 744,529</u></u>	<u><u>\$ 66,400</u></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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Intergovernmental			
Gasoline tax rebate	\$ 13,500	\$ 13,500	\$ 12,864
Charges for services			
Vehicle maintenance	2,046,725	2,046,725	1,957,127
Miscellaneous			
Recoveries and refunds	10,000	10,000	18,002
Other	-	-	2,618
Total operating revenues	2,070,225	2,070,225	1,990,611
OPERATING EXPENSES			
Costs of sales and services			
Public works			
Personnel	802,000	802,000	812,034
Supplies and services	1,145,540	1,145,540	881,966
Total operating expenses	1,947,540	1,947,540	1,694,000
OPERATING INCOME	122,685	122,685	296,611
NONOPERATING REVENUES (EXPENSES)			
Investment income	100	100	2,669
CHANGE IN NET POSITION	\$ 122,785	\$ 122,785	299,280
NET POSITION, JANUARY 1 - AS RESTATED			510,386
NET POSITION, DECEMBER 31		\$ 809,666	

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums			
Retiree	\$ 634,100	\$ 634,100	\$ 643,374
COBRA	-	-	8,867
Employee	515,430	515,430	496,096
Employer	5,498,915	5,498,915	5,331,577
Miscellaneous			
Reimbursements	-	-	56
Total operating revenues	<u>6,648,445</u>	<u>6,648,445</u>	<u>6,479,970</u>
OPERATING EXPENSES			
Costs of sales and services			
Administration	1,624,235	1,818,611	1,870,115
Insurance claims	5,270,000	5,715,350	5,655,786
Total operating expenses	<u>6,894,235</u>	<u>7,533,961</u>	<u>7,525,901</u>
OPERATING INCOME (LOSS)	(245,790)	(885,516)	(1,045,931)
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	15,658
CHANGE IN NET POSITION	<u>\$ (240,790)</u>	<u>\$ (880,516)</u>	<u>(1,030,273)</u>
NET POSITION, JANUARY 1			<u>2,755,259</u>
NET POSITION, DECEMBER 31			<u>\$ 1,724,986</u>

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums	\$ 1,702,400	\$ 1,702,400	\$ 1,702,400
Miscellaneous			
Reimbursements	-	-	60,295
 Total operating revenues	 1,702,400	 1,702,400	 1,762,695
OPERATING EXPENSES			
Costs of sales and services			
Administration	629,330	633,546	580,686
Insurance claims	1,243,260	1,239,044	688,836
 Total operating expenses	 1,872,590	 1,872,590	 1,269,522
OPERATING INCOME (LOSS)	(170,190)	(170,190)	493,173
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	21,571
CHANGE IN NET POSITION	\$ (165,190)	\$ (165,190)	514,744
NET POSITION, JANUARY 1			3,794,998
NET POSITION, DECEMBER 31			\$ 4,309,742

(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.

Agency Funds

Special Service Areas 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.

Letter of Credit Escrow Fund - to account for expenditures required to complete certain non-public projects within the Village. Funding is provided by the proceeds of Letters of Credit called by the Village.

Section 125 Fund - to account for funds held by the Village on behalf of the employees' IRS Section 125 Flexible Benefit Plan.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2016

	Pension Trust Funds		Total Pension Trust Funds	Agency Funds
	Police Pension	Firefighters' Pension		
ASSETS				
Cash and cash equivalents	\$ 950,683	\$ 863,663	\$ 1,814,346	\$ 1,472,487
Investments				
U.S. Treasury securities	5,778,680	10,837,070	16,615,750	-
U.S. agency securities	1,013,744	953,863	1,967,607	-
Corporate and international bonds	14,422,571	9,465,488	23,888,059	-
Municipal bonds	598,438	-	598,438	-
Money market mutual funds	290,720	26,701	317,421	-
Equities	44,165,459	40,752,846	84,918,305	-
Receivables				
Property taxes	-	-	-	589,500
Accrued interest	159,110	162,447	321,557	-
Prepaid items	-	-	-	3,000
Total assets	67,379,405	63,062,078	130,441,483	\$ 2,064,987
LIABILITIES				
Accounts payable	-	-	-	5,251
Other liabilities	-	-	-	849,010
Due to bondholders	-	-	-	1,210,726
Total liabilities	-	-	-	\$ 2,064,987
NET POSITION				
Restricted for pensions	\$ 67,379,405	\$ 63,062,078	\$ 130,441,483	

(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, 2016

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 3,538,272	\$ 3,660,137	\$ 7,198,409
Employee	1,055,702	899,896	1,955,598
Other	1,122	215	1,337
 Total contributions	 4,595,096	 4,560,248	 9,155,344
Investment earnings			
Net increase (decrease) in the fair value of investments	3,081,559	3,012,855	6,094,414
Interest	1,620,549	1,382,766	3,003,315
 Total investment earnings	 4,702,108	 4,395,621	 9,097,729
Less investment expense	(211,567)	(169,029)	(380,596)
 Net investment earnings	 4,490,541	 4,226,592	 8,717,133
 Total additions	 9,085,637	 8,786,840	 17,872,477
DEDUCTIONS			
Administration	49,552	14,396	63,948
Benefits and refunds			
Retirement benefits	4,140,445	4,513,084	8,653,529
Refunds of contributions	47,208	-	47,208
 Total deductions	 4,237,205	 4,527,480	 8,764,685
 CHANGE IN NET POSITION	 4,848,432	 4,259,360	 9,107,792
NET POSITION			
January 1	62,530,973	58,802,718	121,333,691
 December 31	 \$ 67,379,405	 \$ 63,062,078	 \$ 130,441,483

(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, 2016

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 3,442,000	\$ 3,542,000	\$ 3,538,272
Employee	1,064,355	1,064,355	1,055,702
Other	-	-	1,122
 Total contributions	 4,506,355	 4,606,355	 4,595,096
Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	3,081,559
Interest	750,000	750,000	1,620,549
 Total investment earnings	 1,000,000	 1,000,000	 4,702,108
Less investment expense	(360,000)	(355,500)	(211,567)
 Net investment earnings	 640,000	 644,500	 4,490,541
 Total additions	 5,146,355	 5,250,855	 9,085,637
DEDUCTIONS			
Administration	57,150	61,650	49,552
Benefits and refunds			
Retirement benefits	4,490,000	4,490,000	4,140,445
Refunds of contributions	100,000	100,000	47,208
 Total deductions	 4,647,150	 4,651,650	 4,237,205
 CHANGE IN NET POSITION	 \$ 499,205	 \$ 599,205	 4,848,432
NET POSITION			
January 1			62,530,973
 December 31			 \$ 67,379,405

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 3,255,000	\$ 3,655,000	\$ 3,660,137
Employee	888,315	888,315	899,896
Other	-	-	215
 Total contributions	 4,143,315	 4,543,315	 4,560,248
 Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	3,012,855
Interest	750,000	750,000	1,382,766
 Total investment earnings	 1,000,000	 1,000,000	 4,395,621
Less investment expense	(250,000)	(250,000)	(169,029)
 Net investment earnings	 750,000	 750,000	 4,226,592
 Total additions	 4,893,315	 5,293,315	 8,786,840
 DEDUCTIONS			
Administration	38,750	38,750	14,396
Benefits and refunds			
Retirement benefits	4,920,000	4,920,000	4,513,084
Refunds of contributions	100,000	100,000	-
 Total deductions	 5,058,750	 5,058,750	 4,527,480
 CHANGE IN NET POSITION	 \$ (165,435)	 \$ 234,565	 4,259,360
 NET POSITION			
January 1			58,802,718
 December 31	 \$ 63,062,078		

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2016

	Balances January 1	Additions	Deletions	Balances December 31
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,592,990	\$ 1,035,104	\$ 1,155,607	\$ 1,472,487
Receivables				
Property taxes	626,307	589,500	626,307	589,500
Prepaid items	3,000	3,000	3,000	3,000
TOTAL ASSETS	\$ 2,222,297	\$ 1,627,604	\$ 1,784,914	\$ 2,064,987
LIABILITIES				
Accounts payable	\$ 17,195	\$ 5,251	\$ 17,195	\$ 5,251
Other liabilities	1,035,182	950,865	1,137,037	849,010
Due to bondholders	1,169,920	671,488	630,682	1,210,726
TOTAL LIABILITIES	\$ 2,222,297	\$ 1,627,604	\$ 1,784,914	\$ 2,064,987
Special Service Areas Fund				
ASSETS				
Cash and cash equivalents	\$ 1,150,109	\$ 668,488	\$ 588,075	\$ 1,230,522
Receivables				
Property taxes	626,307	589,500	626,307	589,500
Prepaid items	3,000	3,000	3,000	3,000
TOTAL ASSETS	\$ 1,779,416	\$ 1,260,988	\$ 1,217,382	\$ 1,823,022
LIABILITIES				
Other liabilities	\$ 609,496	\$ 589,500	\$ 586,700	\$ 612,296
Due to bondholders	1,169,920	671,488	630,682	1,210,726
TOTAL LIABILITIES	\$ 1,779,416	\$ 1,260,988	\$ 1,217,382	\$ 1,823,022

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS

For the Year Ended December 31, 2016

	Balances January 1	Additions	Deletions	Balances December 31
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Letter of Credit Escrow Fund

ASSETS				
Cash and cash equivalents	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078
TOTAL ASSETS	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078
LIABILITIES				
Accounts payable	\$ 17,195	\$ 5,251	\$ 17,195	\$ 5,251
Other liabilities	341,930	43,341	211,444	173,827
TOTAL LIABILITIES	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078

Section 125 Fund

ASSETS				
Cash and cash equivalents	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
TOTAL ASSETS	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
LIABILITIES				
Other liabilities	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
TOTAL LIABILITIES	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887

(See independent auditor's report.)

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Supplementary Information

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
TAXES			
Property tax			
Police protection	\$ 4,564,974	\$ 4,564,974	\$ 4,522,343
Fire protection	4,564,974	4,564,974	4,519,358
FICA	1,941,600	1,941,600	1,921,733
IMRF	1,313,300	1,313,300	1,299,557
Police pension	3,442,000	3,442,000	3,424,861
Fire pension	3,255,000	3,255,000	3,245,813
Home rule sales tax	4,379,700	4,379,700	4,217,287
Food and beverage tax	1,203,300	1,203,300	1,202,362
Motel occupancy tax	207,500	207,500	205,484
Electric utility use tax	992,505	992,505	1,497,194
 Total taxes	 25,864,853	 25,864,853	 26,055,992
LICENSES AND PERMITS			
Professional and occupational	226,300	226,300	224,779
Liquor licenses	331,500	331,500	324,682
Rental dwelling licenses	306,900	306,900	388,909
Building permits and fees	815,000	815,000	960,849
Vehicle licenses	1,200,000	1,200,000	1,186,629
Other licenses and permits	211,000	211,000	198,267
 Total licenses and permits	 3,090,700	 3,090,700	 3,284,115
INTERGOVERNMENTAL			
State sales tax	8,564,900	8,564,900	7,941,153
State income tax	7,404,900	7,404,900	6,673,615
Local use tax	1,485,200	1,485,200	1,617,412
Township road and bridge tax	692,600	692,600	705,347
Fire protection district reimbursement	645,180	645,180	645,179
Police consultant - schools	620,960	620,960	620,960
TIF Rebate	-	27,736	27,735
State highway maintenance	149,605	149,605	70,963
Personal property replacement tax	133,200	133,200	127,827
Grants	15,000	23,411	36,679
Other intergovernmental	52,715	52,715	65,843
 Total intergovernmental	 19,764,260	 19,800,407	 18,532,713

(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, 2016

	Original Budget	Final Budget	Actual
CHARGES FOR SERVICES			
Cable TV franchise fees	\$ 942,600	\$ 942,600	\$ 1,197,321
Plan review fees	250,000	250,000	367,971
Inspection fees	325,000	325,000	367,164
Special police service	129,400	129,400	146,457
Special fire service	26,200	26,200	19,785
Ambulance fees	1,376,000	1,376,000	1,334,029
Vehicle impound fees	211,000	211,000	150,500
Streetfest revenue	175,000	175,000	204,324
Rental income	120,000	120,000	212,400
Other charges for services	53,100	53,100	92,221
Total charges for services	3,608,300	3,608,300	4,092,172
FINES AND FORFEITS			
Circuit court fines	350,000	350,000	330,167
Parking fines	140,000	140,000	140,271
Compliance fines	250,000	250,000	269,622
Red light violation fines	600,000	600,000	722,615
Adjudication and other fines	55,000	55,000	89,442
Total fines and forfeits	1,395,000	1,395,000	1,552,117
INVESTMENT INCOME	219,105	219,105	300,885
MISCELLANEOUS			
Recoveries and refunds	70,000	70,000	67,149
Reimbursements	25,000	305,198	337,127
Donations	-	3,304	4,907
Other	5,000	5,431	18,464
Total miscellaneous	100,000	383,933	427,647
TOTAL REVENUES	\$ 54,042,218	\$ 54,362,298	\$ 54,245,641

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
Mayor and council			
Personnel	\$ 196,200	\$ 196,200	\$ 176,032
Supplies and services	44,475	38,475	33,322
Boards and commissions			
Personnel	2,505	935	948
Supplies and services	59,935	63,436	54,152
Village clerk			
Personnel	200,280	200,425	188,899
Supplies and services	20,270	19,670	7,102
Village manager			
Personnel	834,915	868,401	826,567
Supplies and services	462,740	471,840	406,774
Finance and operations			
Personnel	676,300	709,401	682,288
Supplies and services	328,870	328,870	267,833
Legal			
Personnel	81,040	103,921	99,681
Supplies and services	422,250	401,225	350,835
Human resources			
Personnel	662,635	367,995	295,051
Supplies and services	62,325	48,825	42,294
Planning and zoning			
Personnel	522,935	555,031	557,643
Supplies and services	10,215	7,215	5,453
Information technology			
Personnel	938,645	953,370	945,001
Supplies and services	363,240	384,095	308,426
Liability insurance			
Supplies and services	1,612,400	1,612,400	1,612,400
Less administrative fees			
CDBG Fund	(74,260)	(74,260)	(74,260)
Waterworks fund	(155,000)	(155,000)	(155,000)
Sewerage fund	(392,000)	(392,000)	(392,000)
Refuse fund	(113,000)	(113,000)	(113,000)
Motor Vehicle Parking System fund	(62,000)	(62,000)	(62,000)
Total general government	6,705,915	6,535,470	6,064,441

(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, 2016

	Original Budget	Final Budget	Actual
PUBLIC SAFETY			
Community services			
Personnel	\$ 1,901,905	\$ 1,912,129	\$ 1,817,161
Supplies and services	229,640	192,723	153,602
Police			
Personnel	19,576,605	19,916,314	19,545,864
Supplies and services	1,586,585	1,596,476	1,542,156
Fire			
Personnel	16,258,075	16,807,397	16,622,379
Supplies and services	883,025	879,619	822,871
Total public safety	40,435,835	41,304,658	40,504,033
PUBLIC WORKS			
Engineering			
Personnel	324,450	329,390	322,625
Supplies and services	10,535	10,535	6,604
Public works			
Personnel	3,853,410	3,894,286	3,738,418
Supplies and services	2,471,710	2,400,005	2,159,938
Total public works	6,660,105	6,634,216	6,227,585
TOTAL EXPENDITURES	\$ 53,801,855	\$ 54,474,344	\$ 52,796,059

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property tax	\$ 2,632,083	\$ 2,632,083	\$ 2,657,299
Intergovernmental			
Build america bond interest rebate	502,213	502,213	503,022
Investment income	1,500	1,500	5,092
 Total revenues	 3,135,796	 3,135,796	 3,165,413
 EXPENDITURES			
Debt service			
Principal retirement	1,300,000	1,300,000	1,300,000
Interest	1,834,300	1,834,300	1,834,295
Fiscal charges	4,500	4,500	2,900
 Total expenditures	 3,138,800	 3,138,800	 3,137,195
 NET CHANGE IN FUND BALANCE	 \$ (3,004)	 \$ (3,004)	 28,218
 FUND BALANCE, JANUARY 1			 164,210
 FUND BALANCE, DECEMBER 31			 \$ 192,428

(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, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 6,653
Total revenues	-	-	6,653
EXPENDITURES			
Capital outlay			
Buildings and facilities	-	6,346,090	6,346,086
Total expenditures	-	6,346,090	6,346,086
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	-	(6,346,090)	(6,339,433)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	98,031	98,031
Total other financing sources (uses)	-	98,031	98,031
NET CHANGE IN FUND BALANCE	\$ -	\$ (6,248,059)	(6,241,402)
FUND BALANCE, JANUARY 1			6,309,887
FUND BALANCE, DECEMBER 31			\$ 68,485

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 11,660,000	\$ 11,673,794	\$ 11,278,568
Miscellaneous	35,000	68,712	225,958
 Total operating revenues	 11,695,000	 11,742,506	 11,504,526
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	8,941,190	12,851,833	11,283,365
Administrative fees - General Fund	155,000	155,000	155,000
 Total operating expenses excluding depreciation	 9,096,190	 13,006,833	 11,438,365
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,598,810	(1,264,327)	66,161
DEPRECIATION	-	-	805,340
OPERATING INCOME (LOSS)	2,598,810	(1,264,327)	(739,179)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,000	1,000	19,188
Interest and fiscal charges	(15,200)	(259,322)	(172,092)
Loss on disposal of capital assets	-	-	(38,020)
Income (Expense) from joint venture	-	-	(31,600)
 Total nonoperating revenues (expenses)	 (14,200)	 (258,322)	 (222,524)
NET INCOME (LOSS) BEFORE TRANSFERS	2,584,610	(1,522,649)	(961,703)
Transfers (out)	(134,000)	(134,000)	(134,000)
CHANGE IN NET POSITION	\$ 2,450,610	\$ (1,656,649)	(1,095,703)
NET POSITION, JANUARY 1 - AS RESTATED			26,210,488
NET POSITION, DECEMBER 31			\$ 25,114,785

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Water use fees			
Resident	\$ 8,910,000	\$ 8,910,000	\$ 8,425,815
Nonresident	2,040,000	2,053,794	2,028,719
Water penalties			
Resident	60,000	60,000	58,198
Nonresident	10,000	10,000	10,644
User charge			
Resident	492,000	492,000	494,303
Nonresident	58,000	58,000	29,645
System development surcharge	20,000	20,000	12,985
Water extension fee	20,000	20,000	139,804
Water connection fees	15,000	15,000	8,545
Water meter sales	15,000	15,000	49,991
Water turn-on/service fees	20,000	20,000	19,919
Total charges for services	11,660,000	11,673,794	11,278,568
Miscellaneous - reimbursements	35,000	68,712	225,958
TOTAL OPERATING REVENUES	\$ 11,695,000	\$ 11,742,506	\$ 11,504,526

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Personnel	\$ 530,100	\$ 607,341	\$ 495,490
Supplies and services	198,390	198,390	187,502
Liability insurance			
Supplies and services	45,000	45,000	45,000
Engineering			
Personnel	113,675	113,675	133,138
Supplies and services	5,920	5,920	4,545
Public works			
Personnel	1,049,505	1,046,965	1,213,818
Supplies and services	844,170	812,365	652,268
Water purchase			
Northwest Water Commission	3,017,460	3,017,460	2,838,076
Capital projects			
Technology	70,000	3,902,736	3,877,602
Buildings and facilities	25,000	21,880	11,730
Water system	3,041,970	3,080,101	3,080,026
Less: Nonoperating			
Capital assets capitalized	-	-	<u>(1,255,830)</u>
Total costs of sales and services	8,941,190	12,851,833	11,283,365
Administrative fees - General Fund	155,000	155,000	155,000
TOTAL OPERATING EXPENSES	\$ 9,096,190	\$ 13,006,833	\$ 11,438,365

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 3,534,805	\$ 3,534,805	\$ 3,520,489
Miscellaneous	250	250	301,383
 Total operating revenues	 3,535,055	 3,535,055	 3,821,872
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,813,245	3,081,092	2,703,928
Administrative fees - General Fund	392,000	392,000	392,000
 Total operating expenses excluding depreciation	 2,205,245	 3,473,092	 3,095,928
OPERATING INCOME BEFORE DEPRECIATION	1,329,810	61,963	725,944
DEPRECIATION	-	-	1,192,325
OPERATING INCOME (LOSS)	1,329,810	61,963	(466,381)
NONOPERATING REVENUES (EXPENSES)			
Investment income	250	250	12,337
Interest and fiscal charges	(254,165)	(315,195)	(292,202)
 Total nonoperating revenues (expenses)	 (253,915)	 (314,945)	 (279,865)
NET INCOME (LOSS) BEFORE TRANSFERS	1,075,895	(252,982)	(746,246)
Transfers (out)	(134,000)	(134,000)	(134,000)
CHANGE IN NET POSITION	\$ 941,895	\$ (386,982)	(880,246)
NET POSITION, JANUARY 1 - AS RESTATED			19,614,700
NET POSITION, DECEMBER 31			\$ 18,734,454

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Sewer use fees			
Resident	\$ 1,994,335	\$ 1,994,335	\$ 1,992,636
Nonresident	359,670	359,670	350,090
Sewer penalties			
Resident	25,000	25,000	27,117
Nonresident	2,000	2,000	2,068
Sewer connection fees	6,000	6,000	11,775
Surcharges			
Sewer separation	-	-	245
Fair Meadows	1,800	1,800	1,846
Flood control	1,146,000	1,146,000	1,121,428
50/50 sewer extension	-	-	12,000
Detention Fees	-	-	1,284
Total charges for services	3,534,805	3,534,805	3,520,489
Miscellaneous - reimbursements	250	250	301,383
TOTAL OPERATING REVENUES	\$ 3,535,055	\$ 3,535,055	\$ 3,821,872

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Liability insurance			
Supplies and services	\$ 45,000	\$ 45,000	\$ 45,000
Engineering			
Personnel	133,900	134,755	149,666
Public works			
Personnel	551,920	545,895	586,895
Supplies and services	196,765	199,826	168,173
Capital projects			
Flood control	540,000	509,058	275,861
Technology	-	1,275,254	1,275,255
Sanitary sewer	345,660	371,304	321,578
Less: Nonoperating			
Capital assets capitalized	-	-	(118,500)
 Total costs of sales and services	 1,813,245	 3,081,092	 2,703,928
 Administrative fees - General Fund	 392,000	 392,000	 392,000
 TOTAL OPERATING EXPENSES	 \$ 2,205,245	 \$ 3,473,092	 \$ 3,095,928

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Parking fees	\$ 687,500	\$ 687,500	\$ 631,587
Total operating revenues	687,500	687,500	631,587
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	574,650	857,331	680,561
Administrative fees - General Fund	62,000	62,000	62,000
Total operating expenses excluding depreciation	636,650	919,331	742,561
OPERATING INCOME (LOSS) BEFORE DEPRECIATION			
	50,850	(231,831)	(110,974)
DEPRECIATION	-	-	784,080
OPERATING INCOME (LOSS)	50,850	(231,831)	(895,054)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,000	1,000	4,906
CHANGE IN NET POSITION	\$ 51,850	\$ (230,831)	(890,148)
NET POSITION, JANUARY 1			<u>11,059,768</u>
NET POSITION, DECEMBER 31			<u>\$ 10,169,620</u>

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Supplies and services	\$ 90,700	\$ 97,150	\$ 57,458
Public works			
Personnel	5,425	5,425	3,937
Supplies and services	358,525	398,143	277,492
Capital projects			
Buildings and facilities	120,000	356,613	341,674
Total costs of sales and services	574,650	857,331	680,561
Administrative fees - General Fund	62,000	62,000	62,000
TOTAL OPERATING EXPENSES	\$ 636,650	\$ 919,331	\$ 742,561

(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, 2016

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Refuse billing	\$ 4,585,370	\$ 4,585,370	\$ 4,518,775
Total operating revenues	<u>4,585,370</u>	<u>4,585,370</u>	<u>4,518,775</u>
OPERATING EXPENSES			
Refuse collection	4,394,780	4,394,780	4,281,918
Administrative fees - General Fund	113,000	113,000	113,000
Total operating expenses	<u>4,507,780</u>	<u>4,507,780</u>	<u>4,394,918</u>
OPERATING INCOME	77,590	77,590	123,857
NONOPERATING REVENUES (EXPENSES)			
Investment income	<u>1,750</u>	<u>1,750</u>	<u>4,693</u>
NET INCOME BEFORE TRANSFERS	79,340	79,340	128,550
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	<u>\$ (20,660)</u>	<u>\$ (20,660)</u>	<u>28,550</u>
NET POSITION, JANUARY 1			<u>931,910</u>
NET POSITION, DECEMBER 31			<u>\$ 960,460</u>

(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.	135 - 144
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	145 - 149
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.	150 - 153
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.	154 - 155
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.	156 - 157

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	2007	2008	2009	2010
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 92,401,441	\$ 101,570,852	\$ 133,517,262	\$ 133,599,587
Restricted	24,347,626	21,004,875	42,399,832	40,641,243
Unrestricted	35,686,515	24,652,055	(17,696,179)	(10,074,468)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 152,435,582	\$ 147,227,782	\$ 158,220,915	\$ 164,166,362
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 32,624,663	\$ 38,558,066	\$ 38,891,700	\$ 35,931,798
Restricted	-	-	-	-
Unrestricted	14,999,979	12,593,058	11,648,072	15,456,420
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 47,624,642	\$ 51,151,124	\$ 50,539,772	\$ 51,388,218
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 140,128,918	\$ 172,408,962	\$ 169,531,385	\$ 165,097,973
Restricted	21,004,875	42,399,832	40,641,243	10,854,118
Unrestricted	37,245,113	(6,048,107)	5,381,952	44,602,956
TOTAL PRIMARY GOVERNMENT	\$ 198,378,906	\$ 208,760,687	\$ 215,554,580	\$ 220,555,047

* Implementation of GASB Statement 68.

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015*	2016
\$ 129,862,356	\$ 134,215,974	\$ 140,609,666	\$ 144,374,387	\$ 157,741,380	\$ 164,820,305
10,854,118	3,233,577	3,600,787	2,236,148	1,838,578	1,750,986
26,919,088	34,104,500	30,819,755	35,764,493	(51,107,972)	(61,926,571)
\$ 167,635,562	\$ 171,554,051	\$ 175,030,208	\$ 182,375,028	\$ 108,471,986	\$ 104,644,720
\$ 35,235,617	\$ 43,155,964	\$ 38,430,520	\$ 38,870,993	\$ 32,408,120	\$ 32,913,880
-	-	-	-	-	-
17,683,868	12,113,363	20,628,900	20,657,402	24,957,201	22,065,439
\$ 52,919,485	\$ 55,269,327	\$ 59,059,420	\$ 59,528,395	\$ 57,365,321	\$ 54,979,319
\$ 177,371,938	\$ 179,040,186	\$ 183,245,380	\$ 183,245,380	\$ 190,149,500	\$ 197,734,185
3,233,577	3,600,787	2,236,148	2,236,148	1,838,578	1,750,986
46,217,863	51,448,655	56,421,895	56,421,895	(26,150,771)	(39,861,132)
\$ 226,823,378	\$ 234,089,628	\$ 241,903,423	\$ 241,903,423	\$ 165,837,307	\$ 159,624,039

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009
EXPENSES			
Governmental activities			
General government	\$ 9,008,572	\$ 9,191,571	\$ 8,314,739
Public safety	29,416,464	31,825,692	33,898,460
Public works	9,080,835	13,227,490	10,720,807
Economic development	5,943,316	17,188,453	1,539,146
Interest and fiscal charges	4,340,856	3,710,426	3,411,066
Total governmental activities expenses	<u>57,790,043</u>	<u>75,143,632</u>	<u>57,884,218</u>
Business-type activities			
Waterworks	5,876,757	6,354,122	6,188,396
Sewerage	2,468,787	3,904,841	3,391,245
Parking system	1,535,188	1,566,202	1,431,482
Refuse collection	4,178,546	4,279,643	4,227,437
Total business-type activities expenses	<u>14,059,278</u>	<u>16,104,808</u>	<u>15,238,560</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 71,849,321</u>	<u>\$ 91,248,440</u>	<u>\$ 73,122,778</u>
PROGRAM REVENUES			
Governmental activities			
Charges for services			
General government	\$ 4,135,624	\$ 4,024,203	\$ 4,192,225
Public safety	2,810,527	2,864,677	3,750,916
Other activities	252,771	231,618	259,356
Operating grants	2,846,185	2,673,508	2,899,524
Capital grants and contributions	880,338	6,342,160	1,592,266
Total governmental activities program revenues	<u>10,925,445</u>	<u>16,136,166</u>	<u>12,694,287</u>
Business-type activities			
Charges for services			
Waterworks	6,471,798	6,161,045	6,417,950
Sewerage	2,681,760	2,823,386	3,128,333
Parking system	629,866	663,178	630,319
Refuse collection	4,403,667	4,662,852	4,414,604
Operating grants	-	-	-
Capital grants and contributions	-	-	4,271
Total business-type activities program revenues	<u>14,187,091</u>	<u>14,310,461</u>	<u>14,595,477</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 25,112,536</u>	<u>\$ 30,446,627</u>	<u>\$ 27,289,764</u>
NET REVENUE (EXPENSE)			
Governmental activities	\$ (59,007,466)	\$ (45,189,931)	\$ (49,387,554)
Business-type activities	(1,794,347)	(643,083)	838,883
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	<u>\$ (60,801,813)</u>	<u>\$ (45,833,014)</u>	<u>\$ (48,548,671)</u>

* Implementation of GASB-68

Data Source

Audited Financial Statements

2010	2011	2012	2013	2014*	2015	2016
\$ 7,911,734	\$ 8,092,022	\$ 5,687,081	\$ 3,618,746	\$ 6,085,713	\$ 5,181,480	\$ 7,411,863
35,204,860	37,174,518	39,154,692	39,226,832	40,893,455	39,766,935	53,993,443
10,000,129	11,346,788	10,978,933	14,290,195	12,001,792	10,574,340	11,764,624
6,828,477	7,618,221	7,785,928	5,914,067	3,400,486	5,187,476	4,080,021
4,190,376	4,965,687	4,782,927	4,334,822	4,214,079	3,685,197	3,466,073
64,135,576	69,197,236	68,389,561	67,384,662	66,595,525	64,395,428	80,716,024
6,121,039	7,199,466	6,851,401	7,511,430	8,235,391	10,988,330	12,485,417
3,103,688	3,063,914	3,688,412	3,335,908	3,041,236	3,641,693	4,580,455
1,405,859	1,344,734	1,355,716	1,269,605	1,323,599	1,226,379	1,526,641
4,218,165	4,388,685	4,430,979	4,426,461	4,553,742	4,553,546	4,394,918
14,848,751	15,996,799	16,326,508	16,543,404	17,153,968	20,409,948	22,987,431
\$ 78,984,327	\$ 85,194,035	\$ 84,716,069	\$ 83,928,066	\$ 83,749,493	\$ 84,805,376	\$ 103,703,455
\$ 4,129,923	\$ 3,988,510	\$ 3,178,125	\$ 2,792,931	\$ 4,002,813	\$ 4,338,815	\$ 4,443,342
3,345,737	4,167,979	4,107,608	4,128,702	4,183,645	4,290,067	4,608,293
242,032	1,001,900	2,150,261	2,107,948	2,099,120	2,079,704	2,273,555
3,564,551	3,166,903	3,133,237	3,645,430	3,555,697	2,766,089	3,277,846
3,465,779	1,726,883	605,818	315,830	31,077	-	1,200,000
14,748,022	14,052,175	13,175,049	12,990,841	13,872,352	13,474,675	15,803,036
7,208,992	9,084,694	9,818,910	9,767,730	10,277,604	10,572,378	11,504,526
3,189,687	3,250,125	3,411,343	3,422,980	3,718,386	3,539,701	3,821,872
654,485	679,455	678,488	683,780	711,723	701,265	631,587
4,426,123	4,649,761	4,518,425	4,511,043	4,530,632	4,537,427	4,518,775
-	12,320	-	-	-	-	-
208,347	90,997	448,825	2,177,900	-	-	-
15,687,634	17,767,352	18,875,991	20,563,433	19,238,345	19,350,771	20,476,760
\$ 30,435,656	\$ 31,819,527	\$ 32,051,040	\$ 33,554,274	\$ 33,110,697	\$ 32,825,446	\$ 36,279,796
\$ (55,145,061)	\$ (55,214,512)	\$ (54,393,821)	\$ (52,723,173)	\$ (52,723,173)	\$ (50,920,753)	\$ (64,912,988)
1,770,553	2,549,483	4,020,029	2,084,377	2,084,377	(1,059,177)	(2,510,671)
\$ (53,374,508)	\$ (52,665,029)	\$ (50,373,792)	\$ (50,638,796)	\$ (50,638,796)	\$ (51,979,930)	\$ (67,423,659)

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities			
Taxes			
Property	\$ 29,490,106	\$ 33,005,614	\$ 33,667,265
Home rule sales tax	4,788,068	4,673,737	3,992,663
Telecommunications	2,987,002	2,870,797	2,834,118
Electric utility use	-	-	-
Other	1,449,746	1,467,906	1,286,211
State shared sales taxes	9,160,426	8,837,777	7,905,175
State shared income tax	5,863,302	6,270,922	5,476,622
Other intergovernmental revenues	180,129	163,719	166,343
Investment income	2,211,847	1,081,574	400,701
Miscellaneous	214,546	326,910	403,633
Gain on sale of capital assets	231,191	171,738	50,333
Transfers	760,000	-	-
Total governmental activities	<u>57,336,363</u>	<u>58,870,694</u>	<u>56,183,064</u>
Business-type activities			
Investment income	291,401	150,061	31,731
Income (loss) from joint venture	221,989	294,123	-
Gain on sale of capital assets	-	-	-
Transfers	(760,000)	-	-
Total business-type activities	<u>(246,610)</u>	<u>444,184</u>	<u>31,731</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 57,089,753</u>	<u>\$ 59,314,878</u>	<u>\$ 56,214,795</u>
CHANGE IN NET POSITION			
Governmental activities	\$ 12,006,096	\$ (2,824,402)	\$ 10,143,070
Business-type activities	571,997	(1,762,616)	(633,520)
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	<u>\$ 12,578,093</u>	<u>\$ (4,587,018)</u>	<u>\$ 9,509,550</u>

Data Source

Audited Financial Statements

	2010	2011	2012	2013	2014	2015	2016
\$ 32,191,912	\$ 33,563,321	\$ 32,904,361	\$ 31,515,066	\$ 31,303,000	\$ 31,387,642	\$ 31,113,482	
4,100,988	4,232,849	4,199,803	4,305,118	4,471,298	4,360,722	4,217,287	
2,796,032	2,462,499	2,550,703	2,239,240	1,906,545	1,891,654	1,869,966	
-	1,428,854	1,751,844	1,722,005	1,690,985	1,641,246	2,054,689	
1,280,923	1,248,610	1,267,148	1,242,698	1,309,644	1,400,596	1,407,848	
8,472,661	8,628,389	8,931,459	9,343,337	10,061,160	9,892,846	9,558,566	
5,307,674	5,341,577	6,023,925	6,532,135	6,563,909	7,294,684	6,673,615	
543,868	884,021	679,004	226,477	515,114	293,748	244,029	
305,545	285,881	321,140	300,305	309,200	305,362	391,626	
333,398	285,260	164,057	193,597	297,638	156,573	458,387	
-	-	-	-	-	-	-	
-	253,000	339,557	250,000	1,639,500	360,000	368,000	
55,333,001	58,614,261	59,133,001	57,869,978	60,067,993	58,985,073	58,357,495	
9,563	13,714	25,416	20,064	24,098	16,402	41,124	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	(253,000)	(339,557)	(250,000)	(1,639,500)	(360,000)	(368,000)	
9,563	(239,286)	(314,141)	(229,936)	(1,615,402)	(343,598)	(326,876)	
\$ 55,342,564	\$ 58,374,975	\$ 58,818,860	\$ 57,640,042	\$ 58,452,591	\$ 58,641,475	\$ 58,030,619	
\$ 9,226,707	\$ 3,987,940	\$ 2,655,466	\$ 5,674,172	\$ 7,344,820	\$ 8,064,320	\$ (6,555,493)	
599,597	1,456,412	2,319,547	2,404,627	468,975	(1,402,775)	(2,837,547)	
\$ 9,826,304	\$ 5,444,352	\$ 4,975,013	\$ 8,078,799	\$ 7,813,795	\$ 6,661,545	\$ (9,393,040)	

VILLAGE OF PALATINE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
GENERAL FUND				
Reserved	\$ 5,287,920	\$ 5,536,201	\$ 5,898,008	\$ 6,025,530
Unreserved	13,056,080	11,641,186	10,608,000	9,745,168
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
TOTAL GENERAL FUND	\$ 18,344,000	\$ 17,177,387	\$ 16,506,008	\$ 15,770,698
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 28,100,314	\$ 28,994,327	\$ 42,712,889	\$ 57,463,551
Unreserved, reported in				
Special Revenue Funds	852,177	(1,874,480)	-	-
Capital Project Funds	-	-	(106,775)	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 28,952,491	\$ 27,119,847	\$ 42,606,114	\$ 57,463,551

* GASB Statement 54 was implemented for the year ended December 31, 2011.

Data Source

Audited Financial Statements

2011*	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,267,920	5,772,920	5,277,920	4,782,920	5,022,070	5,261,220
12,657,972	15,064,951	16,880,750	18,124,529	17,012,432	18,224,006
\$ 18,925,892	\$ 20,837,871	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36,631,487	32,349,656	23,876,160	17,945,345	14,882,305	14,057,043
10,844,611	11,900,695	16,305,655	21,284,780	13,536,719	7,451,239
-	(871,431)	(2,484,768)	(43,615)	(43,615)	(35,515)
\$ 47,476,098	\$ 43,378,920	\$ 37,697,047	\$ 39,186,510	\$ 28,375,409	\$ 21,472,767

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2007	2008	2009	2010
REVENUES				
Taxes	\$ 48,653,181	\$ 51,676,949	\$ 50,488,804	\$ 50,087,153
Licenses and permits	3,061,764	3,088,823	3,081,984	3,112,015
Intergovernmental	9,924,521	9,520,180	9,374,441	12,810,025
Charges for services	2,130,142	1,814,636	1,845,422	1,839,736
Fines and forfeitures	893,496	1,061,999	1,948,079	1,256,149
Investment income	2,211,847	1,081,573	404,698	305,545
Contributions	-	6,165,959	1,000,000	-
Miscellaneous	395,666	425,003	683,590	670,400
 Total revenues	 67,270,617	 74,835,122	 68,827,018	 70,081,023
EXPENDITURES				
General government	8,838,522	10,747,502	8,507,772	7,713,816
Public safety	28,822,573	31,524,578	31,678,221	33,638,662
Public works	7,563,075	8,652,609	8,370,752	8,250,868
Economic development	2,952,388	17,188,453	1,504,577	6,828,477
Capital outlay	6,125,005	5,495,697	15,945,994	9,139,690
Debt service				
Principal retirement	8,537,919	14,250,146	12,649,263	5,493,745
Interest	4,330,229	3,657,597	3,964,551	4,341,907
Fiscal charges	153,978	-	294,487	-
 Total expenditures	 67,323,689	 91,516,582	 82,915,617	 75,407,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(53,072)	(16,681,460)	(14,088,599)	(5,326,142)
OTHER FINANCING SOURCES (USES)				
Bonds issued, at par	18,800,000	-	33,340,315	32,158,385
Refunding bonds issued, at par	-	-	-	-
Bond premium	12,490	-	152,558	879,220
Bond discount	(43,459)	-	-	-
Payment to refunded bond escrow agent	-	-	(4,678,260)	(13,950,839)
Proceeds from sale of capital assets	231,191	171,738	88,594	61,483
Transfers in	3,376,733	-	-	65,000
Transfers (out)	(2,616,733)	-	(84,456)	(65,000)
 Total other financing sources (uses)	 19,760,222	 171,738	 28,818,751	 19,148,249
 NET CHANGE IN FUND BALANCES	 \$ 19,707,150	 \$ (16,509,722)	 \$ 14,730,152	 \$ 13,822,107
 Debt service as a percentage of noncapital expenditures	 20.02%	 19.86%	 23.63%	 14.43%

Data Source

Audited Financial Statements

2011	2012	2013	2014	2015	2016
\$ 42,936,134	\$ 42,673,859	\$ 41,024,128	\$ 40,681,472	\$ 40,681,860	\$ 40,663,272
2,695,124	2,612,185	2,822,149	3,081,336	3,153,792	3,284,115
21,894,742	21,449,463	22,102,467	22,735,622	22,291,479	21,845,363
3,364,812	3,351,983	3,683,470	3,801,523	4,116,301	4,367,516
944,747	1,395,806	1,376,629	1,394,054	1,394,381	1,582,252
285,881	321,140	300,305	309,200	305,362	391,626
-	-	-	-	-	-
<u>291,996</u>	<u>164,057</u>	<u>193,596</u>	<u>297,638</u>	<u>156,573</u>	<u>458,387</u>
<u>72,413,436</u>	<u>71,968,493</u>	<u>71,502,744</u>	<u>72,300,845</u>	<u>72,099,748</u>	<u>72,592,531</u>
 6,296,980	 5,448,017	 5,532,910	 5,690,050	 5,853,988	 6,064,441
36,499,775	36,627,642	37,149,960	38,212,533	40,197,022	40,907,770
5,870,884	5,857,645	6,228,622	6,769,212	6,419,162	6,227,585
5,776,274	7,999,863	5,914,067	3,400,486	5,187,476	4,080,021
24,177,056	7,816,121	10,091,641	8,176,672	15,883,621	11,571,849
 5,708,490	 6,403,904	 6,346,812	 6,089,339	 6,988,013	 6,138,391
5,082,194	4,768,086	4,385,759	4,172,391	3,729,681	3,498,783
160,195	91,906	8,303	122,338	11,611	6,900
<u>89,571,848</u>	<u>75,013,184</u>	<u>75,658,074</u>	<u>72,633,021</u>	<u>84,270,574</u>	<u>78,495,740</u>
 (17,158,412)	 (3,044,691)	 (4,155,330)	 (332,176)	 (12,170,826)	 (5,903,209)
 7,000,000	 -	 -	 -	 -	 -
850,000	5,025,000	-	10,985,000	-	-
216,155	-	-	212,225	-	-
-	-	-	-	-	-
(865,438)	(4,939,073)	-	(11,076,385)	-	-
3,172,436	325,429	115,692	211,418	51,778	83,291
253,000	3,609,447	5,249,753	12,364,540	3,451,125	466,031
-	(3,269,890)	(4,999,753)	(10,736,130)	(3,016,125)	(98,031)
<u>10,626,153</u>	<u>750,913</u>	<u>365,692</u>	<u>1,960,668</u>	<u>486,778</u>	<u>451,291</u>
 \$ (6,532,259)	 \$ (2,293,778)	 \$ (3,789,638)	 \$ 1,628,492	 \$ (11,684,048)	 \$ (5,451,918)

14.89%

15.56%

15.06%

14.75%

14.88%

13.38%

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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
2006	\$ 1,325,694,182	\$ 365,482,373	\$ 150,517,156	NA	\$ 1,841,693,711	\$ 1.075	\$ 5,525,081,133
2007	1,584,575,451	415,869,885	179,266,208	NA	2,179,711,544	0.950	6,539,134,632
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

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	2006	2007	2008	2009
TAX RATES				
Village of Palatine				
Social Security	\$ 0.110	\$ 0.093	\$ 0.091	\$ 0.087
IMRF	0.057	0.054	0.052	0.054
Police Protection	0.226	0.221	0.217	0.216
Fire Protection	0.370	0.316	0.301	0.215
Fire Pension	0.064	0.061	0.056	0.085
Police Pension	0.084	0.086	0.081	0.112
Debt Service	0.164	0.119	0.116	0.113
Total Village of Palatine	1.075	0.950	0.914	0.882
School Districts				
Palatine CCSD No. 15	2.673	2.435	2.385	2.307
Junior College No. 512	0.288	0.260	0.256	0.258
Township HSD No. 211	2.261	1.972	1.928	1.916
Park District	0.448	0.406	0.419	0.408
Library District	0.280	0.246	0.240	0.229
County				
County of Cook	0.379	0.446	0.415	0.394
Forest Preserve	0.057	0.053	0.051	0.049
Township				
Palatine Township	0.039	0.035	0.035	0.034
General Assistance	0.009	0.008	0.008	0.008
Road and Bridge	0.072	0.064	0.063	0.061
Other Districts				
Suburban T.B. Sanitarium	0.005	-	-	-
Northwest Mosquito	0.009	0.008	0.008	0.008
Sanitary District	0.284	0.263	0.252	0.261
Elections (ELCO)	-	0.012	-	0.021
TOTAL TAX RATES	\$ 7.879	\$ 7.158	\$ 6.974	\$ 6.836
SHARE OF TOTAL TAX LEVIED				
BY THE VILLAGE	13.64%	13.27%	13.11%	12.90%

Data Source

Office of the County Clerk

	2010	2011	2012	2013	2014	2015
\$	0.097	\$ 0.109	\$ 0.122	\$ 0.148	\$ 0.119	\$ 0.125
0.060	0.060	0.065	0.081	0.080	0.085	
0.241	0.233	0.267	0.305	0.306	0.295	
0.239	0.233	0.267	0.305	0.306	0.295	
0.110	0.148	0.163	0.196	0.204	0.210	
0.149	0.154	0.163	0.187	0.191	0.222	
0.126	0.184	0.153	0.168	0.162	0.174	
1.022	1.121	1.200	1.390	1.368	1.406	
2.603	2.943	3.269	3.849	3.868	4.035	
0.295	0.334	0.373	0.444	0.451	0.466	
2.204	2.482	2.772	3.197	3.213	3.309	
0.468	0.517	0.574	0.680	0.696	0.725	
0.198	0.222	0.248	0.293	0.295	0.308	
0.423	0.462	0.594	0.560	0.568	0.552	
0.051	0.058	0.062	0.069	0.069	0.069	
0.039	0.044	0.049	0.058	0.059	0.063	
0.010	0.012	0.014	0.017	0.017	0.018	
0.070	0.079	0.082	0.092	0.090	0.092	
-	-	-	-	-	-	-
0.009	0.010	0.011	0.013	0.013	0.011	
0.274	0.320	0.370	0.417	0.430	0.426	
-	0.025	-	0.031	-	0.034	
\$	7.666	\$ 8.629	\$ 9.618	\$ 11.110	\$ 11.137	\$ 11.514
	13.33%	12.99%	12.48%	12.51%	12.28%	12.21%

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Levy Year and Nine Levy Years Ago

Taxpayer	Tax Year 2015			Tax Year 2006		
	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	\$ 14,869,426	1	0.95%	NA	NA	NA
Wal Mart	14,295,909	2	0.91%	NA	NA	NA
Bourbon Square Apartments	10,411,846	3	0.67%	NA	NA	NA
Brookind Corporate Tax Dept	8,959,056	4	0.57%	\$ 16,655,220	5	0.90%
Thomson Pts	7,970,718	5	0.51%	NA	NA	NA
City Club Apartments	7,900,878	6	0.51%	13,521,515	7	0.70%
Arlington Toyota	7,715,479	7	0.49%	NA	NA	NA
McCaffery Interests	7,186,321	8	0.46%	NA	NA	NA
Highland Mgmt Pp	6,538,705	9	0.42%	NA	NA	NA
Target	5,935,624	10	0.38%	NA	NA	NA
Mid America Park Place	NA	NA	NA	32,743,370	1	1.70%
PFC Marquette Company	NA	NA	NA	24,914,641	2	1.30%
AL LH DB LP Apartments	NA	NA	NA	22,843,014	3	1.20%
Individual Taxpayer	NA	NA	NA	18,525,219	4	1.00%
Concord Mills Estates	NA	NA	NA	15,098,447	6	0.80%
Regency Plaza Partners	NA	NA	NA	11,258,307	8	0.60%
Square D Company	NA	NA	NA	9,671,187	9	0.50%
Hamilton Partners	NA	NA	NA	8,742,397	10	0.50%
	<u>\$ 91,783,962</u>		<u>5.87%</u>	<u>\$ 173,973,317</u>		<u>9.20%</u>

Note:

Every effort has been made to seek out and report the largest taxpaylers. However, many of the taxpaylers 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		Percentage of Levy	Collections (Refunds) in Subsequent Years	Total Collections to Date		Percentage of Levy
		Amount	Percentage of Levy			Amount	Percentage of Levy	
2006	\$ 19,798,207	\$ 17,473,576	88.26%	\$ 1,893,922	\$ 19,367,498	97.82%		
2007	20,707,260	19,846,267	95.84%	170,255	20,016,522	96.66%		
2008	21,286,105	18,913,144	88.85%	2,137,569	21,050,713	98.89%		
2009	21,450,553	18,588,397	86.66%	2,707,843	21,296,240	99.28%		
2010	22,302,137	21,350,808	95.73%	936,356	22,287,164	99.93%		
2011	22,275,019	21,834,784	98.02%	337,396	22,172,180	99.54%		
2012	22,188,995	21,661,897	97.62%	452,029	22,113,926	99.66%		
2013	22,097,695	21,729,359	98.33%	111,318	21,840,677	98.84%		
2014	21,983,368	21,698,390	98.70%	281,324	21,979,714	99.98%		
2015	21,988,263	21,688,247	98.64%	-	21,688,247	98.64%		

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*	
2007	\$ 73,762,343	\$ 14,570,000	\$ 2,482,557	\$ 10,736,104	\$ 101,551,004	4.97%	\$ 1,525	
2008	59,846,334	13,550,000	1,488,420	19,363,370	94,248,124	4.29%	1,315	
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	

* 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	
	Governmental Activities	Business- Type Activities			Value of Property*	Per Capita*
2007	\$ 73,762,343	\$ 10,736,104	\$ 2,058,307	\$ 82,440,140	1.25%	\$ 1,034
2008	59,846,334	19,363,370	2,340,846	76,868,858	1.49%	1,251
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	1.68%	1,161

* 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, 2016

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 66,489,026	100.00%	<u>\$ 66,489,026</u>
School Districts (2)			
Community Unit District 15	17,642,164	50.57%	8,921,642
Township High School District 211	6,230,000	23.51%	1,464,673
Township High School District 214	53,830,000	0.02%	10,766
Community College District 512	158,810,000	9.36%	<u>14,864,616</u>
Total school districts	<u>236,512,164</u>		<u>25,261,697</u>
Other than schools (2)			
Cook County	3,361,910,000	1.16%	38,998,156
Cook County Forest Preserve District	165,330,000	1.16%	1,917,828
Metropolitan Water Reclamation District	2,543,400,740	1.18%	30,012,129
Park Districts			
Arlington Heights Park District	15,335,000	0.06%	9,201
Palatine Park District	16,890,000	75.90%	12,819,510
Salt Creek Park District	2,585,000	50.30%	<u>1,300,255</u>
Total other than schools	<u>6,105,450,740</u>		<u>85,057,079</u>
Total Overlapping Governmental Activities Debt	<u>6,341,962,904</u>		<u>110,318,776</u>
Total Direct and Overlapping Governmental Activities Debt	<u>\$ 6,408,451,930</u>		<u>\$ 176,807,802</u>

(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 2015 EAV is the most current available.

(2) As of October 3, 2016

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2016

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
2007	65,920	\$ 2,021,173,120	\$ 30,661	3.8%
2008	65,920	2,021,173,120	30,661	4.9%
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	6.6%
2013	68,557	2,463,595,795	35,935	7.1%
2014	68,557	2,463,595,795	35,935	5.2%
2015	69,188	2,421,307,161	34,996	4.8%
2016	69,188	2,431,032,638	35,137	4.2%

Data Source

US Census Bureau

Illinois Department of Employment Security

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2016			2007		
	Rank	Approx. No. of Employees	Percentage of Total Village Population	Rank	Approx. No. of Employees	Percentage of Total Village Population
Community Unit School District 15	1	2,088	3.02%	3	1,200	1.82%
Township High School District 211	2	2,015	2.91%	4	927	1.41%
United States Postal Service	3	1,000	1.45%	2	1,610	2.44%
Community College District 512	4	840	1.21%	5	834	1.27%
United Parcel Service	5	500	0.72%	1	2,000	3.03%
Village of Palatine	6	336	0.49%	6	363	0.55%
Schneider Electric - Square D	7	250	0.36%	7	350	0.53%
Weber-Stephen Products	8	200	0.29%	8	200	0.30%
Intec Group, Inc.	9	150	0.22%	10	80	0.12%
Keller Williams	10	140	0.20%	9	100	0.15%

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL GOVERNMENT										
Village Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5
Village Manager	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5
Finance and Operations	17.0	17.0	17.0	15.0	13.0	12.0	12.0	12.0	12.0	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	4.0	4.0	2.5	2.5	2.5	2.5	3.0
Information systems	8.5	8.5	10.0	9.5	7.0	7.0	7.0	7.0	7.0	7.0
Planning and Zoning	5.0	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
PUBLIC SAFETY										
Community services	20.0	21.0	19.5	16.5	14.5	15.5	15.0	15.0	16.0	16.0
Police										
Sworn personnel	110.0	112.0	112.0	111.0	110.0	109.0	109.0	108.0	109.0	109.0
Civilians	31.0	31.0	31.0	31.0	31.5	31.5	31.5	31.0	31.5	27.5
Fire										
Sworn personnel	95.0	95.0	95.0	93.0	92.0	91.0	91.0	91.0	91.0	91.0
Civilians	11.0	11.0	11.0	10.5	9.5	9.5	9.5	9.5	9.5	9.5
PUBLIC WORKS										
Engineering	6.5	7.0	6.5	7.0	6.0	5.0	5.0	5.0	5.0	4.0
Public Works	58.5	60.0	60.0	59.0	58.5	58.5	58.5	58.5	58.5	58.5

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

OPERATING INDICATORS										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Physical arrests	2,417	2,162	2,308	2,224	1,657	1,506	1,475	1,527	1,660	1,832
Parking violations	631	7,388	7,315	6,908	6,264	4,364	4,754	4,756	5,664	5,645
Traffic violations	5,415	2,214	11,473	11,616	10,680	9,928	9,933	9,960	11,229	10,663
Fire										
Emergency responses	7,401	7,257	7,020	7,233	7,510	7,680	7,770	8,009	7,661	7,853
PUBLIC WORKS										
Water										
Number of connections	19,597	19,464	19,658	19,644	19,473	19,481	19,584	19,181	19,181	19,181
Avg daily consumption	7.02M	6.71M	6.44M	6.44M	6.47M	6.93M	6.57M	6.30M	6.49M	6.22M
CAPITAL ASSET STATISTICS										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	32	26	25	25	28	28	28	28	28	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	5	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)	140	140	156	156	156	156	156	245	245	246
Fire hydrants	2,050	2,050	2,060	2,060	2,060	2,060	2,060	2,513	2,513	2,523
Sewerage										
Sanitary sewers (miles)	145	145	145	145	145	145	145	168	168	169
Storm sewers (miles)	220	221	225	225	225	225	225	260	260	263

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, 2016

			As Percent of	Per Capita
			Estimated	(2010 Special
	Amount	Assessed Value	True Value	Census Pop.
Taxable real property, 2015				
Assessed valuation	\$ 1,563,887,821	100.00%	33.33%	\$ 22,811
Estimated true value	4,691,663,463	300.00%	100.00%	68,434
 Total general obligation bonded debt (1):	 80,310,000	 5.14%	 1.71%	 1,171
Less: Self-Supporting	(45,500,000)	-2.91%	-0.97%	(664)
 Net general obligation bonded debt	 34,810,000	 2.23%	 0.74%	 508
 Overlapping bonded debt payable from property taxes (2):				
Schools	25,261,697	1.62%	0.54%	368
Other than schools	85,057,079	5.44%	1.81%	1,241
 Total overlapping bonded debt	 110,318,776	 7.05%	 2.35%	 1,609
 Total net direct and overlapping bonded debt	 \$ 145,128,776	 9.28%	 3.09%	 \$ 2,117

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 \$45,500,000 or 56.6% is considered self-supporting.

(2) Overlapping bonded debt as of October 2016.

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, 2016

Due 12/1	Series 2007		Series 2009		Series 2010		Series 2011		Series 2012	
	(5 Issues)		(5 Issues)		(2 Issues)		(2 Issues)		(1 Issue)	
2017	\$ 1,485,000		\$ 1,245,000		\$ 565,000		\$ 1,050,000		\$ 525,000	
2018	1,195,000		1,660,000		590,000		900,000		540,000	
2019	1,255,000		1,810,000		615,000		900,000		555,000	
2020	1,315,000		1,830,000		650,000		900,000		570,000	
2021	1,390,000		2,610,000		675,000		1,000,000		595,000	
2022	1,345,000		2,740,000		705,000		1,000,000		615,000	
2023	700,000		1,170,000		-		100,000		-	
2024	740,000		1,195,000		725,000		-		-	
2025	780,000		1,240,000		735,000		-		-	
2026	820,000		780,000		1,275,000		-		-	
2027	-		805,000		1,325,000		-		-	
2028	-		860,000		1,340,000		-		-	
2029	-		890,000		1,400,000		-		-	
2030	-		-		2,200,000		-		-	
2031	-		-		2,300,000		-		-	
2032	-		-		2,400,000		-		-	
2033	-		-		2,500,000		-		-	
2034	-		-		2,600,000		-		-	
	\$ 11,025,000		\$ 18,835,000		\$ 22,600,000		\$ 5,850,000		\$ 3,400,000	

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 \$5,705,000 outstanding principal on Special Service Area Bonds (shown as overlapping debt), which are secured by a separate levy on property within the Special Service Area; \$97,417 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 \$89,840,000 outstanding principal at December 31, 2015, the Village estimates that \$53,730,000 (59.8%) is self-supporting from non-property tax sources.

(3) The Series 1989 are capital appreciation bonds due January 1, 2016.

Data Source

Village Records

Series 2014 (2 Issues)	Series 2015 (1 Issue)	Total Maturities (2)	
		Amount	%
\$ 1,440,000	\$ 615,000	\$ 6,925,000	8.6%
1,475,000	645,000	7,005,000	8.7%
1,505,000	665,000	7,305,000	9.1%
1,565,000	695,000	7,525,000	9.4%
945,000	725,000	7,940,000	9.9%
975,000	750,000	8,130,000	10.1%
1,015,000	785,000	3,770,000	4.7%
1,050,000	820,000	4,530,000	5.6%
1,090,000	870,000	4,715,000	5.9%
310,000	-	3,185,000	4.0%
325,000	-	2,455,000	3.1%
335,000	-	2,535,000	3.2%
-	-	2,290,000	2.9%
-	-	2,200,000	2.7%
-	-	2,300,000	2.9%
-	-	2,400,000	3.0%
-	-	2,500,000	3.1%
-	-	2,600,000	3.2%
\$ 12,030,000	\$ 6,570,000	\$ 80,310,000	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, 2016

Village Issue		Ratio to Estimated Actual Value						Per Capita		
		Direct Debt			Overlapping Debt			Direct and Overlapping Debt		
		Excluding	Excluding	Excluding	Excluding	Excluding	Excluding	Excluding	Excluding	Population
Sale Date	Amount	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Estimate
December 1, 2008	\$ 4,585,000	1.32%	0.20%	3.06%	1.94%	\$ 3,034	\$ 1,924	65,920		
April 13, 2009	9,190,000	1.35%	0.26%	3.09%	2.00%	3,067	1,984	65,920		
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		

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, 2016

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%	\$ 17,642,164	50.57%	\$ 8,921,642
Township High School District No. 211	99.9%	6,230,000	23.51%	1,464,673
Township High School District No. 214	0.1%	53,830,000	0.02%	10,766
Community College District No. 512	100.0%	<u>158,810,000</u>	9.36%	<u>14,864,616</u>
Total school districts		<u>236,512,164</u>		<u>25,261,697</u>
Other than schools				
Cook County	100.0%	3,361,910,000	1.16%	38,998,156
Cook County Forest Preserve District	100.0%	165,330,000	1.16%	1,917,828
Metropolitan Water Reclamation District	100.0%	2,543,400,740	1.18%	30,012,129
Park Districts				
Arlington Heights Park District	0.1%	15,335,000	0.06%	9,201
Palatine Park District	94.2%	16,890,000	75.90%	12,819,510
Salt Creek Park District	5.7%	2,585,000	50.30%	1,300,255
Total other than schools		<u>6,105,450,740</u>		<u>85,057,079</u>
Total Overlapping Governmental Activities Debt		<u>\$ 6,341,962,904</u>		<u>\$ 110,318,776</u>

Notes:

(1) As of October 3, 2016.

(2) Overlapping debt percentages based on 2015 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, 2016

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes (1)	Increase Over Prior Year
2006	\$ 1,841,693,711	\$ 129,880,581	\$ 1,971,574,292	1.9%
2007 (2)	2,179,711,544	173,156,610	2,352,868,154	19.3%
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%

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, 2016

Tax Levy Year	2011	2012	2013	2014	2015
TAX RATES					
Village of Palatine (1)					
Social Security	\$ 0.109	\$ 0.122	\$ 0.148	\$ 0.119	\$ 0.125
IMRF	0.060	0.065	0.081	0.080	0.085
Corporate (Police Protection)	0.233	0.267	0.305	0.306	0.295
Fire Protection	0.233	0.267	0.305	0.306	0.295
Fire Pension	0.148	0.163	0.196	0.204	0.210
Police Pension	0.154	0.163	0.187	0.191	0.222
Debt Service	0.184	0.153	0.168	0.162	0.174
Total Village of Palatine	1.121	1.200	1.390	1.368	1.406
School Districts					
Palatine CCSD No. 15	2.943	3.269	3.849	3.868	4.035
Junior College No. 512	0.334	0.373	0.444	0.451	0.466
Township HSD No. 211	2.482	2.772	3.197	3.213	3.309
Park District	0.517	0.574	0.680	0.696	0.725
Library District	0.222	0.248	0.293	0.295	0.308
County					
County of Cook	0.462	0.594	0.560	0.568	0.552
Forest Preserve	0.058	0.062	0.069	0.069	0.069
Township					
Palatine Township	0.044	0.049	0.058	0.059	0.063
General Assistance	0.012	0.014	0.017	0.017	0.018
Road and Bridge	0.079	0.082	0.092	0.090	0.092
Other Districts					
Northwest Mosquito	0.010	0.011	0.013	0.013	0.011
Sanitary District	0.320	0.370	0.417	0.430	0.426
Elections (ELCO)	0.025	-	0.031	-	0.034
TOTAL TAX RATE (2)	\$ 8.629	\$ 9.618	\$ 11.110	\$ 11.137	\$ 11.514
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE					
	12.99%	12.48%	12.51%	12.28%	12.21%

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, 2016

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
2006	\$ 19,798,207	\$ 17,473,576	88.26%	\$ 1,893,922	\$ 19,367,498	97.82%
2007	20,707,260	19,846,267	95.84%	170,255	20,016,522	96.66%
2008	21,286,105	18,913,144	88.85%	2,137,569	21,050,713	98.89%
2009	21,450,553	18,588,397	86.66%	2,707,843	21,296,240	99.28%
2010	22,302,137	21,350,808	95.73%	936,356	22,287,164	99.93%
2011	22,275,019	21,834,784	98.02%	337,396	22,172,180	99.54%
2012	22,188,995	21,661,897	97.62%	452,029	22,113,926	99.66%
2013	22,097,695	21,729,359	98.33%	111,318	21,840,677	98.84%
2014	21,983,368	21,698,390	98.70%	281,324	21,979,714	99.98%
2015	21,988,263	21,688,247	98.64%	-	21,688,247	98.64%

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, 2016

Property Classification (1)	2011	2012	2013	2014	2015
Residential	\$ 1,563,334,770	\$ 1,448,021,095	\$ 1,218,389,388	\$ 1,286,288,306	\$ 1,251,420,992
Commercial	278,224,339	266,901,767	248,664,150	261,895,895	255,861,463
Industrial/Railroad/Farm	<u>145,507,673</u>	<u>134,160,019</u>	<u>122,708,665</u>	<u>58,787,142</u>	<u>56,605,366</u>
Net for General Taxing Purposes	1,987,066,782	1,849,082,881	1,589,762,203	1,606,971,343	1,563,887,821
Incremental Valuation (2)	<u>213,010,709</u>	<u>104,823,912</u>	<u>84,767,445</u>	<u>197,915,722</u>	<u>82,951,271</u>
Total for all Taxing Purposes	<u>\$ 2,200,077,491</u>	<u>\$ 1,953,906,793</u>	<u>\$ 1,674,529,648</u>	<u>\$ 1,804,887,065</u>	<u>\$ 1,646,839,092</u>
Percentage Increase	-5.9%	-11.2%	-14.3%	7.8%	-8.8%

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, 2016

Taxpayer			Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Weber Stephen Products	Corporate Headquarters	\$	14,869,426	1	0.95%
Wal Mart	Retail Store		14,295,909	2	0.91%
Bourbon Square Apartments	Apartments		10,411,846	3	0.67%
Brookind Corporate Tax Dept	United Parcel Service		8,959,056	4	0.57%
Thomson Pts	Commercial Real Estate		7,970,718	5	0.51%
City Club Apartments	Apartments		7,900,878	6	0.51%
Arlington Toyota	Automobile Dealership		7,715,479	7	0.49%
McCaffery Interests	Commercial Real Estate		7,186,321	8	0.46%
Highland Mgmt Pp	Commercial Real Estate		6,538,705	9	0.42%
Target	Retail Store		5,935,624	10	0.38%
		\$	91,783,962		5.87%

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 2015 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, 2016

Summary Statement of Revenue, Expenditures and Changes in Fund Balance (1)

(Fiscal Year Ending December 31, 2012 - 2016)

	2012	2013	2014	2015	2016	CY 2017 Budget (2)
REVENUES						
Taxes	\$ 25,588,613	\$ 26,061,334	\$ 25,864,623	\$ 25,505,027	\$ 26,055,992	\$ 26,319,974
Licenses and permits	2,612,185	2,822,149	3,081,336	3,153,792	3,284,115	3,214,800
Intergovernmental	17,742,034	18,176,446	18,899,416	19,484,491	18,532,713	19,109,795
Charges for services	3,075,790	3,380,429	3,494,656	3,855,071	4,092,172	5,041,980
Fines and forfeits	1,361,163	1,336,226	1,365,125	1,367,053	1,552,117	1,734,800
Investment income	260,139	257,429	273,846	266,890	300,885	192,810
Miscellaneous	139,661	152,334	209,354	80,843	427,647	378,500
Sale of capital assets	-	-	-	-	1,142	-
Transfers	-	-	175,410	-	-	-
Total revenues	50,779,585	52,186,347	53,363,766	53,713,167	54,246,783	55,992,659
EXPENDITURES						
General government	5,448,017	5,532,910	5,690,050	5,853,988	6,064,441	7,201,215
Public safety	36,298,800	36,975,266	37,982,977	40,046,839	40,504,033	42,341,855
Public works	5,850,899	6,228,622	6,769,212	6,419,162	6,227,585	6,336,270
Transfers	1,269,890	1,848,000	2,782,498	2,266,125	-	-
Total expenditures	48,867,606	50,584,798	53,224,737	54,586,114	52,796,059	55,879,340
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	1,911,979	1,601,549	139,029	(872,947)	1,450,724	\$ 113,319
FUND BALANCE, JANUARY 1	19,254,892	21,166,871	22,768,420	22,907,449	22,034,502	
FUND BALANCE, DECEMBER 31	\$ 21,166,871	\$ 22,768,420	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	

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, 2016

Balance Sheet (1)
(December 31, 2012 - 2016)

	2012	2013	2014	2015	2016
ASSETS					
Cash and investments	\$ 11,790,228	\$ 14,703,048	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309
Receivables					
Property taxes	19,240,191	19,344,267	19,265,543	19,153,128	19,053,174
Other	665,701	670,240	658,730	772,440	808,115
Due from other governments	4,577,491	4,232,818	4,451,668	4,382,548	5,304,769
Accrued interest	4,255	1,105	15,590	5,580	7,990
Due from other funds	23,281	18,532	329,213	722,987	232,959
Advance to other funds	5,772,920	5,277,920	4,782,920	5,022,070	5,261,220
TOTAL ASSETS	\$ 42,074,067	\$ 44,247,930	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 311,396	\$ 408,168	\$ 402,771	\$ 235,896	\$ 422,969
Deferred revenues	-	-	10,000	14,054	-
All other liabilities	1,444,550	1,845,492	1,748,047	1,873,098	1,849,167
TOTAL LIABILITIES	1,755,946	2,253,660	2,160,818	2,123,048	2,272,136
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	19,151,250	19,225,850	19,180,161	19,081,548	19,053,174
Unavailable revenue	-	-	-	-	1,200,000
	19,151,250	19,225,850	19,180,161	19,081,548	20,253,174
FUND BALANCES					
Nonspendable	5,772,920	5,277,920	4,782,920	5,022,070	5,261,220
Unassigned	15,393,951	17,490,500	18,124,529	17,012,432	18,224,006
TOTAL FUND BALANCES	21,166,871	22,768,420	22,907,449	22,034,502	23,485,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 42,074,067	\$ 44,247,930	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536

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, 2016

	<i>Fund Balances/Net Position</i>				
	2012	2013	2014	2015	2016
Governmental Fund Types					
General	\$ 20,837,871	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226
Special Revenue	26,930,968	19,160,526	17,706,348	14,674,480	13,829,100
Debt Service	2,424,978	2,192,428	195,382	164,210	192,428
Capital Projects	14,022,974	16,344,093	21,284,780	13,536,719	7,451,239
	<u>64,216,791</u>	<u>59,855,717</u>	<u>62,093,959</u>	<u>50,409,911</u>	<u>44,957,993</u>
Proprietary Fund Types					
Enterprise Funds	55,269,327	59,059,420	59,528,395	57,365,321	54,979,319
Internal Service Funds	5,770,827	6,076,586	6,575,101	6,899,091	6,844,394
	<u>61,040,154</u>	<u>65,136,006</u>	<u>66,103,496</u>	<u>64,264,412</u>	<u>61,823,713</u>
Fiduciary Fund Types (2):					
Pension Trust	99,838,988	114,281,101	121,861,769	121,333,691	130,441,483
Total All Funds (Memo Only)	\$ 225,095,933	\$ 239,272,824	\$ 250,059,224	\$ 236,008,014	\$ 237,223,189

Fund	<i>Cash and Investments</i>				
	2012	2013	2014	2015	2016
General					
General	\$ 11,790,228	\$ 14,721,580	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309
Special Revenue	8,935,962	7,449,115	5,506,022	7,005,104	8,685,090
Debt Service	2,410,097	2,177,269	184,613	154,219	192,428
Capital Projects	14,463,602	15,966,430	21,019,849	15,203,368	7,522,738
Enterprise Funds	11,671,448	13,381,572	11,827,277	16,632,413	10,910,092
Internal Service Funds	7,402,263	8,081,736	8,723,459	8,592,296	8,731,379
Pension Trust	99,608,926	113,985,629	121,588,332	121,019,158	130,119,926
Total All Funds (Memo Only)	\$ 156,282,526	\$ 175,763,331	\$ 183,594,316	\$ 181,786,903	\$ 181,503,962

Notes:

(1) These condensed financial statements for the years ending December 31, 2012 - 2016, 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, 2016, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2012 - 2015. 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, 2016, 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 Agency Funds.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

CAPITAL ASSETS

December 31, 2016

	Governmental Activities	Business- Type Activities
Land	\$ 11,565,020	\$ 4,858,690
Land - Rights of way	139,806,925	-
Machinery & equipment	11,240,360	2,979,865
Buildings & improvements	52,208,475	23,018,430
Streets	29,175,420	-
Bridges	1,596,735	-
Sanitary sewer system	-	26,952,900
Storm sewer system	-	34,351,055
Water system	-	20,663,560
	<hr/> 245,592,935	<hr/> 112,824,500
Less: Accumulated depreciation	<hr/> 34,056,485	<hr/> 65,141,270
Net investment in capital assets	<hr/> \$ 211,536,450	<hr/> \$ 47,683,230

Data Source

Village Records