

# **VILLAGE OF PALATINE, ILLINOIS**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2017**



**VILLAGE OF PALATINE, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended  
December 31, 2017**

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, 2017

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**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

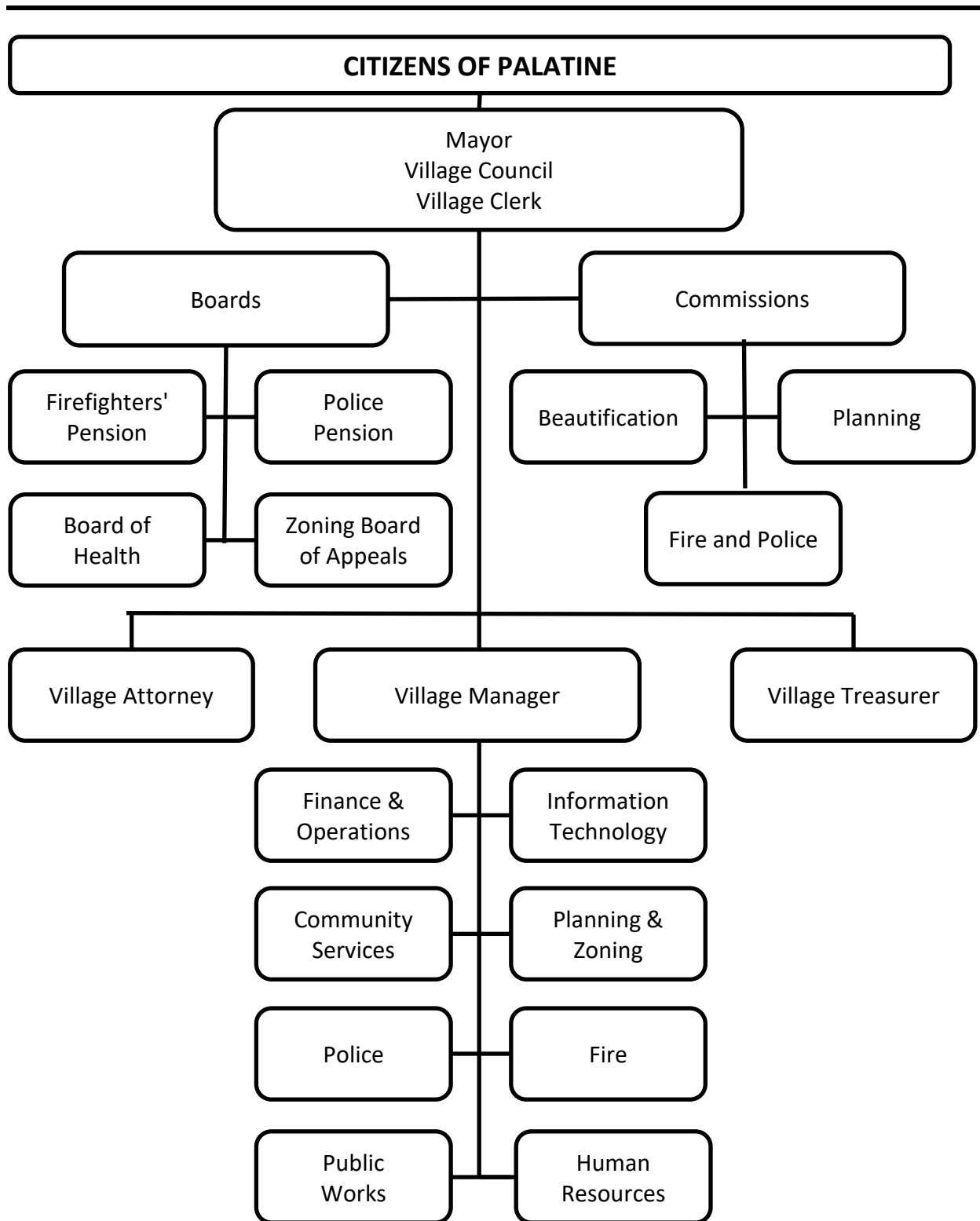
**ADMINISTRATIVE**

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

VILLAGE OF PALATINE, ILLINOIS

ORGANIZATION CHART

December 31, 2017







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, 2016**

*Christopher P. Morill*

Executive Director/CEO

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## **DEPARTMENT OF FINANCE & OPERATIONS**

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**Telephone (847) 359-9088 · Fax (847) 202-6672**

**[www.palatine.il.us](http://www.palatine.il.us)**

May 16, 2018

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, 2017.

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, 2017, 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, 2017, 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 73-75 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 86.

## **Factors Affecting Financial Condition**

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

### ***Local economy***

There are many factors that influence the economy of a specific community and various measures are used to gauge the economic outlook. Perhaps four of the most objective measures are the level of retail sales, the employment level of the community, income levels in the community, and building activity. In Illinois, sales taxes are collected based upon the point-of-sale, and accordingly represent the sales in the community. Total sales tax revenue for calendar year 2017 decreased by approximately \$100,000 (0.8%) from the prior year. This decrease is mainly the result of a significant sales tax producer 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 is forcing local businesses to overcome an additional challenge that businesses in some of our neighboring communities aren't facing. While not passing judgement on this issue, 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** – The former AC Imports (Jaguar dealership) property has been purchased by Studio 41. Studio 41 plans to complete a variety of improvements within the building to create a sales/showroom. Mother Cluckers opened a new restaurant in the former Hot Dog Ritchie’s building, including significant interior improvements. Pete & Mac’s Pet Resort just received zoning approval to occupy a portion of the former Hobby Lobby space within the Palatine Plaza shopping center. The former HB Fuller site, roughly 18 acres, is for sale and being marketed for redevelopment as a large warehouse/distribution site.

**Rand and Dundee Corridors** - A drive-through Starbucks recently opened on Lake Cook Road, east of Grossinger Hyundai. There is an additional commercial outlot adjacent to the new Starbucks that is available for development. A self-storage facility is proposed for a property on the east side of Rand Road, south of Lake Cook Road (directly south of the Grossinger dealership). The Village completed a Notice of Development opportunity for the former Menards site, resulting in the submittal of two proposals. Staff has been authorized to negotiate the sale, and redevelopment, of the property with the Napleton Automotive Group to facilitate the relocation of a Subaru and Mazda dealership to the site. The redevelopment of the former Idol’s site was recently completed, which includes a drive-through Panera, a Mattress Firm, and a Verizon store. A commercial development directly to the east has also been approved which will include a drive-through Palatine Bank & Trust and two multi-tenant commercial buildings.

### ***Long-term financial planning***

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2017, the Village spent over \$6.0 million to maintain and improve its transportation system. The Village uses the PAVER system to track the condition of its streets. This system assigns a rating to a street based on an assessment of its physical condition. The Village uses these ratings to annually develop a prioritized listing of streets in need of repair.

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

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

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. This was the 17<sup>th</sup> consecutive year that the Village has received this prestigious award. To be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,



Paul D. Mehring, CPA  
Director of Finance and Operations



## **FINANCIAL SECTION**



1415 West Diehl Road, Suite 400  
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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, (the Village) as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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  
May 16, 2018

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## **General Purpose External Financial Statements**





**VILLAGE OF PALATINE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

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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 \$0.5 million (0.3%) during the current year. The governmental net position decreased by \$3.6 million and the business-type activities net position increased by \$3.1 million.
- The Village's combined Governmental Funds ending fund balance increased \$6.60 million (14.68%).
- At the end of the current year, fund balance for the General Fund decreased by \$0.1 million (0.4%) to \$23.38 million or 43.88% of actual calendar year 2017 General Fund expenditures.
- The Village issued general obligation bonds totaling \$18,355,000 to refund other general obligation bonds, resulting in an economic gain of \$1,451,937 and a reduction of \$1,601,055 in future debt service payments.

**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 results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term

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

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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, and General Obligation Bond Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds*

The Village maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in business-type activities in the government-wide financial statements. Internal Service Funds are an accounting device used to accumulate and

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

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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 Funds, 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 - 72 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73-85 of this report. The combining and individual fund statements for non-major

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

governmental, enterprise, and internal service funds are presented on pages 86-113 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 \$0.5 million (0.3%) 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 \$101.0 million, a \$3.6 million (3.4%) decrease. The business-type activities net position was \$58.1 million, a \$3.1 million (5.6%) increase from the prior year. The following table reflects the condensed statement of net position for the current and prior years (presented in millions):

	<i>Current Year</i>			<i>Prior Year</i>		
	<i>Gov- ern- men- tal Activities</i>	<i>Busi- ness- type Activities</i>	<i>Total</i>	<i>Gov- ern- men- tal Activities</i>	<i>Busi- ness- type Activities</i>	<i>Total</i>
Current and other assets	87.6	27.8	115.4	79.8	24.6	104.4
Capital assets	209.9	45.6	255.5	211.5	47.7	259.2
<b>Total Assets</b>	<b>297.5</b>	<b>73.4</b>	<b>370.9</b>	<b>291.3</b>	<b>72.3</b>	<b>363.6</b>
Deferred outflows of resources	13.1	0.9	14.0	27.1	1.0	28.1
Noncurrent liabilities	168.8	14.5	183.3	181.4	16.4	197.8
Other liabilities	4.3	1.5	5.8	4.3	1.9	6.2
<b>Total liabilities</b>	<b>173.1</b>	<b>16.0</b>	<b>189.1</b>	<b>185.7</b>	<b>18.3</b>	<b>204.0</b>
Deferred inflows of resources	36.5	0.2	36.7	28.1	-	28.1
Net position						
Net investment in capital assets	166.2	32.5	198.7	164.8	32.9	197.7
Restricted	1.7	-	1.7	1.7	-	1.7
Unrestricted	(66.9)	25.6	(41.3)	(61.9)	22.1	(39.8)
<b>Total net position</b>	<b>101.0</b>	<b>58.1</b>	<b>159.1</b>	<b>104.6</b>	<b>55.0</b>	<b>159.6</b>

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

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

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**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 \$0.5 million decrease of combined net position (which is the Village's bottom line) was the result of the governmental activities net position decreasing by \$3.6 million and the business-type activities net position increasing by \$3.1 million.

**Governmental Activities**

Total assets increased by \$6.2 million reflecting a \$7.8 million increase in cash and investments due to increased incremental revenues collected and a planned accumulation of resources in for capital projects and a decrease of \$1.6 million in depreciable capital assets due to current year depreciation exceeding current year capital additions. Deferred outflows of resources decreased by \$14.0 million and deferred inflows of resources increased by \$8.4 million related to pensions. Total liabilities decreased by \$12.6 million reflecting regularly scheduled bond principal reductions and a \$8.0 million reduction in net pension liability.

**Business-Type Activities**

Total assets increased by \$1.1 million reflecting a \$2.4 million increase in cash and investments due to decreased spending on capital projects, a \$2.1 million decrease in capital assets resulting from depreciation expense exceeding capital additions, and a \$0.8 increase in the Village's

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

investment in joint venture. Deferred outflows of resources decreased by \$0.1 million and deferred inflows of resources increased by \$0.2 million related to pensions. Total liabilities decreased by \$2.3 million as the result of regularly scheduled bond principal reductions during the year.

**Changes in Net Position**

The Village's combined change in net position of (\$0.5) million represents an increase of \$8.9 million (94.7%) from the prior year. The Village's total revenues increased by \$1.8 million, while the cost of all programs decreased by \$7.1 million. The following chart shows the revenue and expenses of the Village's activities (presented in millions):

	<i>Current Year</i>			<i>Prior Year</i>		
	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<b>Revenues</b>						
Program revenues						
Charges for services	11.8	21.0	32.8	11.3	20.5	31.8
Operating grants	2.8	-	2.8	3.3	-	3.3
Capital grants and contributions	-	-	-	1.2	-	1.2
General revenues						
Property taxes	33.0	-	33.0	31.1	-	31.1
Other taxes	9.3	-	9.3	9.5	-	9.5
Other revenues	18.0	1.0	19.0	17.3	0.1	17.4
<b>Total revenues</b>	<b>74.9</b>	<b>22.0</b>	<b>96.9</b>	<b>73.7</b>	<b>20.6</b>	<b>94.3</b>
<b>Expenses</b>						
Governmental activities						
General government	5.0	-	5.0	7.4	-	7.4
Public safety	58.3	-	58.3	54.0	-	54.0
Public works	10.9	-	10.9	11.8	-	11.8
Economic development	1.5	-	1.5	4.1	-	4.1
Interest & fiscal charges	3.5	-	3.5	3.4	-	3.4
Business-type activities						
Waterworks	-	9.1	9.1	-	12.5	12.5
Sewerage	-	3.4	3.4	-	4.6	4.6
Refuse collection	-	1.3	1.3	-	1.5	1.5
Motor vehicle parking	-	4.4	4.4	-	4.4	4.4
<b>Total expenses</b>	<b>79.2</b>	<b>18.2</b>	<b>97.4</b>	<b>80.7</b>	<b>23.0</b>	<b>103.7</b>
<b>Change in net position before transfers</b>	<b>(4.3)</b>	<b>3.8</b>	<b>(0.5)</b>	<b>(7.0)</b>	<b>(2.4)</b>	<b>(9.4)</b>
<b>Transfers</b>	<b>0.7</b>	<b>(0.7)</b>	<b>-</b>	<b>0.4</b>	<b>(0.4)</b>	<b>-</b>
<b>Change in net position</b>	<b>(3.6)</b>	<b>3.1</b>	<b>(0.5)</b>	<b>(6.6)</b>	<b>(2.8)</b>	<b>(9.4)</b>
<b>Net position, beginning - As Restated</b>	<b>104.6</b>	<b>55.0</b>	<b>159.6</b>	<b>111.2</b>	<b>57.8</b>	<b>169.0</b>
<b>Net position, ending</b>	<b>101.0</b>	<b>58.1</b>	<b>159.1</b>	<b>104.6</b>	<b>55.0</b>	<b>159.6</b>

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

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**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.

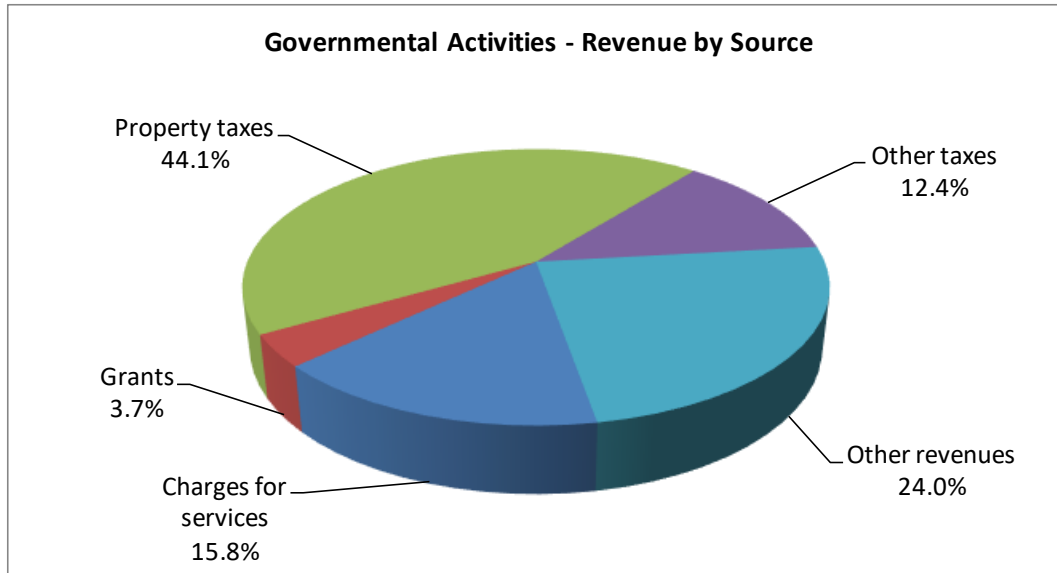
**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Current Year Impacts**

***Governmental Activities***

**Revenues:**



For the current year, revenues from Governmental Activities totaled \$74.9 million, an increase of \$1.2 million (1.6%). Property taxes continue to be the Village's largest revenue source coming in at \$33.0 million and representing 44.1% of total Governmental Activity revenue. Other revenues, representing support from other governmental agencies (mainly shared revenue from the State of Illinois), provide 24.0% of total governmental revenues.

General revenues (property taxes, other taxes, and other revenues) increased by \$1.2 million mainly due to increased incremental property taxes from the Village's five tax increment financing districts.

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

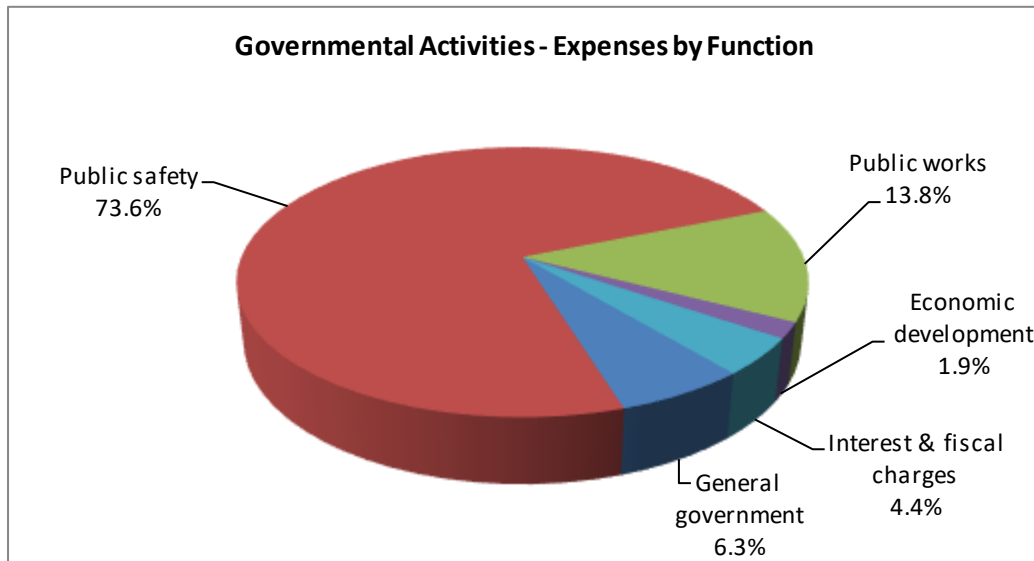
Operating grants decreased by \$0.5 million resulting from a decrease in Community Development Block Grant funding; and capital grants and contributions decreased by \$1.2 million resulting from an intergovernmental loan from the Village to the Park District for building renovations in the prior year.



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

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**Expenses**



For the current year, expenses from Governmental Activities totaled \$79.2 million, which represents a \$1.5 million (1.9%) decrease from the prior year.

General government expenses experienced a decrease of \$2.4 million (32.4%) resulting from a \$1.0 million decrease in capital outlay a \$1.4 million decrease related to pensions.

Public safety expenses show an increase of \$4.3 million (8.0%) mainly due to a \$3.2 million increase related to pensions and a \$1.1 million increase related to salaries and benefits.

Public works expenses show a decrease of \$0.9 million (7.6%) mainly due to a \$0.5 million planned decrease in infrastructure maintenance costs and a \$0.4 million increase related to salaries and benefits.

Economic development activities show a decrease of \$2.6 million (63.4%), due to a planned decrease in redevelopment activities within the Village's TIF Funds.

Interest and fiscal charges reflect a \$0.1 million (2.9%) increase related to scheduled debt service requirements and the cost of issuing refunding bonds during the year.

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

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***Business-Type Activities***

**Revenues**

Total revenue for the business-type activities experienced a \$1.4 million (6.8%) increase in the current year, which was due to a water and sewer rate increase enacted by the Village Council and a positive change in equity interest in joint venture.

**Expenses**

Business-type activity total expenses decreased by \$4.8 million (20.9%), which was mainly a result of decreased water and sewer system infrastructure maintenance.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

***Governmental Funds***

The Governmental Funds (as presented on pages 6-11) reported a combined total fund balance of \$51.6 million, which is a \$6.6 million increase from the prior year balance of \$45.0 million. This increase is mainly attributable to increased collections of incremental property taxes within the Village's TIF districts and the planned accumulation of resources in the Village's capital projects funds. The total fund balance of \$51.6 million is comprised of the following components:

***Nonspendable Fund Balance*** of \$4.5 million represents the portion of fund balance that is not available to be spent, either short-term or long-term, in form: \$4.5 million for advances.

***Restricted Fund Balance*** totaling \$19.1 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 \$17.1 million for economic development.

***Assigned Fund Balance*** in the amount of \$9.1 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 \$18.9 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 decreased by \$0.1 million (0.4%) from the prior year; the fund balance for the prior year showed an increase of \$1.4 million. Revenues

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

decreased by \$0.6 million and expenditures increased by \$0.9 million, resulting in a change of \$1.5 million in results from operations compared to the prior year, both before other financing uses (transfers). Net financing sources (uses) decreased by \$0.1 million, which had a negative 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>Actual</i>	<i>Actual</i>
Revenues	\$ 54.9	\$ 55.0	\$ 53.6	\$ 54.2	
Expenditures	54.8	55.8	53.7	52.8	
Excess (deficiency) of revenues over expenditures	0.1	(0.8)	(0.1)	1.4	
Other financing sources (uses)	-	-	-	0.1	
<b>Net change in fund balance</b>	<b>\$ 0.1</b>	<b>\$ (0.8)</b>	<b>\$ (0.1)</b>	<b>\$ 1.5</b>	

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	\$ 18.7	\$ 18.9	\$ (0.2)	
State sales tax	7.9	7.9	-	
Home rule sales tax	4.1	4.2	(0.1)	
State income tax	6.3	6.7	(0.4)	

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 \$0.9 million higher than the prior year mainly due an increase in personnel costs due to regular wage, health insurance, and pension contribution increases and a decrease in supplies and services expenditures.

General Fund actual revenues and actual expenditures were \$1.4 million lower and \$2.1 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 and Rand Road Corridor TIF Funds experienced a positive net change in fund balance in the amount of \$2.0 million and \$0.7 million, respectively, due to increased

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

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incremental property tax revenues, as a result of increasing property values within the redevelopment districts. The General Obligation Bond Fund experienced a break-even year.

***Proprietary Funds***

The Enterprise Funds' (as presented on pages 12-17) total net position increased by \$3.1 million (5.6%). This increase is primarily due to a \$3.6 million increase in the Waterworks and Sewerage Funds from a water and sewer rate increase and a planned decrease in infrastructure maintenance expenses; a net break-even in the Refuse Collection Fund; and a \$0.5 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 \$255.5 million. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a \$3.7 million net decrease (including additions and deductions) from the prior year. Detailed information regarding the change in capital assets for governmental and business-type activities is included in the Notes to the Financial Statements on pages 34–35.

The net capital assets for governmental activities decreased by \$1.6 million and net capital assets for business-type activities decreased from last year by \$2.1. The decrease in governmental and business-type activities net capital assets was due mainly to net depreciation exceeding capital additions and reductions.

**DEBT OUTSTANDING**

In calendar year 2017, the Village issued general obligation bonds totaling \$18,355,000 to refund other general obligation bonds, resulting in an economic gain of \$1,451,937 and a reduction of \$1,601,055 in future debt service payments.

The Village currently has fifteen general obligation bond series and one tax increment revenue limited obligation redevelopment notes series outstanding. \$73.365 million of general obligation bonds and \$0.1 million of tax increment revenue limited obligation redevelopment notes are currently outstanding.

\$25.74 million (35%) of the \$73.365 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. At the date of this report, the Village maintained an AA+ rating from Standard and Poor's and an AA2 rating from Moody's Investors Service.

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

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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 2018 budget includes an \$830,000 increase in the property tax levy, which marks the end of six consecutive years of either a decreased or constant tax levy. This increase was largely due to the State of Illinois "temporarily" reducing the shared income tax by 10%. Sales taxes are projected to decrease slightly based on actual results from 2017 and the assumption that the economy will continue to grow slowly to moderately; however, this projection also considers known economic development activities that will impact sales tax. Building permit revenues and planning and inspection fees are projected to moderately increase due to the continued increased activity in the housing market. State income tax revenue is forecasted to decrease based on the State's 10% reduction in the municipal share of this revenue source. The Village will be closely monitoring this revenue and all other State-shared sources and any discussions/deliberations regarding its further reduction and react accordingly. A combined \$0.35 (6.8%) 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, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 48,233,950	\$ 13,277,740	\$ 61,511,690
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	22,659,035	-	22,659,035
Accounts	-	1,967,624	1,967,624
Other	973,917	69,683	1,043,600
Due from other governments	4,960,935	-	4,960,935
Accrued interest	125,490	33,360	158,850
Prepaid expenses	62,577	-	62,577
Inventories	180,265	-	180,265
Land held for resale	10,384,300	-	10,384,300
Investment in joint venture			
Northwest Water Commission	-	12,416,430	12,416,430
Capital assets not being depreciated	151,371,945	4,858,690	156,230,635
Capital assets being depreciated (net of accumulated depreciation)	58,519,045	40,702,925	99,221,970
Total assets	297,471,459	73,326,452	370,797,911
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	276,995	168,175	445,170
Deferred outflows related to pensions	12,818,659	712,965	13,531,624
Total deferred outflows of resources	13,095,654	881,140	13,976,794
<b>LIABILITIES</b>			
Accounts payable	965,479	937,924	1,903,403
Accrued payroll	1,344,551	69,524	1,414,075
Accrued interest payable	202,230	17,105	219,335
Due to fiduciary funds	18,150	-	18,150
Deposits payable	687,372	268,773	956,145
Claims payable	1,061,583	-	1,061,583
Unearned revenues	43,868	144,290	188,158
Noncurrent liabilities			
Due within one year	5,829,997	1,495,650	7,325,647
Due in more than one year	162,956,193	13,022,541	175,978,734
Total liabilities	173,109,423	15,955,807	189,065,230
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	22,543,633	-	22,543,633
Deferred inflows related to pensions	13,914,273	207,860	14,122,133
Total deferred inflows of resources	36,457,906	207,860	36,665,766
<b>NET POSITION</b>			
Net investment in capital assets	166,189,158	32,491,180	198,680,338
Restricted for			
Streets and highways	1,085,496	-	1,085,496
Debt service	4,139	-	4,139
Public safety	658,367	-	658,367
Unrestricted	(66,937,376)	25,552,745	(41,384,631)
TOTAL NET POSITION	\$ 100,999,784	\$ 58,043,925	\$ 159,043,709

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues	
			Grants and Contributions Operating	Capital
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 4,992,470	\$ 4,348,698	\$ -	\$ -
Public safety	58,319,928	4,954,398	245,448	-
Public works	10,938,679	2,454,501	1,778,036	-
Economic development	1,464,895	-	140,730	-
Interest and fiscal charges	3,490,399	-	630,824	-
Total governmental activities	79,206,371	11,757,597	2,795,038	-
Business-Type Activities				
Waterworks	9,115,608	11,756,016	-	-
Sewerage	3,373,247	3,987,480	-	-
Motor vehicle parking system	1,256,792	709,390	-	-
Refuse collection	4,408,987	4,537,890	-	-
Total business-type activities	18,154,634	20,990,776	-	-
TOTAL PRIMARY GOVERNMENT	\$ 97,361,005	\$ 32,748,373	\$ 2,795,038	\$ -

See accompanying notes to financial statements.



Net (Expense) Revenue and Change in Net Position			
Primary Government			
	Governmental Activities	Business-Type Activities	Total
	\$ (643,772)	\$ -	\$ (643,772)
	(53,120,082)	-	(53,120,082)
	(6,706,142)	-	(6,706,142)
	(1,324,165)	-	(1,324,165)
	(2,859,575)	-	(2,859,575)
	(64,653,736)	-	(64,653,736)
	-	2,640,408	2,640,408
	-	614,233	614,233
	-	(547,402)	(547,402)
	-	128,903	128,903
	-	2,836,142	2,836,142
	(64,653,736)	2,836,142	(61,817,594)
General Revenues			
Taxes			
Property	32,991,371	-	32,991,371
Home rule sales	4,111,583	-	4,111,583
Telecommunications	1,490,678	-	1,490,678
Electric utility use	2,263,482	-	2,263,482
Other	1,456,653	-	1,456,653
State shared sales taxes (unrestricted)	9,634,893	-	9,634,893
State shared income tax (unrestricted)	6,296,903	-	6,296,903
Other intergovernmental revenues (unrestricted)	251,911	-	251,911
Investment income	698,159	115,034	813,193
Miscellaneous	1,134,667	-	1,134,667
Change in equity interest in joint venture (see note 9)	-	791,930	791,930
Transfers	678,500	(678,500)	-
Total	61,008,800	228,464	61,237,264
CHANGE IN NET POSITION	(3,644,936)	3,064,606	(580,330)
NET POSITION, JANUARY 1	104,644,720	54,979,319	159,624,039
NET POSITION, DECEMBER 31	\$ 100,999,784	\$ 58,043,925	\$ 159,043,709

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2017

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 17,286,112	\$ 939,601	\$ 1,000,028	\$ 200,314	\$ 19,630,033	\$ 39,056,088
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	19,941,934	60,732	-	2,652,140	4,229	22,659,035
Other	773,590	183,317	-	-	2,220	959,127
Due from other governments	4,451,760	-	-	-	509,175	4,960,935
Accrued interest	37,330	-	-	-	51,855	89,185
Due from other funds	27,861	-	-	-	-	27,861
Land held for resale	-	5,609,300	4,775,000	-	-	10,384,300
Advance to other funds	4,470,370	-	-	-	-	4,470,370
 TOTAL ASSETS	 \$ 46,988,957	 \$ 6,792,950	 \$ 5,775,028	 \$ 2,852,454	 \$ 20,197,512	 \$ 82,606,901

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES</b>						
Accounts payable	\$ 602,575	\$ 10,159	\$ 9,057	\$ -	\$ 233,407	\$ 855,198
Accrued payroll	1,312,803	-	-	-	7,693	1,320,496
Due to other funds	18,150	-	-	-	27,861	46,011
Deposits payable	687,372	-	-	-	-	687,372
Unearned revenues	-	-	-	-	36,893	36,893
Advance from other funds	-	4,470,370	-	-	-	4,470,370
<b>Total liabilities</b>	<b>2,620,900</b>	<b>4,480,529</b>	<b>9,057</b>	<b>-</b>	<b>305,854</b>	<b>7,416,340</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	19,897,548	-	-	2,646,085	-	22,543,633
Unavailable revenue - Park District loan	1,090,220	-	-	-	-	1,090,220
	20,987,768	-	-	2,646,085	-	23,633,853
<b>FUND BALANCES</b>						
Nonspendable in form - advances	4,470,370	-	-	-	-	4,470,370
Restricted for streets and highways	-	-	-	-	1,085,496	1,085,496
Restricted for debt service	-	-	-	206,369	-	206,369
Restricted for public safety	-	-	-	-	658,367	658,367
Restricted for economic development	-	2,312,421	5,765,971	-	9,030,888	17,109,280
Unrestricted						
Assigned for capital projects	-	-	-	-	9,116,907	9,116,907
Unassigned	18,909,919	-	-	-	-	18,909,919
<b>Total fund balances</b>	<b>23,380,289</b>	<b>2,312,421</b>	<b>5,765,971</b>	<b>206,369</b>	<b>19,891,658</b>	<b>51,556,708</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 46,988,957</b>	<b>\$ 6,792,950</b>	<b>\$ 5,775,028</b>	<b>\$ 2,852,454</b>	<b>\$ 20,197,512</b>	<b>\$ 82,606,901</b>

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, 2017

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 51,556,708
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	1,090,220
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	209,890,990
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(61,129,793)
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	31,080
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	(579,907)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	276,995
Accrued interest on long-term debt is reported as a liability on the statement of net position	(202,230)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,299,975)
Less compensated absences payable reported in internal service funds	43,890
The net position of internal service funds is included in the governmental activities in the statement of net position	6,994,899
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(3,111,605)
The following items related to pensions are not current financial resources and, therefore, are not reported in the governmental funds	
Deferred outflows	12,818,659
Less deferred outflows reported in internal service funds	(245,294)
Deferred inflows	(13,914,273)
Less deferred inflows reported in internal service funds	69,287
Net pension liability	(101,690,320)
Less net pension liability reported in internal service funds	400,453
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 100,999,784</u>

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, 2017

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 25,423,866	\$ 5,552,634	\$ 2,896,082	\$ 2,661,512	\$ 5,779,673	\$ 42,313,767
Licenses and permits	3,272,240	-	-	-	-	3,272,240
Intergovernmental	18,461,630	127,262	-	503,562	2,308,724	21,401,178
Charges for services	4,108,578	-	-	-	310,870	4,419,448
Fines and forfeits	1,726,483	-	-	-	26,773	1,753,256
Investment income	426,061	74,487	14,620	20,338	162,653	698,159
Miscellaneous	164,619	-	-	-	970,048	1,134,667
Total revenues	53,583,477	5,754,383	2,910,702	3,185,412	9,558,741	74,992,715
EXPENDITURES						
Current						
General government	5,359,971	-	-	-	-	5,359,971
Public safety	42,384,180	-	-	-	273,008	42,657,188
Public works	5,982,359	-	-	-	-	5,982,359
Economic development	-	32,897	427,268	-	1,004,730	1,464,895
Capital outlay	-	7,643	15,263	-	4,987,207	5,010,113
Debt service						
Principal retirement	-	10,519,233	1,200,000	2,870,000	-	14,589,233
Interest	-	1,016,718	554,790	1,809,762	-	3,381,270
Fiscal charges	-	96,273	72,238	51,317	-	219,828
Total expenditures	53,726,510	11,672,764	2,269,559	4,731,079	6,264,945	78,664,857

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (143,033)	\$ (5,918,381)	\$ 641,143	\$ (1,545,667)	\$ 3,293,796	\$ (3,672,142)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued, at par	-	10,830,000	6,060,000	1,465,000	-	18,355,000
Bond premium	-	131,324	35,615	98,773	-	265,712
Payment to refunded bond escrow agent	-	(3,067,030)	(6,019,541)	-	-	(9,086,571)
Proceeds from sale of capital assets	-	-	-	-	58,216	58,216
Transfers in	38,096	-	-	-	678,500	716,596
Transfers (out)	-	(6,810)	(3,025)	(4,165)	(24,096)	(38,096)
Total other financing sources (uses)	38,096	7,887,484	73,049	1,559,608	712,620	10,270,857
NET CHANGE IN FUND BALANCES	(104,937)	1,969,103	714,192	13,941	4,006,416	6,598,715
FUND BALANCES, JANUARY 1	23,485,226	343,318	5,051,779	192,428	15,885,242	44,957,993
FUND BALANCES, DECEMBER 31	\$ 23,380,289	\$ 2,312,421	\$ 5,765,971	\$ 206,369	\$ 19,891,658	\$ 51,556,708

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 6,598,715
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	1,360,215
Revenues in the statement of activities that are not available in governmental funds are not reported as a revenue in governmental funds until received	(109,780)
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(3,005,675)
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(18,355,000)
The repayment of principal on long-term debt is reported as an expenditure in governmental funds but as a reduction of principal outstanding in the statement of activities	
Principal repayment	14,589,233
Refunding of bonds	9,125,000
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,245)
The premium on long-term debt issued is reported as an other financing source in the governmental funds and are deferred in the statement of activities	(265,712)
The amortization of premium on long-term debt is reported as a reduction of expense on the statement of activities	78,695
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(53,425)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	52,245
The change in compensated absences payable is shown as an expense on the statement of activities	95,510
The change in net position of certain activities of internal service funds is reported in governmental funds on the statement of activities	150,505
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(631,470)
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	(9,738,075)
Deferred inflows related to pensions	(11,516,603)
Net pension liability	7,985,931
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (3,644,936)

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2017

	Business-Type Activities					Governmental
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
<b>CURRENT ASSETS</b>						
Cash and investments	\$ 6,826,912	\$ 3,298,186	\$ 1,522,576	\$ 1,630,066	\$ 13,277,740	\$ 9,177,862
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,422,275	545,349	-	-	1,967,624	-
Other	-	11,315	5,195	53,173	69,683	14,790
Accrued interest	17,240	10,160	2,910	3,050	33,360	36,305
Prepaid expenses	-	-	-	-	-	62,577
Inventories	-	-	-	-	-	180,265
<b>Total current assets</b>	<b>8,266,427</b>	<b>3,865,010</b>	<b>1,530,681</b>	<b>1,686,289</b>	<b>15,348,407</b>	<b>9,471,799</b>
<b>NONCURRENT ASSETS</b>						
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	21,335,995	61,303,955	-	-	82,639,950	-
Machinery and equipment	2,575,285	263,395	-	-	2,838,680	-
Accumulated depreciation	(17,252,010)	(38,882,075)	(11,660,050)	-	(67,794,135)	-
<b>Total capital assets</b>	<b>14,138,875</b>	<b>23,282,820</b>	<b>8,139,920</b>	<b>-</b>	<b>45,561,615</b>	<b>-</b>
Other assets						
Investment in joint venture Northwest Water Commission	12,416,430	-	-	-	12,416,430	-
<b>Total noncurrent assets</b>	<b>26,555,305</b>	<b>23,282,820</b>	<b>8,139,920</b>	<b>-</b>	<b>57,978,045</b>	<b>-</b>
<b>Total assets</b>	<b>34,821,732</b>	<b>27,147,830</b>	<b>9,670,601</b>	<b>1,686,289</b>	<b>73,326,452</b>	<b>9,471,799</b>

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	\$ 855	\$ 167,320	\$ -	\$ -	\$ 168,175	\$ -
Deferred outflows related to pensions	514,502	198,463	-	-	712,965	245,294
Total deferred outflows of resources	515,357	365,783	-	-	881,140	245,294
CURRENT LIABILITIES						
Accounts payable	182,683	179,048	35,264	540,929	937,924	110,281
Accrued payroll	47,607	21,917	-	-	69,524	24,055
Accrued interest payable	17,105	-	-	-	17,105	-
Deposits payable	268,773	-	-	-	268,773	-
Claims payable	-	-	-	-	-	1,061,583
Unearned revenues	-	-	-	144,290	144,290	6,975
Compensated absences payable	10,645	5,005	-	-	15,650	8,780
General obligation bonds payable	516,000	964,000	-	-	1,480,000	-
Total current liabilities	1,042,813	1,169,970	35,264	685,219	2,933,266	1,211,674
LONG-TERM LIABILITIES						
Claims payable	-	-	-	-	-	1,005,670
Compensated absences payable	42,570	20,000	-	-	62,570	35,110
Net pension liability	880,998	320,363	-	-	1,201,361	400,453
General obligation bonds payable	4,903,970	6,854,640	-	-	11,758,610	-
Total long-term liabilities	5,827,538	7,195,003	-	-	13,022,541	1,441,233
Total liabilities	6,870,351	8,364,973	35,264	685,219	15,955,807	2,652,907
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	152,431	55,429	-	-	207,860	69,287
NET POSITION						
Net investment in capital assets	8,719,760	15,631,500	8,139,920	-	32,491,180	-
Unrestricted	19,594,547	3,461,711	1,495,417	1,001,070	25,552,745	6,994,899
TOTAL NET POSITION	\$ 28,314,307	\$ 19,093,211	\$ 9,635,337	\$ 1,001,070	\$ 58,043,925	\$ 6,994,899

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, 2017

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Charges for services	\$ 11,542,365	\$ 3,987,203	\$ 709,390	\$ 4,537,890	\$ 20,776,848	\$ 9,536,810
Miscellaneous	213,651	277	-	-	213,928	102,488
Total operating revenues	11,756,016	3,987,480	709,390	4,537,890	20,990,776	9,639,298
OPERATING EXPENSES EXCLUDING DEPRECIATION						
Costs of sales and services	8,150,253	1,915,934	472,712	4,408,987	14,947,886	9,576,817
Total operating expenses excluding depreciation	8,150,253	1,915,934	472,712	4,408,987	14,947,886	9,576,817
OPERATING INCOME BEFORE DEPRECIATION	3,605,763	2,071,546	236,678	128,903	6,042,890	62,481
DEPRECIATION	818,795	1,191,175	784,080	-	2,794,050	-
OPERATING INCOME (LOSS)	2,786,968	880,371	(547,402)	128,903	3,248,840	62,481
NONOPERATING REVENUES (EXPENSES)						
Investment income	55,184	32,524	13,119	14,207	115,034	88,024
Interest expense	(146,560)	(266,138)	-	-	(412,698)	-
Joint venture	791,930	-	-	-	791,930	-
Total nonoperating revenues (expenses)	700,554	(233,614)	13,119	14,207	494,266	88,024

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	\$ 3,487,522	\$ 646,757	\$ (534,283)	\$ 143,110	\$ 3,743,106	\$ 150,505
Transfers (out)	(288,000)	(288,000)	-	(102,500)	(678,500)	-
CHANGE IN NET POSITION	3,199,522	358,757	(534,283)	40,610	3,064,606	150,505
NET POSITION, JANUARY 1	25,114,785	18,734,454	10,169,620	960,460	54,979,319	6,844,394
NET POSITION, DECEMBER 31	\$ 28,314,307	\$ 19,093,211	\$ 9,635,337	\$ 1,001,070	\$ 58,043,925	\$ 6,994,899

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	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	\$ 11,760,067	\$ 3,936,228	\$ 707,385	\$ 4,637,679	\$ 21,041,359	\$ 1,607,380
Receipts from interfund services transactions	-	-	-	-	-	8,061,893
Payments to suppliers	(5,992,898)	(664,589)	(486,399)	(4,809,777)	(11,953,663)	(8,440,407)
Payments to employees	(1,617,570)	(703,603)	(3,781)	-	(2,324,954)	(834,102)
Payments for interfund services transactions	(404,000)	(404,000)	(64,000)	(116,000)	(988,000)	-
Net cash from operating activities	3,745,599	2,164,036	153,205	(288,098)	5,774,742	394,764
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (out)	(288,000)	(288,000)	-	(102,500)	(678,500)	-
Net cash from noncapital financing activities	(288,000)	(288,000)	-	(102,500)	(678,500)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(672,435)	-	-	-	(672,435)	-
Principal payments on long-term debt	(672,000)	(923,000)	-	-	(1,595,000)	-
Interest and fiscal charges paid on long-term debt	(233,260)	(309,573)	-	-	(542,833)	-
Net cash from capital and related financing activities	(1,577,695)	(1,232,573)	-	-	(2,810,268)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	37,944	22,364	10,209	11,157	81,674	51,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,917,848	665,827	163,414	(379,441)	2,367,648	446,483
CASH AND CASH EQUIVALENTS, JANUARY 1	4,909,064	2,632,359	1,359,162	2,009,507	10,910,092	8,731,379
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 6,826,912	\$ 3,298,186	\$ 1,522,576	\$ 1,630,066	\$ 13,277,740	\$ 9,177,862

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,786,968	\$ 880,371	\$ (547,402)	\$ 128,903	\$ 3,248,840	\$ 62,481
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	818,795	1,191,175	784,080	-	2,794,050	-
(Increase) decrease in						
Accounts receivables	4,051	(58,177)	-	15,983	(38,143)	-
Other receivables	-	6,925	(2,005)	84,166	89,086	28,170
Prepaid expenses	-	-	-	-	-	(2,252)
Inventories	-	-	-	-	-	(965)
Deferred outflows related to pensions	44,698	55,733	-	-	100,431	143,116
Increase (decrease) in						
Accounts payable	95,095	97,435	(81,468)	(516,790)	(405,728)	(46,793)
Accrued payroll	(2,703)	5,025	-	-	2,322	2,536
Claims payable	-	-	-	-	-	228,483
Unearned revenue	-	-	-	(360)	(360)	1,805
Compensated absences payable	(43,790)	6,135	-	-	(37,655)	3,915
Net pension liability	(79,690)	(63,912)	-	-	(143,602)	(79,891)
Deferred inflows related to pensions	122,175	43,326	-	-	165,501	54,159
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 3,745,599</u>	<u>\$ 2,164,036</u>	<u>\$ 153,205</u>	<u>\$ (288,098)</u>	<u>\$ 5,774,742</u>	<u>\$ 394,764</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Change in investment in joint venture	<u>\$ 791,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,930</u>	<u>\$ -</u>
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	<u>\$ 791,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,930</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

December 31, 2017

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,266,673	\$ 1,393,285
Investments		
U.S. Treasury securities	19,630,419	-
U.S. agency securities	1,620,663	-
Corporate and international bonds	24,505,623	-
Municipal bonds	599,512	-
Money market mutual funds	3,218,068	-
Equities	97,870,097	-
Receivables		
Property taxes	-	586,613
Accrued interest	460,156	-
Due from primary government	18,150	-
Prepaid items	-	3,000
Total assets	150,189,361	\$ 1,982,897
<b>LIABILITIES</b>		
Accounts payable	-	3,404
Other liabilities	-	740,012
Due to bondholders	-	1,239,481
Total liabilities	-	\$ 1,982,897
<b>NET POSITION</b>		
Restricted for pensions	\$ 150,189,361	

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	Pension Trust
ADDITIONS	
Contributions	
Employer	\$ 8,672,700
Employee	1,934,940
Other	79
Total contributions	<u>10,607,719</u>
Investment earnings	
Net increase (decrease) in the fair value of investments	15,316,387
Interest	<u>3,691,652</u>
Total investment earnings	19,008,039
Less investment expense	<u>(391,616)</u>
Net investment earnings	<u>18,616,423</u>
Total additions	<u>29,224,142</u>
DEDUCTIONS	
Administration	38,404
Benefits and refunds	
Retirement benefits	9,360,056
Refunds of contributions	<u>77,804</u>
Total deductions	<u>9,476,264</u>
CHANGE IN NET POSITION	19,747,878
NET POSITION	
January 1	<u>130,441,483</u>
December 31	<u><u>\$ 150,189,361</u></u>

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

INDEX TO  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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VILLAGE OF PALATINE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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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.

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 (NWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

Fiduciary funds are used to account for 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 Area 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

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

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

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

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

Additionally, the Village reports the following proprietary funds:

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

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. The Special Service Area Fund, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Interfund Receivables/Payables

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

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

g. Inventories

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

h. Deferred Charge on Refunding

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

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

j. Land Held for Resale

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

k. Capital Assets

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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:

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.

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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

Village Deposits and Investments (Continued)

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

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

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

Deposits with Financial Institutions

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

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

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in external investment pools. 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.



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 2017 attach as an enforceable lien on January 1, 2017, 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 2017 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	\$ 8,935
Ambulance service and fees	81,215
Cable franchise fees	290,260
Food and beverage tax	148,575
Red light violations	57,455
Electric utility tax	187,150
Loan receivable	183,317
Billed receivables	17,010
Total governmental activities	<u>973,917</u>
BUSINESS-TYPE ACTIVITIES	
Disposal fees	53,173
Parking fees	5,195
Sewer loan program	11,315
Total business-type activities	<u>69,683</u>
TOTAL OTHER RECEIVABLES	<u>\$ 1,043,600</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	\$ 2,061,869
Home rule sales tax	1,108,329
Loan to park district	1,090,220
Grants	35,554
State income tax	
Public safety reimbursements	89,435
Court fines	60,325
Other state sources	41,582
Motor fuel tax allotments	151,485
Telecommunications tax	322,136
Total government activities	<u>4,960,935</u>
BUSINESS-TYPE ACTIVITIES	<u>-</u>
TOTAL DUE FROM OTHER GOVERNMENTS	<u>\$ 4,960,935</u>

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

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 11,565,020	\$ -	\$ -	\$ 11,565,020
Land right of way	139,806,925	-	-	139,806,925
Total capital assets not being depreciated	151,371,945	-	-	151,371,945
Capital assets being depreciated				
Buildings and improvements	52,208,475	-	-	52,208,475
Machinery and equipment	11,240,360	974,325	479,980	11,734,705
Streets	29,175,420	385,890	-	29,561,310
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	94,220,990	1,360,215	479,980	95,101,225
Less accumulated depreciation for				
Buildings and improvements	10,904,805	1,455,780	-	12,360,585
Machinery and equipment	6,601,330	919,680	479,980	7,041,030
Streets	15,663,715	598,215	-	16,261,930
Bridges	886,635	32,000	-	918,635
Total accumulated depreciation	34,056,485	3,005,675	479,980	36,582,180
Total capital assets being depreciated, net	60,164,505	(1,645,460)	-	58,519,045
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 211,536,450	\$ (1,645,460)	\$ -	\$ 209,890,990

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

4. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 4,858,690	\$ -	\$ -	\$ 4,858,690
Total capital assets not being depreciated	4,858,690	-	-	4,858,690
Capital assets being depreciated				
Equipment	2,979,865	-	141,185	2,838,680
Buildings and improvements	7,336,950	-	-	7,336,950
Water system	20,663,560	672,435	-	21,335,995
Sewer system	61,303,955	-	-	61,303,955
Parking improvements	15,681,480	-	-	15,681,480
Total capital assets being depreciated	107,965,810	672,435	141,185	108,497,060
Less accumulated depreciation for				
Equipment	1,915,595	266,195	141,185	2,040,605
Buildings and improvements	4,408,380	160,640	-	4,569,020
Water system	10,464,565	432,255	-	10,896,820
Sewer system	37,476,760	1,150,880	-	38,627,640
Parking improvements	10,875,970	784,080	-	11,660,050
Total accumulated depreciation	65,141,270	2,794,050	141,185	67,794,135
Total capital assets being depreciated, net	42,824,540	(2,121,615)	-	40,702,925
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS, NET	\$ 47,683,230	\$ (2,121,615)	\$ -	\$ 45,561,615

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

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 480,525
Public safety	1,340,930
Public works	<u>1,184,220</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3,005,675</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 \$92,955,000. During the year, general obligation bonds totaling \$18,355,000 were issued to refund other general obligation bonds.

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

Purpose	Amount
Governmental activities	\$ 33,405,000
Governmental activities – refunding	1,905,000
Governmental activities – TIF	415,000
Governmental activities – TIF Refunding	25,325,000
Business-type activities	5,955,000
Business-type activities – refunding	6,360,000
TOTAL	<u>\$ 73,365,000</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
2018	\$ 5,570,000	\$ 2,454,233	\$ 1,480,000	\$ 460,363
2019	5,880,000	2,227,389	1,530,000	405,863
2020	6,000,000	2,054,494	1,600,000	349,363
2021	6,295,000	1,906,169	1,665,000	290,163
2022	6,345,000	1,743,950	1,725,000	228,663
2023 – 2027	14,470,000	6,682,134	3,980,000	393,890
2028 - 2032	11,390,000	3,482,011	335,000	10,050
2033 - 2034	5,100,000	446,600	-	-
TOTAL	<u>\$ 61,050,000</u>	<u>\$ 20,996,980</u>	<u>\$ 12,315,000</u>	<u>\$ 2,138,355</u>

5. LONG-TERM DEBT (Continued)

b. Tax Increment Financing Revenue Bonds and Notes

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

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

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

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

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 \$5,550,000. 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.

5. LONG-TERM DEBT (Continued)

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.

f. Advance Refunding of General Obligation Bonds

On July 11, 2017, the Village issued General Obligation Refunding Bonds, as follows:

\$7,705,000 Series 2017A to advance refund under the crossover method \$7,750,000 of the General Obligation Bond, Taxable Series 2009E, resulting in an economic gain of \$329,774 and a reduction of \$348,450 in future debt service payments.

\$1,465,000 Series 2017B to advance refund under the crossover method \$1,500,000 of the General Obligation Bond, Taxable Series 2009F, resulting in an economic gain of \$81,982 and a reduction of \$93,879 in future debt service payments.

\$3,125,000 Taxable Series 2017C to advance refund \$3,080,000 of the General Obligation Bond, Taxable Series 2007B, resulting in an economic gain of \$248,894 and a reduction of \$263,139 in future debt service payments.

\$6,060,000 Taxable Series 2017D to advance refund \$6,045,000 of the General Obligation Bond, Taxable Series 2007D, resulting in an economic gain of \$791,287 and a reduction of \$895,587 in future debt service payments.

The refunded Bonds were called and redeemed on December 1, 2017.

Since the refunded debt was not redeemed within 90 days from the issuance of the refunding debt, these transactions were classified as advance refundings.

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, 2017 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>GOVERNMENTAL</b>					
<b>ACTIVITIES</b>					
General obligation bonds	\$ 66,400,000	\$ 18,355,000	\$ 23,705,000	\$ 61,050,000	\$ 5,570,000
TIF notes	89,026	-	9,233	79,793	-
Claims payable	908,345	568,215	470,890	1,005,670	-
Net pension liability*	109,756,142	-	8,065,822	101,690,320	-
Net OPEB obligation*	2,480,135	631,470	-	3,111,605	-
Compensated absences*	1,391,570	2,508,079	2,599,674	1,299,975	259,997
Total	181,025,218	22,062,764	34,850,619	168,237,363	5,829,997
Less deferred amounts					
Unamortized bond discount	(36,505)	-	(5,425)	(31,080)	-
Unamortized bond premium	393,070	265,712	78,875	579,907	-
Total deferred amounts	356,565	265,712	73,450	548,827	-
<b>TOTAL GOVERNMENTAL</b>	<b>\$181,381,783</b>	<b>\$ 22,328,476</b>	<b>\$ 34,924,069</b>	<b>\$168,786,190</b>	<b>\$ 5,829,997</b>
<b>ACTIVITIES</b>					
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds					
Water Fund	\$ 5,436,000	\$ -	\$ 672,000	\$ 4,764,000	\$ 516,000
Sewer Fund	8,474,000	-	923,000	7,551,000	964,000
Net pension liability					
Water Fund	960,688	-	79,690	880,998	-
Sewer Fund	384,275	-	63,912	320,363	-
Compensated absences					
Water Fund	97,005	59,956	103,746	53,215	10,645
Sewer Fund	18,870	52,129	45,994	25,005	5,005
Total	15,370,838	112,085	1,888,342	13,594,581	1,495,650
Less deferred amounts					
Unamortized bond discount	(14,980)	-	(1,260)	(13,720)	-
Unamortized bond premium	1,064,185	-	126,855	937,330	-
Total deferred amounts	1,049,205	-	125,595	923,610	-
<b>TOTAL BUSINESS-TYPE</b>	<b>\$ 16,420,043</b>	<b>\$ 112,085</b>	<b>\$ 2,013,937</b>	<b>\$ 14,518,191</b>	<b>\$ 1,495,650</b>
<b>ACTIVITIES</b>					

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



## 6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is self-insured for medical benefits and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of \$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, 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
Claims incurred – 2017	4,308,824	255,776	396,113	4,960,713
Claims payments – 2017	4,198,906	406,946	126,378	4,732,230
UNPAID CLAIMS,				
DECEMBER 31, 2017	\$ 928,243	\$ 829,675	\$ 309,335	\$ 2,067,253

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWC)

The Village has committed to purchase water from NWC. The Village expects to pay approximately \$3,000,000 through December 31, 2018. 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 2018 is \$1,136,750. This is based on an estimated tipping fee of \$46.35 per ton for 24,523 tons.

8. TAX ABATEMENTS

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

8. TAX ABATEMENTS (Continued)

For the current year, the Village rebated its share of property taxes paid by several individuals to induce them to annex into the Village in 2007 for redevelopment purposes. These agreements terminate upon the first of the following events to occur: the Owner selling, assigning, conveying, redeveloping the Property and/or the business with either a new use or a new or remodeled structure, or twenty (20) years from the date of the annexation. The rebate for the year totaled \$18,034.

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 \$461,071.

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 \$62,600.

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

9. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

9. JOINT VENTURES (Continued)

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

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

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

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

In accordance with the contract, the Village made payments totaling \$1,127,882 to SWANCC during the year. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at the date of this report.

Northwest Water Commission (NWC)

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

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

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

9. JOINT VENTURES (Continued)

Northwest Water Commission (NWC) (Continued)

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

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

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

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

In accordance with the joint venture agreement, the Village remitted \$2,917,543 to NWC during the year. The Village's equity interest in NWC was \$12,416,430 at the date of this report. The Village's net investment and its share of the operating results of NWC are recorded in the Village's Waterworks Fund.

10. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

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

Receivable Fund	Payable Fund	Amount
Major governmental General	Nonmajor governmental Special Police Grant	\$ 27,861
Fiduciary Police Pension	Major governmental General	9,270
Firefighters' Pension	General	8,880
TOTAL		<u>\$ 46,011</u>

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 amount payable to the General Fund is for a short-term cash loan at year end. The amount will be repaid within one year.
- The amounts payable to the Fiduciary Funds is for taxes received after year end.

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>\$ 4,470,370</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:

- \$6,810 from the Downtown TIF Fund to the General Fund.
- \$3,025 from the Rand Road Corridor TIF Fund to the General Fund.
- \$4,165 from the General Obligation Bond Fund to the General Fund.
- \$24,096 from the Village Hall Renovation Fund to the General Fund.
- \$288,000 from the Water Fund to the Capital Equipment Acquisition Fund.
- \$288,000 from the Sewer Fund to the Capital Equipment Acquisition Fund.
- \$102,500 from the Refuse Collection Fund to the Capital Improvement Fund.

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

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 the opportunity for retirees, their spouses and dependents (enrolled at time of employee's retirement) to participate in the Village's self-insured health insurance plan for pre and post-Medicare postretirement health insurance. To be eligible for benefits, the employee must qualify for retirement under one of the Village's three retirement plans. An implicit benefit is provided due to the retirees paying 100% of the actuarially determined premium to the plan. Pursuant to the Illinois Public Safety Employee Benefits Act, the Village provides health insurance to any sworn police or fire employee (their spouses and dependents) who suffers a catastrophic injury or is killed in the line of duty. The Village is responsible for paying the entire actuarially determined contribution to the plan. 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 the most recent valuation (December 31, 2016), 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><u>1</u></u>

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Village'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	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 762,490	\$ 374,070	49.06%	\$ 1,809,836
2016	1,187,900	517,601	43.57%	2,480,135
2017	1,239,402	607,932	49.05%	3,111,605

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

Annual required contribution	\$ 1,222,868
Interest on net OPEB obligation	99,205
Adjustment to annual required contribution	<u>(82,671)</u>
Annual OPEB cost	1,239,402
Contributions made	<u>(607,932)</u>
Change in net OPEB obligation	631,470
Net OPEB obligation, beginning of year	<u>2,480,135</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 3,111,605</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	60.85%



11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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.

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.

## 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](http://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, 2016 (latest information available), membership consisted of:

Inactive plan members currently receiving benefits	174
Inactive plan members entitled to but not yet receiving benefits	100
Active employees	141
	<hr/>
TOTAL	415
	<hr/>

#### *Benefits Provided*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2017 was 12.14% of covered payroll.

*Net Pension Liability*

The components of the net pension liability of the IMRF as of December 31, 2016 (latest information available), were as follows:

Total pension liability	\$	70,096,672
Plan fiduciary net position		62,087,596
Village's net pension liability		8,009,076
Plan fiduciary net position as a percentage of the total pension liability		88.57%

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.

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, 2016
Actuarial cost method	Entry-Age Normal
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.75 to 14.50%
Interest rate	7.50%
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 2012). 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 2012). 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 2012). 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 3.78% (based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met)); and the resulting single discount rate is 7.50%.

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, 2016	\$ 68,281,849	\$ 58,674,969	\$ 9,606,880
Changes for the period:			
Service cost	1,157,484	-	1,157,484
Interest	5,043,039	-	5,043,039
Difference between expected and actual experience	(1,422,863)	-	(1,422,863)
Changes in assumptions	(262,779)	-	(262,779)
Employer contributions	-	1,359,414	(1,359,414)
Employee contributions	-	479,022	(479,022)
Net investment income	-	4,059,760	(4,059,760)
Benefit payments and refunds	(2,700,058)	(2,700,058)	-
Administrative expense	-	-	-
Other (net transfer)	-	214,489	(214,489)
Net changes	1,814,823	3,412,627	(1,597,804)
BALANCES AT DECEMBER 31, 2016	\$ 70,096,672	\$ 62,087,596	\$ 8,009,076

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 7.50% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 17,504,445	\$ 8,009,076	\$ 248,561

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, 2017, the Village recognized IMRF pension expense of \$2,266,484. At December 31, 2017, 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	\$ 32,680	\$ 1,198,117
Changes in assumptions	380,013	187,616
Net difference between projected and actual earnings on pension plan investments	3,048,072	-
Employer contributions after the measurement date	1,285,745	-
Total	<u>\$ 4,746,510</u>	<u>\$ 1,385,733</u>

The \$1,285,745 reported as deferred outflows of resources related to pensions resulting from Village contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 832,884
2019	529,028
2020	649,801
2021	63,319
2022	-
Thereafter	-
Total	<u>\$ 2,075,032</u>

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, 2017, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	69
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>109</u>
TOTAL	<u>181</u>
Number of participating employers	<u>1</u>

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 1<sup>st</sup> 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.



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, 2017, the Village's contribution was 39.62% of covered payroll.

*Investment Policy*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Investment Policy (Continued)*

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Large cap core	28.6%	7.0%
Large cap value	7.8%	7.0%
Large cap growth	7.8%	7.0%
Small – Mid cap	8.5%	7.9%
International	12.3%	6.8%
Fixed income	33.1%	3.5%
Cash and cash equivalents	1.9%	1.0%

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

The long-term expected rate of return on PPERS' investments was determined using an asset allocation study conducted by PPERS' investment management consultant in December 2017, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in PPERS' target asset allocation as of the date of this report are listed in the table above.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Investment Valuations*

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

*Investment Concentrations*

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

*Investment Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

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

*Interest Rate Risk*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Interest Rate Risk (Continued)*

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 6,710,352	\$ 424,222	\$ 1,447,963	\$ 812,763	\$ 4,025,404
U.S. Agency obligations	977,479	75,559	402,304	327,146	172,470
Corporate bonds	16,055,800	507,309	8,256,873	5,935,180	1,356,438
Municipal bonds	599,512	45,074	292,643	36,473	225,322
<b>TOTAL</b>	<b>\$ 24,343,143</b>	<b>\$ 1,052,164</b>	<b>\$ 10,399,783</b>	<b>\$ 7,111,562</b>	<b>\$ 5,779,634</b>

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, 2017. The U.S. Treasury obligations, equity securities, and money market mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (level 2 inputs).

*Credit Risk*

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

*Custodial Credit Risk*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Discount Rate*

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

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2017	\$ 116,272,549	\$ 67,379,405	\$ 48,893,144
Changes for the period:			
Service cost	2,135,476	-	2,135,476
Interest	8,262,327	-	8,262,327
Difference between expected and actual experience	1,524,716	-	1,524,716
Changes in assumptions	(4,940)	-	(4,940)
Employer contributions	-	4,043,020	(4,043,020)
Employee contributions	-	1,048,695	(1,048,695)
Net investment income	-	9,549,345	(9,549,345)
Benefit payments and refunds	(4,618,865)	(4,618,865)	-
Administrative expense	-	(25,234)	25,234
Other (net transfer)	-	79	79
Net changes	7,298,714	9,997,040	(2,698,326)
BALANCES AT DECEMBER 31, 2017	\$ 123,571,263	\$ 77,376,445	\$ 46,194,818

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

There were no changes with respect to actuarial assumptions.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Actuarial Assumptions*

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

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.00 - 15.60%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, 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, 2017, 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability \$	65,974,789	\$ 46,194,818	\$ 30,290,834

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, 2017, the Village recognized PPERS pension expense of \$11,231,565 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	\$ 1,557,009	\$ 6,399,827
Changes in assumptions	2,800,498	1,558,325
Net difference between projected and actual earnings on pension plan investments	-	1,902,140
Total	\$ 4,357,507	\$ 9,860,292

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,	
2018	\$ 339,411
2019	339,405
2020	(2,061,387)
2021	(2,072,861)
2022	(1,143,522)
Thereafter	(903,831)
Total	\$ (5,502,785)

c. Firefighters' Pension Employees Retirement System (FPERS)

*Plan Administration*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Plan Administration (Continued)*

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

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

*Plan Membership*

At December 31, 2017, the measurement date, membership consisted of:

Inactive plan members currently receiving benefits	72
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>91</u>
 TOTAL	 <u>164</u>
 Number of participating employers	 <u>1</u>

*Benefits Provided*

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



12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Benefits Provided (Continued)*

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of  $\frac{1}{2}$  of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e.,  $\frac{1}{2}$ % for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> 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, 2017, the Village's contribution was 51.99% of covered payroll.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Investment Policy*

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

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Russell 1000 large cap index	21%	7.3%
US small cap	6%	10.4%
World equity	17%	9.4%
Emerging markets	4%	11.5%
High yield bond fund	5%	6.1%
Emerging markets debt fund	5%	7.5%
Dynamic asset allocation fund	7%	9.8%
Fixed income	33%	4.3%
Cash and cash equivalents	2%	1.0%

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 reports investments at amortized cost in accordance with GASB Statement 79.

*Investment Concentrations*

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

*Investment Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## 12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

#### *Deposits with Financial Institutions*

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

#### *Interest Rate Risk*

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

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 12,920,067	\$ 946,617	\$ 7,756,676	\$ 4,113,668	\$ 85,106
U.S. Agency obligations	643,184	-	431,014	212,170	-
Corporate bonds	8,449,823	347,932	5,621,921	2,120,307	359,663
<b>TOTAL</b>	<b>\$ 22,013,074</b>	<b>\$ 1,312,549</b>	<b>\$ 13,809,611</b>	<b>\$ 6,446,145</b>	<b>\$ 444,769</b>

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, 2017. The U.S. Treasury obligations, equity securities, and money market mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (level 2 inputs).

#### *Credit Risk*

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

*Custodial Credit Risk*

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

*Discount Rate*

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

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
Balances at January 1, 2017	\$ 115,663,159	\$ 63,602,078	\$ 52,601,081
Changes for the period:			
Service cost	2,027,295	-	2,027,295
Interest	8,210,892	-	8,210,892
Difference between expected and actual experience	418,362	-	418,362
Changes in assumptions	-	-	-
Employer contributions	-	4,629,680	(4,629,680)
Employee contributions	-	886,245	(886,245)
Net investment income	-	9,067,078	(9,067,078)
Benefit payments and refunds	(4,818,995)	(4,818,995)	-
Administrative expense	-	(13,170)	13,170
Other (net transfer)	-	-	-
Net changes	5,837,554	9,750,838	(3,913,284)
BALANCES AT DECEMBER 31, 2017	\$ 121,500,713	\$ 72,812,916	\$ 48,687,797

## 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, 2017

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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 66,857,731	\$ 48,687,797	\$ 33,922,565

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, 2017, the Village recognized FPERS pension expense of \$9,968,857 and reported deferred outflows of resources and deferred inflows of resources related to FPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,156,206	\$ 1,519,753
Changes in assumptions	3,271,401	-
Net difference between projected and actual earnings on pension plan investments	-	1,365,355
Total	\$ 4,427,607	\$ 2,876,108

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

Year Ending December 31,	
2018	\$ 1,727,089
2019	1,727,083
2020	(882,184)
2021	(889,987)
2022	3,758
Thereafter	(134,260)
Total	\$ 1,551,499

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, 2016	December 31, 2017	December 31, 2017
Total pension liability (TPL)	\$ 70,096,672	\$ 123,571,263	\$ 121,500,713
Plan fiduciary net position	62,087,596	77,376,445	72,812,916
Net pension liability (NPL)	8,009,076	46,194,818	48,687,797
Plan fiduciary net position as a percentage of the TPL	88.57%	62.62%	59.93%
Covered payroll (active plan members)	\$ 10,630,398	\$ 10,849,076	\$ 9,245,367
Net pension liability as a percentage of covered payroll	75.34%	425.79%	526.62%

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
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,244,618	\$ 1,022,055	\$ 2,266,673
Investments			
U.S. Treasury securities	6,710,352	12,920,067	19,630,419
U.S. Agency securities	977,479	643,184	1,620,663
Corporate and international bonds	16,055,800	8,449,823	24,505,623
Municipal bonds	599,512	-	599,512
Money market mutual funds	208,029	3,010,039	3,218,068
Equities	51,402,256	46,467,841	97,870,097
Receivables			
Accrued interest	169,129	291,027	460,156
Due from general fund	9,270	8,880	18,150
Total assets	77,376,445	72,812,916	150,189,361
<b>LIABILITIES</b>			
None	-	-	-
Total liabilities	-	-	-
<b>NET POSITION</b>	<b>\$ 77,376,445</b>	<b>\$ 72,812,916</b>	<b>\$ 150,189,361</b>



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

13. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 4,043,020	\$ 4,629,680	\$ 8,672,700
Employee	1,048,695	886,245	1,934,940
Other	79	-	79
Total contributions	5,091,794	5,515,925	10,607,719
Investment income			
Net appreciation in fair value of investments	7,728,049	7,588,338	15,316,387
Interest income	2,033,313	1,658,339	3,691,652
Less investment expense	(212,017)	(179,599)	(391,616)
Net investment income	9,549,345	9,067,078	18,616,423
Total additions	14,641,139	14,583,003	29,224,142
DEDUCTIONS			
Administrative	25,234	13,170	38,404
Pension benefits and refunds	4,618,865	4,818,995	9,437,860
Total deductions	4,644,099	4,832,165	9,476,264
CHANGE IN NET POSITION	9,997,040	9,750,838	19,747,878
NET POSITION			
January 1	67,379,405	63,062,078	130,441,483
December 31	\$ 77,376,445	\$ 72,812,916	\$ 150,189,361

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## **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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 26,319,974	\$ 26,319,974	\$ 25,423,866
Licenses and permits	3,214,800	3,214,800	3,272,240
Intergovernmental	19,109,795	19,150,077	18,461,630
Charges for services	4,269,550	4,269,550	4,108,578
Fines and forfeits	1,734,800	1,734,800	1,726,483
Investment income	192,810	192,810	426,061
Miscellaneous	82,500	124,035	164,619
Total revenues	54,924,229	55,006,046	53,583,477
EXPENDITURES			
General government	6,132,785	5,888,921	5,359,971
Public safety	42,341,855	43,501,940	42,384,180
Public works	6,336,270	6,436,464	5,982,359
Total expenditures	54,810,910	55,827,325	53,726,510
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113,319	(821,279)	(143,033)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	38,096
Total other financing sources (uses)	-	-	38,096
NET CHANGE IN FUND BALANCE	\$ 113,319	\$ (821,279)	(104,937)
FUND BALANCE, JANUARY 1			23,485,226
FUND BALANCE, DECEMBER 31			\$ 23,380,289

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 5,271,600	\$ 5,271,600	\$ 5,552,634
Intergovernmental			
Build america bond interest rebate	126,921	126,921	127,262
Investment income	13,765	46,706	74,487
Total revenues	5,412,286	5,445,227	5,754,383
EXPENDITURES			
Economic development			
Supplies and services	10,000	9,454	7,353
Project expenditures	25,000	25,546	25,544
Capital outlay			
Rights of way improvements	10,000	10,000	7,643
Debt service			
Principal retirement	2,780,000	10,530,000	10,519,233
Interest	945,020	1,016,721	1,016,718
Fiscal charges	4,500	103,225	96,273
Total expenditures	3,774,520	11,694,946	11,672,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,637,766	(6,249,719)	(5,918,381)
OTHER FINANCING SOURCES (USES)			
Refunding bonds, issued at par	-	10,830,000	10,830,000
Bond premium	-	131,325	131,324
Payment to refunded bond escrow agent	-	(3,067,030)	(3,067,030)
Transfers (out)	-	(6,810)	(6,810)
Total other financing sources (uses)	-	7,887,485	7,887,484
NET CHANGE IN FUND BALANCE	\$ 1,637,766	\$ 1,637,766	1,969,103
FUND BALANCE, JANUARY 1			343,318
FUND BALANCE, DECEMBER 31			\$ 2,312,421

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 1,845,800	\$ 1,845,800	\$ 2,896,082
Investment income	1,500	1,500	14,620
Total revenues	1,847,300	1,847,300	2,910,702
EXPENDITURES			
Economic development			
Supplies and services	10,000	10,000	536
Project expenditures	325,000	426,735	426,732
Capital outlay			
Rights of way improvements	-	15,264	15,263
Debt service			
Principal retirement	1,200,000	1,200,000	1,200,000
Interest	554,795	554,795	554,790
Fiscal charges	2,250	75,295	72,238
Total expenditures	2,092,045	2,282,089	2,269,559
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(244,745)	(434,789)	641,143
OTHER FINANCING SOURCES (USES)			
Refunding bonds, issued at par	-	6,060,000	6,060,000
Bond premium	-	35,615	35,615
Payment to refunded bond escrow agent	-	(6,019,545)	(6,019,541)
Transfers (out)	-	(3,025)	(3,025)
Total other financing sources (uses)	-	73,045	73,049
NET CHANGE IN FUND BALANCE	\$ (244,745)	\$ (361,744)	714,192
FUND BALANCE, JANUARY 1			5,051,779
FUND BALANCE, DECEMBER 31			\$ 5,765,971

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2017

Actuarial Valuation Date December 31,	(1) 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)
2012	\$ -	\$ 5,329,063	0.00%	\$ 5,329,063	\$ 25,423,925	20.96%
2013 <sup>1</sup>	-	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 <sup>1</sup>	-	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%
2017 <sup>1</sup>	-	15,117,411	0.00%	15,117,411	24,843,777	60.85%

<sup>1</sup> Results from prior year.

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Ten Fiscal Years  
(schedule to be built prospectively)

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

Notes to the required supplementary information:

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

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

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND

Last Ten Fiscal Years

Calendar Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
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%
2017	4,075,790	4,043,020	32,770	10,205,207	39.62%

Notes to the required supplementary information:

Valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 Years
Asset valuation method	Market
Inflation	2.50%
Salary increases	4.50%
Investment rate of return	7.50%
Retirement age	62 Years
Mortality	RP-2014 Mortality Table (BCHA) projected to 2016 using MP-2015

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

Calendar Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
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%
2017	3,911,411	4,629,680	(718,269)	8,905,763	51.99%

Notes to the required supplementary information:

Valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 Years
Asset valuation method	Market
Inflation	2.50%
Salary increases	4.50%
Investment rate of return	7.50%
Retirement age	62 Years
Mortality	RP-2014 Mortality Table (BCHA) projected to 2016 using MP-2015

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, 2017

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Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2017	607,932	1,222,868	49.71%

(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)

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

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

Last Ten Fiscal Years  
(schedule to be built prospectively)

Calendar Year	2014	2015	2016	2017
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 2,128,244	\$ 2,015,249	\$ 2,107,038	\$ 2,135,476
Interest	6,641,984	7,633,547	8,334,207	8,262,326
Changes to benefit terms	-	-	-	-
Differences between expected and actual experience	2,900,261	550,745	(4,910,367)	1,524,716
Changes of assumptions	5,140,944	7,001,248	(2,119,085)	(4,940)
Benefit payments, including refunds of member contributions	(3,315,139)	(3,866,026)	(4,187,653)	(4,618,864)
Net change in total pension liability	13,496,294	13,334,763	(775,860)	7,298,714
Total pension liability				
Beginning	90,217,352	103,713,646	117,048,409	116,272,549
Ending	\$ 103,713,646	\$ 117,048,409	\$ 116,272,549	\$ 123,571,263
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 2,951,135	\$ 3,371,172	\$ 3,538,272	\$ 4,043,020
Contributions - member	1,356,475	1,034,219	1,055,702	1,048,695
Contributions - other	243	268	1,122	79
Net investment income	4,286,605	(209,305)	4,490,541	9,549,345
Benefit payments, including refunds of member contributions	(3,315,139)	(3,866,026)	(4,187,653)	(4,618,865)
Administrative expense	(34,045)	(35,714)	(49,552)	(25,234)
Net change in total pension liability	5,245,274	294,614	4,848,432	9,997,040
Plan net position				
Beginning	56,991,085	62,236,359	62,530,973	67,379,405
Ending	\$ 62,236,359	\$ 62,530,973	\$ 67,379,405	\$ 77,376,445
<b>EMPLOYER'S NET PENSION LIABILITY</b>	\$ 41,477,287	\$ 54,517,436	\$ 48,893,144	\$ 46,194,818
Plan fiduciary net position as a percentage of the total pension liability	60.01%	53.42%	57.95%	62.62%
Covered-employee payroll	\$ 10,074,104	\$ 10,205,207	\$ 10,358,270	\$ 10,849,076
Employer's net pension liability as a percentage of covered-employee payroll	411.72%	534.21%	472.02%	425.79%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

Last Ten Fiscal Years  
(schedule to be built prospectively)

Calendar Year	2014	2015	2016	2017
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 2,175,704	\$ 1,980,545	\$ 2,045,539	\$ 2,027,295
Interest	6,540,584	7,087,978	7,740,742	8,210,892
Changes to benefit terms	-	-	-	-
Differences between expected and actual experience	(62,429)	4,554	1,035,715	418,362
Changes of assumptions	2,775,760	7,553,761	328,856	-
Benefit payments, including refunds of member contributions	(4,046,416)	(4,215,646)	(4,513,084)	(4,818,995)
Net change in total pension liability	7,383,203	12,411,192	6,637,768	5,837,554
Total pension liability				
Beginning	89,230,996	96,614,199	109,025,391	115,663,159
Ending	\$ 96,614,199	\$ 109,025,391	\$ 115,663,159	\$ 121,500,713
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 3,098,007	\$ 3,620,989	\$ 3,660,137	\$ 4,629,680
Contributions - member	836,025	857,036	899,896	886,245
Contributions - other	-	51	215	-
Net investment income	2,470,732	(1,071,694)	4,226,592	9,067,078
Benefit payments, including refunds of member contributions	(4,046,416)	(4,215,646)	(4,513,084)	(4,818,995)
Administrative expense	(22,954)	(13,428)	(14,396)	(13,170)
Net change in total pension liability	2,335,394	(822,692)	4,259,360	9,750,838
Plan net position				
Beginning	57,290,016	59,625,410	58,802,718	63,062,078
Ending	\$ 59,625,410	\$ 58,802,718	\$ 63,062,078	\$ 72,812,916
<b>EMPLOYER'S NET PENSION LIABILITY</b>	\$ 36,988,789	\$ 50,222,673	\$ 52,601,081	\$ 48,687,797
Plan fiduciary net position as a percentage of the total pension liability	61.71%	53.93%	54.52%	59.93%
Covered-employee payroll	\$ 8,744,586	\$ 8,905,763	\$ 9,137,439	\$ 9,245,367
Employer's net pension liability as a percentage of covered-employee payroll	422.99%	563.93%	575.67%	526.62%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

(schedule to be built prospectively)

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

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

(See independent auditor's report.)



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

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STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. 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.

The Rand/Lake Cook TIF Fund, Special Fire Grant Fund, Special Police Grant Fund, and Village Hall Renovation Fund adopted annual appropriated budgets of zero for the current year.

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 no changes in actuarial 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, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and investments	\$ 10,617,560	\$ 9,012,473	\$ 19,630,033
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	4,229	-	4,229
Due from other governments	187,039	322,136	509,175
Other	-	2,220	2,220
Accrued interest	29,640	22,215	51,855
<b>TOTAL ASSETS</b>	<b>\$ 10,838,468</b>	<b>\$ 9,359,044</b>	<b>\$ 20,197,512</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 300	\$ 233,107	\$ 233,407
Accrued payroll	7,693	-	7,693
Due to other funds	27,861	-	27,861
Unearned revenue	27,863	9,030	36,893
<b>Total liabilities</b>	<b>63,717</b>	<b>242,137</b>	<b>305,854</b>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for streets and highways	1,085,496	-	1,085,496
Restricted for public safety	658,367	-	658,367
Restricted for economic development	9,030,888	-	9,030,888
Unrestricted			
Assigned for capital projects	-	9,116,907	9,116,907
<b>Total fund balances</b>	<b>10,774,751</b>	<b>9,116,907</b>	<b>19,891,658</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 10,838,468</b>	<b>\$ 9,359,044</b>	<b>\$ 20,197,512</b>

(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, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 3,138,995	\$ 2,640,678	\$ 5,779,673
Intergovernmental	2,150,969	157,755	2,308,724
Charges for services	-	310,870	310,870
Fines and forfeits	26,773	-	26,773
Investment income	86,289	76,364	162,653
Miscellaneous	7,738	962,310	970,048
Total revenues	5,410,764	4,147,977	9,558,741
EXPENDITURES			
Current			
Public safety	273,008	-	273,008
Economic development	1,004,730	-	1,004,730
Capital outlay	1,792,278	3,194,929	4,987,207
Total expenditures	3,070,016	3,194,929	6,264,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,340,748	953,048	3,293,796
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	58,216	58,216
Transfers in	-	678,500	678,500
Transfers (out)	-	(24,096)	(24,096)
Total other financing sources (uses)	-	712,620	712,620
NET CHANGE IN FUND BALANCES	2,340,748	1,665,668	4,006,416
FUND BALANCE, JANUARY 1	8,434,003	7,451,239	15,885,242
FUND BALANCE, DECEMBER 31	\$ 10,774,751	\$ 9,116,907	\$ 19,891,658

(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, 2017

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
<b>ASSETS</b>					
Cash and investments	\$ 934,011	\$ -	\$ 277,686	\$ 228,218	\$ 72,680
Receivables					
Property taxes	-	-	-	-	-
Due from other governments	151,485	-	-	-	-
Accrued interest	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,085,496</b>	<b>\$ -</b>	<b>\$ 277,686</b>	<b>\$ 228,218</b>	<b>\$ 72,680</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 300	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	27,863	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,163</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted for streets and highways	1,085,496	-	-	-	-
Restricted for public safety	-	-	277,686	200,055	72,680
Restricted for economic development	-	-	-	-	-
<b>Total fund balances</b>	<b>1,085,496</b>	<b>-</b>	<b>277,686</b>	<b>200,055</b>	<b>72,680</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,085,496</b>	<b>\$ -</b>	<b>\$ 277,686</b>	<b>\$ 228,218</b>	<b>\$ 72,680</b>

(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
\$ 107,946	\$ 7,913,672	\$ 967,913	\$ 115,434	\$ -	\$ -	\$ 10,617,560
-	4,229	-	-	-	-	4,229
-	-	-	-	-	35,554	187,039
-	26,275	3,365	-	-	-	29,640
\$ 107,946	\$ 7,944,176	\$ 971,278	\$ 115,434	\$ -	\$ 35,554	\$ 10,838,468
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300
-	-	-	-	-	7,693	7,693
-	-	-	-	-	27,861	27,861
-	-	-	-	-	-	27,863
-	-	-	-	-	35,554	63,717
-	-	-	-	-	-	1,085,496
107,946	-	-	-	-	-	658,367
-	7,944,176	971,278	115,434	-	-	9,030,888
107,946	7,944,176	971,278	115,434	-	-	10,774,751
\$ 107,946	\$ 7,944,176	\$ 971,278	\$ 115,434	\$ -	\$ 35,554	\$ 10,838,468

(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, 2017

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,773,262	145,504	19,026	36,143	-
Fines and forfeits	-	-	-	-	26,773
Investment income	6,224	-	2,545	1,896	614
Miscellaneous	-	-	-	-	7,569
Total revenues	1,779,486	145,504	21,571	38,039	34,956
EXPENDITURES					
Current					
Public safety	-	-	84,063	4,552	22,274
Economic development	-	140,730	-	-	-
Capital outlay	1,785,434	4,774	-	-	-
Total expenditures	1,785,434	145,504	84,063	4,552	22,274
NET CHANGE IN FUND BALANCES (DEFICITS)	(5,948)	-	(62,492)	33,487	12,682
FUND BALANCES (DEFICITS), JANUARY 1	1,091,444	-	340,178	166,568	59,998
FUND BALANCES, DECEMBER 31	\$ 1,085,496	\$ -	\$ 277,686	\$ 200,055	\$ 72,680

(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
\$ -	\$ 2,700,698	\$ 287,944	\$ 150,353	\$ -	\$ -	\$ 3,138,995
90,985	-	-	-	-	86,049	2,150,969
-	-	-	-	-	-	26,773
64	66,182	8,168	596	-	-	86,289
169	-	-	-	-	-	7,738
91,218	2,766,880	296,112	150,949	-	86,049	5,410,764
76,070	-	-	-	-	86,049	273,008
-	783,000	81,000	-	-	-	1,004,730
-	2,070	-	-	-	-	1,792,278
76,070	785,070	81,000	-	-	86,049	3,070,016
15,148	1,981,810	215,112	150,949	-	-	2,340,748
92,798	5,962,366	756,166	(35,515)	-	-	8,434,003
\$ 107,946	\$ 7,944,176	\$ 971,278	\$ 115,434	\$ -	\$ -	\$ 10,774,751

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Motor fuel tax allotment	\$ 1,802,900	\$ 1,802,900	\$ 1,773,262
Investment income	250	250	6,224
Total revenues	1,803,150	1,803,150	1,779,486
EXPENDITURES			
Capital outlay			
Street improvements	1,663,935	1,786,028	1,785,434
Total expenditures	1,663,935	1,786,028	1,785,434
NET CHANGE IN FUND BALANCE	\$ 139,215	\$ 17,122	(5,948)
FUND BALANCE, JANUARY 1			1,091,444
FUND BALANCE, DECEMBER 31			\$ 1,085,496

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 402,158	\$ 160,299	\$ 145,504
Total revenues	402,158	160,299	145,504
EXPENDITURES			
Economic development			
Administrative fees - General Fund	80,430	80,430	80,430
Social service agencies	60,300	60,300	60,300
Capital outlay			
Rights of way improvements	261,428	30,833	4,774
Total expenditures	402,158	171,563	145,504
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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 20,000	\$ 20,000	\$ 19,026
Investment income	-	-	2,545
Total revenues	20,000	20,000	21,571
EXPENDITURES			
Public safety			
Police			
Supplies and services	94,050	94,050	84,063
Total expenditures	94,050	94,050	84,063
NET CHANGE IN FUND BALANCE	<u>\$ (74,050)</u>	<u>\$ (74,050)</u>	(62,492)
FUND BALANCE, JANUARY 1			<u>340,178</u>
FUND BALANCE, DECEMBER 31			<u>\$ 277,686</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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 5,000	\$ 5,000	\$ 36,143
Investment income	-	-	1,896
Total revenues	5,000	5,000	38,039
EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	5,000	4,552
Total expenditures	5,000	5,000	4,552
NET CHANGE IN FUND BALANCE	\$ -	\$ -	33,487
FUND BALANCE, JANUARY 1			166,568
FUND BALANCE, DECEMBER 31			\$ 200,055

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Fines and forfeits			
DUI fines	\$ 30,000	\$ 30,000	\$ 26,773
Investment income	-	-	614
Miscellaneous			
Other	-	-	7,569
Total revenues	30,000	30,000	34,956
EXPENDITURES			
Public safety			
Police			
Supplies and services	5,000	31,420	22,274
Total expenditures	5,000	31,420	22,274
NET CHANGE IN FUND BALANCE	\$ 25,000	\$ (1,420)	12,682
FUND BALANCE, JANUARY 1			59,998
FUND BALANCE, DECEMBER 31			\$ 72,680

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Foreign fire tax	\$ 70,000	\$ 77,000	\$ 90,985
Investment income	-	-	64
Miscellaneous			
Other	-	-	169
Total revenues	70,000	77,000	91,218
EXPENDITURES			
Public safety			
Fire			
Supplies and services	70,000	77,000	76,070
Total expenditures	70,000	77,000	76,070
NET CHANGE IN FUND BALANCE	\$ -	\$ -	15,148
FUND BALANCE, JANUARY 1			92,798
FUND BALANCE, DECEMBER 31			\$ 107,946

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 2,610,000	\$ 2,610,000	\$ 2,700,698
Investment income	750	750	66,182
Total revenues	2,610,750	2,610,750	2,766,880
EXPENDITURES			
Economic development			
Surplus distribution	783,000	783,000	783,000
Capital outlay			
Street improvements	-	2,070	2,070
Total expenditures	783,000	785,070	785,070
NET CHANGE IN FUND BALANCE	\$ 1,827,750	\$ 1,825,680	1,981,810
FUND BALANCE, JANUARY 1			5,962,366
FUND BALANCE, DECEMBER 31			\$ 7,944,176

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 267,800	\$ 267,800	\$ 287,944
Investment income	75	75	8,168
Total revenues	267,875	267,875	296,112
EXPENDITURES			
Economic development			
Surplus distribution	81,000	81,000	81,000
Total expenditures	81,000	81,000	81,000
NET CHANGE IN FUND BALANCE	<u>\$ 186,875</u>	<u>\$ 186,875</u>	215,112
FUND BALANCE, JANUARY 1			<u>756,166</u>
FUND BALANCE, DECEMBER 31			<u>\$ 971,278</u>

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ -	\$ -	\$ 150,353
Investment income	-	-	596
Total revenues	-	-	150,949
EXPENDITURES			
None	-	-	-
Total expenditures	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	150,949
FUND BALANCE (DEFICIT), JANUARY 1			<u>(35,515)</u>
FUND BALANCE, DECEMBER 31			<u>\$ 115,434</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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Public safety Fire Supplies and services	-	-	-
Total expenditures	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-
FUND BALANCE, JANUARY 1			<u>-</u>
FUND BALANCE, DECEMBER 31			<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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 86,065	\$ 86,049
Total revenues	-	86,065	86,049
EXPENDITURES			
Public safety Police Personnel	-	86,065	86,049
Total expenditures	-	86,065	86,049
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(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 Hall Renovation Fund** - to account for the accumulation of resources and payment of construction costs related to the renovation of the Village Hall.



VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2017

	Capital Equipment Acquisition	Capital Improvement	Village Hall Renovation	Total
<b>ASSETS</b>				
Cash and investments	\$ 4,935,556	\$ 3,988,319	\$ 88,598	\$ 9,012,473
Receivables				
Due from other governments	144,962	177,174	-	322,136
Other	2,220	-	-	2,220
Accrued interest	8,010	14,205	-	22,215
<b>TOTAL ASSETS</b>	<b>\$ 5,090,748</b>	<b>\$ 4,179,698</b>	<b>\$ 88,598</b>	<b>\$ 9,359,044</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 54,793	\$ 133,314	\$ 45,000	\$ 233,107
Unearned revenue	9,030	-	-	9,030
<b>Total liabilities</b>	<b>63,823</b>	<b>133,314</b>	<b>45,000</b>	<b>242,137</b>
<b>FUND BALANCES</b>				
Unrestricted				
Assigned for capital projects	5,026,925	4,046,384	43,598	9,116,907
<b>Total fund balances</b>	<b>5,026,925</b>	<b>4,046,384</b>	<b>43,598</b>	<b>9,116,907</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,090,748</b>	<b>\$ 4,179,698</b>	<b>\$ 88,598</b>	<b>\$ 9,359,044</b>

(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, 2017

	Capital Equipment Acquisition	Capital Improvement	Village Hall Renovation	Total
REVENUES				
Taxes	\$ 1,670,548	\$ 970,130	\$ -	\$ 2,640,678
Intergovernmental	68,393	89,362	-	157,755
Charges for services	240,876	69,994	-	310,870
Investment income	34,578	40,257	1,529	76,364
Miscellaneous	938,391	23,919	-	962,310
Total revenues	2,952,786	1,193,662	1,529	4,147,977
EXPENDITURES				
Capital outlay	1,453,058	1,739,551	2,320	3,194,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,499,728	(545,889)	(791)	953,048
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	58,216	-	-	58,216
Transfers in	576,000	102,500	-	678,500
Transfers (out)	-	-	(24,096)	(24,096)
Total other financing sources (uses)	634,216	102,500	(24,096)	712,620
NET CHANGE IN FUND BALANCE	2,133,944	(443,389)	(24,887)	1,665,668
FUND BALANCE, JANUARY 1	2,892,981	4,489,773	68,485	7,451,239
FUND BALANCE, DECEMBER 31	\$ 5,026,925	\$ 4,046,384	\$ 43,598	\$ 9,116,907

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 732,605	\$ 732,605	\$ 670,548
Electric utility use tax	1,000,000	1,000,000	1,000,000
Intergovernmental			
TIF Rebate	50,000	50,000	68,393
Charges for services			
Rental income	207,110	207,110	240,876
Investment income	2,500	2,500	34,578
Miscellaneous			
Reimbursements	-	253,313	938,391
Total revenues	1,992,215	2,245,528	2,952,786
EXPENDITURES			
Capital outlay			
Technology	441,400	266,271	216,766
Vehicles and equipment	1,329,990	1,344,825	1,236,292
Total expenditures	1,771,390	1,611,096	1,453,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	220,825	634,432	1,499,728
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	50,000	50,000	58,216
Transfers in	576,000	576,000	576,000
Total other financing sources (uses)	626,000	626,000	634,216
NET CHANGE IN FUND BALANCE	\$ 846,825	\$ 1,260,432	2,133,944
FUND BALANCE, JANUARY 1			2,892,981
FUND BALANCE, DECEMBER 31			\$ 5,026,925

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 902,275	\$ 902,275	\$ 820,130
Electric utility use tax	200,000	200,000	150,000
Intergovernmental			
Park district reimbursement	-	-	89,362
Grants	-	163,300	-
Charges for services			
Improvement cost sharing programs	-	-	69,994
Investment income	2,500	2,500	40,257
Miscellaneous			
Reimbursements	-	-	23,919
Total revenues	1,104,775	1,268,075	1,193,662
EXPENDITURES			
Capital outlay			
Buildings and facilities	120,000	120,000	116,251
Rights of way improvements	309,000	451,179	381,266
Street improvements	1,204,325	1,249,081	1,242,034
Total expenditures	1,633,325	1,820,260	1,739,551
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(528,550)	(552,185)	(545,889)
OTHER FINANCING SOURCES (USES)			
Transfers in	102,500	102,500	102,500
Total other financing sources (uses)	102,500	102,500	102,500
NET CHANGE IN FUND BALANCE	\$ (426,050)	\$ (449,685)	(443,389)
FUND BALANCE, JANUARY 1			4,489,773
FUND BALANCE, DECEMBER 31			\$ 4,046,384

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 1,529
Total revenues	-	-	1,529
EXPENDITURES			
Capital outlay			
Buildings and facilities	-	11,177	2,320
Total expenditures	-	11,177	2,320
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(11,177)	(791)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	-	(24,096)
Total other financing sources (uses)	-	-	(24,096)
NET CHANGE IN FUND BALANCE	\$ -	\$ (11,177)	(24,887)
FUND BALANCE, JANUARY 1			68,485
FUND BALANCE, DECEMBER 31			\$ 43,598

(See independent auditor's report.)

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## **Internal Service Funds**

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

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

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



VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS

December 31, 2017

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 994,905	\$ 2,367,635	\$ 5,815,322	\$ 9,177,862
Receivables				
Other	14,790	-	-	14,790
Accrued interest	-	5,655	30,650	36,305
Prepaid items	-	62,577	-	62,577
Inventories	180,265	-	-	180,265
<b>Total current assets</b>	<b>1,189,960</b>	<b>2,435,867</b>	<b>5,845,972</b>	<b>9,471,799</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	245,294	-	-	245,294
<b>CURRENT LIABILITIES</b>				
Accounts payable	92,085	4,137	14,059	110,281
Accrued payroll	24,055	-	-	24,055
Claims payable	-	928,243	133,340	1,061,583
Unearned revenue	-	6,975	-	6,975
Compensated absences payable	8,780	-	-	8,780
<b>Total current liabilities</b>	<b>124,920</b>	<b>939,355</b>	<b>147,399</b>	<b>1,211,674</b>
<b>LONG-TERM LIABILITIES</b>				
Claims payable	-	-	1,005,670	1,005,670
Compensated absences payable	35,110	-	-	35,110
Net pension liability	400,453	-	-	400,453
<b>Total long-term liabilities</b>	<b>435,563</b>	<b>-</b>	<b>1,005,670</b>	<b>1,441,233</b>
<b>Total liabilities</b>	<b>560,483</b>	<b>939,355</b>	<b>1,153,069</b>	<b>2,652,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	69,287	-	-	69,287
<b>NET POSITION</b>				
Unrestricted	805,484	1,496,512	4,692,903	6,994,899
<b>TOTAL NET POSITION</b>	<b>\$ 805,484</b>	<b>\$ 1,496,512</b>	<b>\$ 4,692,903</b>	<b>\$ 6,994,899</b>

(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, 2017

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 1,837,807	\$ 6,677,215	\$ 1,021,788	\$ 9,536,810
Miscellaneous	43,333	-	59,155	102,488
Total operating revenues	1,881,140	6,677,215	1,080,943	9,639,298
OPERATING EXPENSES				
Costs of sales and services	1,893,979	6,929,456	753,382	9,576,817
Total operating expenses	1,893,979	6,929,456	753,382	9,576,817
OPERATING INCOME (LOSS)	(12,839)	(252,241)	327,561	62,481
NONOPERATING REVENUES (EXPENSES)				
Investment income	8,657	23,767	55,600	88,024
Total nonoperating revenues (expenses)	8,657	23,767	55,600	88,024
CHANGE IN NET POSITION	(4,182)	(228,474)	383,161	150,505
NET POSITION, JANUARY 1	809,666	1,724,986	4,309,742	6,844,394
NET POSITION, DECEMBER 31	\$ 805,484	\$ 1,496,512	\$ 4,692,903	\$ 6,994,899

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2017

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 269,030	\$ 1,279,195	\$ 59,155	\$ 1,607,380
Receipts from interfund services transactions	1,640,280	5,399,825	1,021,788	8,061,893
Payments to suppliers	(962,344)	(6,836,418)	(641,645)	(8,440,407)
Payments to employees	(834,102)	-	-	(834,102)
Net cash from operating activities	112,864	(157,398)	439,298	394,764
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
None	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
None	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	8,657	18,112	24,950	51,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,521	(139,286)	464,248	446,483
CASH AND CASH EQUIVALENTS, JANUARY 1	873,384	2,506,921	5,351,074	8,731,379
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 994,905	\$ 2,367,635	\$ 5,815,322	\$ 9,177,862
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (12,839)	\$ (252,241)	\$ 327,561	\$ 62,481
Adjustments to reconcile operating income (loss) to net cash from operating activities				
(Increase) decrease in				
Other receivables	28,170	-	-	28,170
Prepaid items	-	(2,252)	-	(2,252)
Inventories	(965)	-	-	(965)
Deferred outflows related to pensions	143,116	-	-	143,116
Increase (decrease) in				
Accounts payable	(25,337)	(14,628)	(6,828)	(46,793)
Accrued payroll	2,536	-	-	2,536
Claims payable	-	109,918	118,565	228,483
Unearned revenue	-	1,805	-	1,805
Compensated absences payable	3,915	-	-	3,915
Net pension liability	(79,891)	-	-	(79,891)
Deferred inflows related to pensions	54,159	-	-	54,159
NET CASH FROM OPERATING ACTIVITIES	\$ 112,864	\$ (157,398)	\$ 439,298	\$ 394,764

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Vehicle maintenance	\$ 1,908,885	\$ 1,908,885	\$ 1,837,807
Miscellaneous			
Recoveries and refunds	23,500	44,500	43,333
Total operating revenues	1,932,385	1,953,385	1,881,140
OPERATING EXPENSES			
Costs of sales and services			
Public works			
Personnel	836,945	857,945	957,937
Supplies and services	1,095,540	1,036,772	936,042
Total operating expenses	1,932,485	1,894,717	1,893,979
OPERATING INCOME (LOSS)	(100)	58,668	(12,839)
NONOPERATING REVENUES (EXPENSES)			
Investment income	100	100	8,657
CHANGE IN NET POSITION	\$ -	\$ 58,768	(4,182)
NET POSITION, JANUARY 1			809,666
NET POSITION, DECEMBER 31			\$ 805,484

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums			
Retiree	\$ 665,800	\$ 665,800	\$ 720,785
COBRA	-	-	52,867
Employee	542,100	542,100	503,738
Employer	5,697,205	5,697,205	5,399,825
Total operating revenues	6,905,105	6,905,105	6,677,215
OPERATING EXPENSES			
Costs of sales and services			
Administration	1,715,143	1,715,143	1,577,583
Insurance claims	5,526,000	5,526,000	5,351,873
Total operating expenses	7,241,143	7,241,143	6,929,456
OPERATING INCOME (LOSS)	(336,038)	(336,038)	(252,241)
NONOPERATING REVENUES (EXPENSES)			
Investment income	4,000	4,000	23,767
CHANGE IN NET POSITION	\$ (332,038)	\$ (332,038)	(228,474)
NET POSITION, JANUARY 1			1,724,986
NET POSITION, DECEMBER 31			\$ 1,496,512

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums	\$ 1,023,520	\$ 1,022,413	\$ 1,021,788
Miscellaneous			
Reimbursements	-	-	59,155
Total operating revenues	1,023,520	1,022,413	1,080,943
OPERATING EXPENSES			
Costs of sales and services			
Administration	150,315	134,208	100,357
Insurance claims	665,000	680,000	653,025
Total operating expenses	815,315	814,208	753,382
OPERATING INCOME	208,205	208,205	327,561
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	55,600
CHANGE IN NET POSITION	\$ 213,205	\$ 213,205	383,161
NET POSITION, JANUARY 1			4,309,742
NET POSITION, DECEMBER 31			\$ 4,692,903

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

**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, 2017

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,266,673	\$ 1,393,285
Investments		
U.S. Treasury securities	19,630,419	-
U.S. agency securities	1,620,663	-
Corporate and international bonds	24,505,623	-
Municipal bonds	599,512	-
Money market mutual funds	3,218,068	-
Equities	97,870,097	-
Receivables		
Property taxes	-	586,613
Accrued interest	460,156	-
Due from general fund	18,150	-
Prepaid items	-	3,000
Total assets	150,189,361	\$ 1,982,897
<b>LIABILITIES</b>		
Accounts payable	-	3,404
Other liabilities	-	740,012
Due to bondholders	-	1,239,481
Total liabilities	-	\$ 1,982,897
<b>NET POSITION</b>		
Restricted for pensions	\$ 150,189,361	

(See independent auditor's report.)

## VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION  
PENSION TRUST FUNDS

December 31, 2017

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,244,618	\$ 1,022,055	\$ 2,266,673
Investments			
U.S. Treasury securities	6,710,352	12,920,067	19,630,419
U.S. agency securities	977,479	643,184	1,620,663
Corporate and international bonds	16,055,800	8,449,823	24,505,623
Municipal bonds	599,512	-	599,512
Money market mutual funds	208,029	3,010,039	3,218,068
Equities	51,402,256	46,467,841	97,870,097
Receivables			
Accrued interest	169,129	291,027	460,156
Due from general fund	9,270	8,880	18,150
<b>Total assets</b>	<b>77,376,445</b>	<b>72,812,916</b>	<b>150,189,361</b>
<b>LIABILITIES</b>			
None	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Restricted for pensions	\$ 77,376,445	\$ 72,812,916	\$ 150,189,361

(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, 2017

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 4,043,020	\$ 4,629,680	\$ 8,672,700
Employee	1,048,695	886,245	1,934,940
Other	79	-	79
Total contributions	5,091,794	5,515,925	10,607,719
Investment earnings			
Net increase (decrease) in the fair value of investments	7,728,049	7,588,338	15,316,387
Interest	2,033,313	1,658,339	3,691,652
Total investment earnings	9,761,362	9,246,677	19,008,039
Less investment expense	(212,017)	(179,599)	(391,616)
Net investment earnings	9,549,345	9,067,078	18,616,423
Total additions	14,641,139	14,583,003	29,224,142
DEDUCTIONS			
Administration	25,234	13,170	38,404
Benefits and refunds			
Retirement benefits	4,542,321	4,817,735	9,360,056
Refunds of contributions	76,544	1,260	77,804
Total deductions	4,644,099	4,832,165	9,476,264
CHANGE IN NET POSITION	9,997,040	9,750,838	19,747,878
NET POSITION			
January 1	67,379,405	63,062,078	130,441,483
December 31	\$ 77,376,445	\$ 72,812,916	\$ 150,189,361

(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, 2017

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 4,076,000	\$ 4,091,028	\$ 4,043,020
Employee	1,091,875	1,091,875	1,048,695
Other	-	-	79
Total contributions	5,167,875	5,182,903	5,091,794
Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	7,728,049
Interest	750,000	750,000	2,033,313
Total investment earnings	1,000,000	1,000,000	9,761,362
Less investment expense	(360,000)	(360,000)	(212,017)
Net investment earnings	640,000	640,000	9,549,345
Total additions	5,807,875	5,822,903	14,641,139
DEDUCTIONS			
Administration	56,900	56,900	25,234
Benefits and refunds			
Retirement benefits	4,765,000	4,765,000	4,542,321
Refunds of contributions	100,000	100,000	76,544
Total deductions	4,921,900	4,921,900	4,644,099
CHANGE IN NET POSITION	\$ 885,975	\$ 901,003	9,997,040
NET POSITION			
January 1			67,379,405
December 31			\$ 77,376,445

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 3,912,000	\$ 3,926,211	\$ 4,629,680
Employee	896,335	896,335	886,245
Total contributions	4,808,335	4,822,546	5,515,925
Investment earnings			
Net increase (decrease) in the fair value of investments	250,000	250,000	7,588,338
Interest	750,000	750,000	1,658,339
Total investment earnings	1,000,000	1,000,000	9,246,677
Less investment expense	(250,000)	(250,000)	(179,599)
Net investment earnings	750,000	750,000	9,067,078
Total additions	5,558,335	5,572,546	14,583,003
DEDUCTIONS			
Administration	38,750	38,750	13,170
Benefits and refunds			
Retirement benefits	5,170,000	5,170,000	4,817,735
Refunds of contributions	100,000	100,000	1,260
Total deductions	5,308,750	5,308,750	4,832,165
CHANGE IN NET POSITION	\$ 249,585	\$ 263,796	9,750,838
NET POSITION			
January 1			63,062,078
December 31			\$ 72,812,916

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS

December 31, 2017

	Special Service Area	Letter of Credit Escrow	Section 125	Total
<hr/>				
ASSETS				
Cash and cash equivalents	\$ 1,236,268	\$ 91,100	\$ 65,917	\$ 1,393,285
Receivables - property taxes	586,613	-	-	586,613
Prepaid items	3,000	-	-	3,000
	<hr/>			
Total assets	\$ 1,825,881	\$ 91,100	\$ 65,917	\$ 1,982,897
	<hr/>			
LIABILITIES				
Accounts payable	-	3,404	-	3,404
Other liabilities	586,400	87,696	65,917	740,012
Due to bondholders	1,239,481	-	-	1,239,481
	<hr/>			
Total liabilities	\$ 1,825,881	\$ 91,100	\$ 65,917	\$ 1,982,897
	<hr/>			

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the Year Ended December 31, 2017

	Balances				Balances	
	January 1	Additions	Deletions		December 31	
<b>TOTAL AGENCY FUNDS</b>						
ASSETS						
Cash and cash equivalents	\$ 1,472,487	\$ 931,963	\$ 1,011,165	\$	1,393,285	
Receivables						
Property taxes	589,500	586,613	589,500		586,613	
Prepaid items	3,000	3,000	3,000		3,000	
<b>TOTAL ASSETS</b>	<b>\$ 2,064,987</b>	<b>\$ 1,521,576</b>	<b>\$ 1,603,665</b>	<b>\$</b>	<b>1,982,897</b>	
LIABILITIES						
Accounts payable	\$ 5,251	\$ 3,404	\$ 5,251	\$	3,404	
Other liabilities	849,010	903,247	1,012,245		740,012	
Due to bondholders	1,210,726	618,329	589,574		1,239,481	
<b>TOTAL LIABILITIES</b>	<b>\$ 2,064,987</b>	<b>\$ 1,524,980</b>	<b>\$ 1,607,070</b>	<b>\$</b>	<b>1,982,897</b>	
<b>Special Service Areas Fund</b>						
ASSETS						
Cash and cash equivalents	\$ 1,230,522	\$ 615,116	\$ 609,370	\$	1,236,268	
Receivables						
Property taxes	589,500	586,613	589,500		586,613	
Prepaid items	3,000	3,000	3,000		3,000	
<b>TOTAL ASSETS</b>	<b>\$ 1,823,022</b>	<b>\$ 1,204,729</b>	<b>\$ 1,201,870</b>	<b>\$</b>	<b>1,825,881</b>	
LIABILITIES						
Other liabilities	\$ 612,296	\$ 586,400	\$ 612,296	\$	586,400	
Due to bondholders	1,210,726	618,329	589,574		1,239,481	
<b>TOTAL LIABILITIES</b>	<b>\$ 1,823,022</b>	<b>\$ 1,204,729</b>	<b>\$ 1,201,870</b>	<b>\$</b>	<b>1,825,881</b>	

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2017

	Balances				Balances	
	January 1	Additions	Deletions		December 31	
<b>Letter of Credit Escrow Fund</b>						
ASSETS						
Cash and cash equivalents	\$ 179,078	\$ -	\$ 87,978	\$	91,100	
TOTAL ASSETS	\$ 179,078	\$ -	\$ 87,978	\$	91,100	
LIABILITIES						
Accounts payable	\$ 5,251	\$ 3,404	\$ 5,251	\$	3,404	
Other liabilities	173,827	-	\$ 86,131		87,696	
TOTAL LIABILITIES	\$ 179,078	\$ 3,404	\$ 91,382	\$	91,100	
<b>Section 125 Fund</b>						
ASSETS						
Cash and cash equivalents	\$ 62,887	\$ 316,847	\$ 313,817	\$	65,917	
TOTAL ASSETS	\$ 62,887	\$ 316,847	\$ 313,817	\$	65,917	
LIABILITIES						
Other liabilities	\$ 62,887	\$ 316,847	\$ 313,817	\$	65,917	
TOTAL LIABILITIES	\$ 62,887	\$ 316,847	\$ 313,817	\$	65,917	

(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, 2017

	Original Budget	Final Budget	Actual
<b>TAXES</b>			
Property tax			
Police protection	\$ 3,856,437	\$ 3,856,437	\$ 3,779,907
Fire protection	3,856,437	3,856,437	3,781,251
FICA	1,999,900	1,999,900	1,961,408
IMRF	1,352,400	1,352,400	1,326,119
Police pension	4,076,000	4,076,000	4,027,993
Fire pension	3,912,000	3,912,000	3,865,470
Home rule sales tax	4,466,300	4,466,300	4,111,583
Food and beverage tax	1,274,000	1,274,000	1,269,831
Motel occupancy tax	220,000	220,000	186,822
Electric utility use tax	1,306,500	1,306,500	1,113,482
Total taxes	26,319,974	26,319,974	25,423,866
<b>LICENSES AND PERMITS</b>			
Professional and occupational	229,000	229,000	218,881
Liquor licenses	334,500	334,500	318,302
Rental dwelling licenses	375,000	375,000	413,254
Building permits and fees	843,300	843,300	899,696
Vehicle licenses	1,200,000	1,200,000	1,183,137
Other licenses and permits	233,000	233,000	238,970
Total licenses and permits	3,214,800	3,214,800	3,272,240
<b>INTERGOVERNMENTAL</b>			
State sales tax	8,266,800	8,266,800	7,903,183
State income tax	6,767,100	6,767,100	6,296,903
Local use tax	1,714,100	1,714,100	1,731,709
Township road and bridge tax	723,800	723,800	686,901
Fire protection district reimbursement	25,000	25,000	47,709
Police consultant - schools	365,530	365,530	365,530
TIF Rebate	-	29,239	29,237
State highway maintenance	165,205	165,205	164,005
Personal property replacement tax	86,400	86,400	119,970
Grants	25,000	36,043	13,245
Other intergovernmental	970,860	970,860	1,103,238
Total intergovernmental	19,109,795	19,150,077	18,461,630

(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, 2017

	Original Budget	Final Budget	Actual
<b>CHARGES FOR SERVICES</b>			
Cable TV franchise fees	\$ 1,248,000	\$ 1,248,000	\$ 1,193,501
Plan review fees	270,000	270,000	314,420
Inspection fees	345,000	345,000	377,704
Special police service	133,000	133,000	125,087
Special fire service	248,050	248,050	60,954
Ambulance fees	1,500,000	1,500,000	1,404,827
Vehicle impound fees	172,000	172,000	148,500
Streetfest revenue	175,000	175,000	164,779
Rental income	120,000	120,000	226,500
Other charges for services	58,500	58,500	92,306
Total charges for services	4,269,550	4,269,550	4,108,578
<b>FINES AND FORFEITS</b>			
Circuit court fines	250,000	250,000	278,580
Parking fines	210,000	210,000	184,311
Compliance fines	400,000	400,000	456,012
Red light violation fines	754,800	754,800	699,946
Adjudication and other fines	120,000	120,000	107,634
Total fines and forfeits	1,734,800	1,734,800	1,726,483
<b>INVESTMENT INCOME</b>	192,810	192,810	426,061
<b>MISCELLANEOUS</b>			
Recoveries and refunds	50,000	86,995	66,383
Reimbursements	25,000	27,040	87,840
Donations	-	2,500	3,901
Other	7,500	7,500	6,495
Total miscellaneous	82,500	124,035	164,619
<b>TOTAL REVENUES</b>	<u>\$ 54,924,229</u>	<u>\$ 55,006,046</u>	<u>\$ 53,583,477</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
Mayor and council			
Personnel	\$ 199,140	\$ 206,175	\$ 181,366
Supplies and services	43,705	43,355	30,722
Boards and commissions			
Supplies and services	48,620	59,421	54,244
Village clerk			
Personnel	156,910	157,570	150,283
Supplies and services	14,950	14,950	8,264
Village manager			
Personnel	768,635	788,890	731,844
Supplies and services	432,020	436,810	383,905
Finance and operations			
Personnel	605,010	613,520	610,343
Supplies and services	357,470	357,470	267,018
Legal			
Personnel	89,535	89,535	73,386
Supplies and services	411,750	427,550	369,933
Human resources			
Personnel	748,040	407,165	355,312
Supplies and services	53,925	57,834	53,183
Planning and zoning			
Personnel	534,155	503,588	482,377
Supplies and services	18,115	13,337	13,173
Information technology			
Personnel	957,655	988,711	919,808
Supplies and services	363,380	393,270	345,040
Liability insurance			
Supplies and services	1,398,200	1,398,200	1,398,200
Less administrative fees			
CDBG Fund	(80,430)	(80,430)	(80,430)
Waterworks fund	(404,000)	(404,000)	(404,000)
Sewerage fund	(404,000)	(404,000)	(404,000)
Refuse fund	(116,000)	(116,000)	(116,000)
Motor Vehicle Parking System fund	(64,000)	(64,000)	(64,000)
Total general government	6,132,785	5,888,921	5,359,971

(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, 2017

	Original Budget	Final Budget	Actual
PUBLIC SAFETY			
Community services			
Personnel	\$ 1,994,875	\$ 2,105,000	\$ 2,089,834
Supplies and services	222,445	249,489	187,680
Police			
Personnel	20,644,635	20,794,443	20,062,457
Supplies and services	1,529,440	1,526,704	1,487,084
Fire			
Personnel	17,126,145	17,976,282	17,746,002
Supplies and services	824,315	850,022	811,123
Total public safety	42,341,855	43,501,940	42,384,180
PUBLIC WORKS			
Public works			
Personnel	4,009,945	4,065,887	3,864,802
Supplies and services	2,326,325	2,370,577	2,117,557
Total public works	6,336,270	6,436,464	5,982,359
TOTAL EXPENDITURES	\$ 54,810,910	\$ 55,827,325	\$ 53,726,510

(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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property tax	\$ 2,660,458	\$ 2,660,458	\$ 2,661,512
Intergovernmental			
Build america bond interest rebate	502,213	502,213	503,562
Investment income	4,504	10,891	20,338
Total revenues	3,167,175	3,173,562	3,185,412
EXPENDITURES			
Debt service			
Principal retirement	1,370,000	2,870,000	2,870,000
Interest	1,792,675	1,809,767	1,809,762
Fiscal charges	4,500	53,404	51,317
Total expenditures	3,167,175	4,733,171	4,731,079
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,559,609)	(1,545,667)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued, at par	-	1,465,000	1,465,000
Bond premium	-	98,774	98,773
Transfers (out)	-	(4,165)	(4,165)
Total other financing sources (uses)	-	1,559,609	1,559,608
NET CHANGE IN FUND BALANCE	\$ -	\$ -	13,941
FUND BALANCE, JANUARY 1			192,428
FUND BALANCE, DECEMBER 31			\$ 206,369

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 11,571,000	\$ 11,583,628	\$ 11,542,365
Miscellaneous	35,000	35,000	213,651
Total operating revenues	11,606,000	11,618,628	11,756,016
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	9,888,165	8,744,450	7,746,253
Administrative fees - General Fund	404,000	404,000	404,000
Total operating expenses excluding depreciation	10,292,165	9,148,450	8,150,253
OPERATING INCOME BEFORE DEPRECIATION	1,313,835	2,470,178	3,605,763
DEPRECIATION	-	-	818,795
OPERATING INCOME	1,313,835	2,470,178	2,786,968
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,000	1,000	55,184
Interest and fiscal charges	(233,560)	(233,560)	(146,560)
Income (Expense) from joint venture	-	-	791,930
Total nonoperating revenues (expenses)	(232,560)	(232,560)	700,554
NET INCOME BEFORE TRANSFERS	1,081,275	2,237,618	3,487,522
Transfers (out)	(288,000)	(288,000)	(288,000)
CHANGE IN NET POSITION	\$ 793,275	\$ 1,949,618	3,199,522
NET POSITION, JANUARY 1			25,114,785
NET POSITION, DECEMBER 31			\$ 28,314,307

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Water use fees			
Resident	\$ 8,908,000	\$ 8,908,000	\$ 8,616,572
Nonresident	1,936,000	1,948,628	1,829,090
Water penalties			
Resident	60,000	60,000	69,103
Nonresident	10,000	10,000	11,224
User charge			
Resident	507,000	507,000	514,715
Nonresident	60,000	60,000	30,619
System development surcharge	20,000	20,000	505
Water extension fee	20,000	20,000	357,266
Water connection fees	15,000	15,000	445
Water meter sales	15,000	15,000	93,055
Water turn-on/service fees	20,000	20,000	19,771
Total charges for services	11,571,000	11,583,628	11,542,365
Miscellaneous - reimbursements	35,000	35,000	213,651
TOTAL OPERATING REVENUES	\$ 11,606,000	\$ 11,618,628	\$ 11,756,016

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Personnel	\$ 449,780	\$ 453,275	\$ 453,036
Supplies and services	193,800	193,800	205,701
Liability insurance			
Supplies and services	50,000	50,000	50,000
Public works			
Personnel	1,170,800	1,189,661	1,205,224
Supplies and services	870,295	958,571	765,887
Water purchase			
Northwest Water Commission	3,017,460	3,017,460	2,917,543
Capital projects			
Technology	47,700	82,428	47,463
Buildings and facilities	163,000	147,825	141,300
Water system	3,925,330	2,651,430	2,632,534
Less: Nonoperating			
Capital assets capitalized	-	-	(672,435)
Total costs of sales and services	9,888,165	8,744,450	7,746,253
Administrative fees - General Fund	404,000	404,000	404,000
TOTAL OPERATING EXPENSES	\$ 10,292,165	\$ 9,148,450	\$ 8,150,253

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 4,114,975	\$ 4,114,975	\$ 3,987,203
Miscellaneous	250	250	277
Total operating revenues	4,115,225	4,115,225	3,987,480
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,867,440	1,564,408	1,511,934
Administrative fees - General Fund	404,000	404,000	404,000
Total operating expenses excluding depreciation	2,271,440	1,968,408	1,915,934
OPERATING INCOME BEFORE DEPRECIATION	1,843,785	2,146,817	2,071,546
DEPRECIATION	-	-	1,191,175
OPERATING INCOME	1,843,785	2,146,817	880,371
NONOPERATING REVENUES (EXPENSES)			
Investment income	250	250	32,524
Interest and fiscal charges	(288,905)	(288,905)	(266,138)
Total nonoperating revenues (expenses)	(288,655)	(288,655)	(233,614)
NET INCOME BEFORE TRANSFERS	1,555,130	1,858,162	646,757
Transfers (out)	(288,000)	(288,000)	(288,000)
CHANGE IN NET POSITION	\$ 1,267,130	\$ 1,570,162	358,757
NET POSITION, JANUARY 1			18,734,454
NET POSITION, DECEMBER 31			\$ 19,093,211

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Sewer use fees			
Resident	\$ 2,416,700	\$ 2,416,700	\$ 2,389,384
Nonresident	517,475	517,475	418,396
Sewer penalties			
Resident	25,000	25,000	27,606
Nonresident	2,000	2,000	1,831
Sewer connection fees	6,000	6,000	9,953
Surcharges			
Fair Meadows	1,800	1,800	1,855
Flood control	1,146,000	1,146,000	1,132,826
50/50 sewer extension	-	-	3,600
Detention Fees	-	-	1,752
Total charges for services	4,114,975	4,114,975	3,987,203
Miscellaneous - reimbursements	250	250	277
TOTAL OPERATING REVENUES	\$ 4,115,225	\$ 4,115,225	\$ 3,987,480

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Liability insurance			
Supplies and services	\$ 50,000	\$ 50,000	\$ 50,000
Public works			
Personnel	735,960	735,960	749,910
Supplies and services	208,780	218,470	176,064
Capital projects			
Flood control	480,000	289,310	291,742
Technology	22,700	30,358	7,657
Buildings and facilities	70,000	80,198	76,449
Sanitary sewer	300,000	160,112	160,112
Total costs of sales and services	1,867,440	1,564,408	1,511,934
Administrative fees - General Fund	404,000	404,000	404,000
TOTAL OPERATING EXPENSES	\$ 2,271,440	\$ 1,968,408	\$ 1,915,934

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Parking fees	\$ 696,500	\$ 696,500	\$ 709,390
Total operating revenues	696,500	696,500	709,390
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	574,625	533,246	408,712
Administrative fees - General Fund	64,000	64,000	64,000
Total operating expenses excluding depreciation	638,625	597,246	472,712
OPERATING INCOME BEFORE DEPRECIATION	57,875	99,254	236,678
DEPRECIATION	-	-	784,080
OPERATING INCOME (LOSS)	57,875	99,254	(547,402)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,000	1,000	13,119
CHANGE IN NET POSITION	\$ 58,875	\$ 100,254	(534,283)
NET POSITION, JANUARY 1			10,169,620
NET POSITION, DECEMBER 31			\$ 9,635,337

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Supplies and services	\$ 90,700	\$ 90,700	\$ 72,200
Public works			
Personnel	5,400	5,400	3,781
Supplies and services	358,525	363,277	260,979
Capital projects			
Buildings and facilities	120,000	73,869	71,752
Total costs of sales and services	574,625	533,246	408,712
Administrative fees - General Fund	64,000	64,000	64,000
TOTAL OPERATING EXPENSES	\$ 638,625	\$ 597,246	\$ 472,712

(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, 2017

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Refuse billing	\$ 4,634,725	\$ 4,634,725	\$ 4,537,890
Total operating revenues	4,634,725	4,634,725	4,537,890
OPERATING EXPENSES			
Refuse collection	4,388,720	4,388,720	4,292,987
Administrative fees - General Fund	116,000	116,000	116,000
Total operating expenses	4,504,720	4,504,720	4,408,987
OPERATING INCOME	130,005	130,005	128,903
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,500	1,500	14,207
NET INCOME BEFORE TRANSFERS	131,505	131,505	143,110
Transfers (out)	(102,500)	(102,500)	(102,500)
CHANGE IN NET POSITION	\$ 29,005	\$ 29,005	40,610
NET POSITION, JANUARY 1			960,460
NET POSITION, DECEMBER 31			\$ 1,001,070

(See independent auditor's report.)

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## **STATISTICAL SECTION**





## Statistical Section

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

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

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



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VILLAGE OF PALATINE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 101,570,852	\$ 133,517,262	\$ 133,599,587	\$ 129,862,356
Restricted	21,004,875	42,399,832	40,641,243	10,854,118
Unrestricted	24,652,055	(17,696,179)	(10,074,468)	26,919,088
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 147,227,782</b>	<b>\$ 158,220,915</b>	<b>\$ 164,166,362</b>	<b>\$ 167,635,562</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 38,558,066	\$ 38,891,700	\$ 35,931,798	\$ 35,235,617
Restricted	-	-	-	-
Unrestricted	12,593,058	11,648,072	15,456,420	17,683,868
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 51,151,124</b>	<b>\$ 50,539,772</b>	<b>\$ 51,388,218</b>	<b>\$ 52,919,485</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 172,408,962	\$ 169,531,385	\$ 165,097,973	\$ 177,371,938
Restricted	42,399,832	40,641,243	10,854,118	3,233,577
Unrestricted	(6,048,107)	5,381,952	44,602,956	46,217,863
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 208,760,687</b>	<b>\$ 215,554,580</b>	<b>\$ 220,555,047</b>	<b>\$ 226,823,378</b>

\* Implementation of GASB Statement 68.

Data Source

Audited Financial Statements

2012	2013	2014	2015*	2016	2017
\$ 134,215,974	\$ 140,609,666	\$ 144,374,387	\$ 157,741,380	\$ 164,820,305	\$ 166,189,158
3,233,577	3,600,787	2,236,148	1,838,578	1,750,986	1,748,002
34,104,500	30,819,755	35,764,493	(51,107,972)	(61,926,571)	(66,937,376)
\$ 171,554,051	\$ 175,030,208	\$ 182,375,028	\$ 108,471,986	\$ 104,644,720	\$ 100,999,784
\$ 43,155,964	\$ 38,430,520	\$ 38,870,993	\$ 32,408,120	\$ 32,913,880	\$ 32,491,180
-	-	-	-	-	-
12,113,363	20,628,900	20,657,402	24,957,201	22,065,439	25,552,745
\$ 55,269,327	\$ 59,059,420	\$ 59,528,395	\$ 57,365,321	\$ 54,979,319	\$ 58,043,925
\$ 179,040,186	\$ 183,245,380	\$ 183,245,380	\$ 190,149,500	\$ 197,734,185	\$ 198,680,338
3,600,787	2,236,148	2,236,148	1,838,578	1,750,986	1,748,002
51,448,655	56,421,895	56,421,895	(26,150,771)	(39,861,132)	(41,384,631)
\$ 234,089,628	\$ 241,903,423	\$ 241,903,423	\$ 165,837,307	\$ 159,624,039	\$ 159,043,709

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010
<b>EXPENSES</b>			
Governmental activities			
General government	\$ 9,191,571	\$ 8,314,739	\$ 7,911,734
Public safety	31,825,692	33,898,460	35,204,860
Public works	13,227,490	10,720,807	10,000,129
Economic development	17,188,453	1,539,146	6,828,477
Interest and fiscal charges	3,710,426	3,411,066	4,190,376
Total governmental activities expenses	75,143,632	57,884,218	64,135,576
Business-type activities			
Waterworks	6,354,122	6,188,396	6,121,039
Sewerage	3,904,841	3,391,245	3,103,688
Parking system	1,566,202	1,431,482	1,405,859
Refuse collection	4,279,643	4,227,437	4,218,165
Total business-type activities expenses	16,104,808	15,238,560	14,848,751
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 91,248,440</b>	<b>\$ 73,122,778</b>	<b>\$ 78,984,327</b>
<b>PROGRAM REVENUES</b>			
Governmental activities			
Charges for services			
General government	\$ 4,024,203	\$ 4,192,225	\$ 4,129,923
Public safety	2,864,677	3,750,916	3,345,737
Other activities	231,618	259,356	242,032
Operating grants	2,673,508	2,899,524	3,564,551
Capital grants and contributions	6,342,160	1,592,266	3,465,779
Total governmental activities program revenues	16,136,166	12,694,287	14,748,022
Business-type activities			
Charges for services			
Waterworks	6,161,045	6,417,950	7,208,992
Sewerage	2,823,386	3,128,333	3,189,687
Parking system	663,178	630,319	654,485
Refuse collection	4,662,852	4,414,604	4,426,123
Operating grants	-	-	-
Capital grants and contributions	-	4,271	208,347
Total business-type activities program revenues	14,310,461	14,595,477	15,687,634
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 30,446,627</b>	<b>\$ 27,289,764</b>	<b>\$ 30,435,656</b>
<b>NET REVENUE (EXPENSE)</b>			
Governmental activities	\$ (45,189,931)	\$ (49,387,554)	\$ (55,145,061)
Business-type activities	(643,083)	838,883	1,770,553
<b>TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)</b>	<b>\$ (45,833,014)</b>	<b>\$ (48,548,671)</b>	<b>\$ (53,374,508)</b>

\* Implementation of GASB-68

Data Source

Audited Financial Statements

2011	2012	2013	2014*	2015	2016	2017
\$ 8,092,022	\$ 5,687,081	\$ 3,618,746	\$ 6,085,713	\$ 5,181,480	\$ 7,411,863	\$ 4,992,470
37,174,518	39,154,692	39,226,832	40,893,455	39,766,935	53,993,443	58,319,928
11,346,788	10,978,933	14,290,195	12,001,792	10,574,340	11,764,624	10,938,679
7,618,221	7,785,928	5,914,067	3,400,486	5,187,476	4,080,021	1,464,895
4,965,687	4,782,927	4,334,822	4,214,079	3,685,197	3,466,073	3,490,399
69,197,236	68,389,561	67,384,662	66,595,525	64,395,428	80,716,024	79,206,371
7,199,466	6,851,401	7,511,430	8,235,391	10,988,330	12,485,417	9,115,608
3,063,914	3,688,412	3,335,908	3,041,236	3,641,693	4,580,455	3,373,247
1,344,734	1,355,716	1,269,605	1,323,599	1,226,379	1,526,641	1,256,792
4,388,685	4,430,979	4,426,461	4,553,742	4,553,546	4,394,918	4,408,987
15,996,799	16,326,508	16,543,404	17,153,968	20,409,948	22,987,431	18,154,634
\$ 85,194,035	\$ 84,716,069	\$ 83,928,066	\$ 83,749,493	\$ 84,805,376	\$ 103,703,455	\$ 97,361,005
\$ 3,988,510	\$ 3,178,125	\$ 2,792,931	\$ 4,002,813	\$ 4,338,815	\$ 4,443,342	\$ 4,348,698
4,167,979	4,107,608	4,128,702	4,183,645	4,290,067	4,608,293	4,954,398
1,001,900	2,150,261	2,107,948	2,099,120	2,079,704	2,273,555	2,454,501
3,166,903	3,133,237	3,645,430	3,555,697	2,766,089	3,277,846	2,795,038
1,726,883	605,818	315,830	31,077	-	1,200,000	-
14,052,175	13,175,049	12,990,841	13,872,352	13,474,675	15,803,036	14,552,635
9,084,694	9,818,910	9,767,730	10,277,604	10,572,378	11,504,526	11,756,016
3,250,125	3,411,343	3,422,980	3,718,386	3,539,701	3,821,872	3,987,480
679,455	678,488	683,780	711,723	701,265	631,587	709,390
4,649,761	4,518,425	4,511,043	4,530,632	4,537,427	4,518,775	4,537,890
12,320	-	-	-	-	-	-
90,997	448,825	2,177,900	-	-	-	-
17,767,352	18,875,991	20,563,433	19,238,345	19,350,771	20,476,760	20,990,776
\$ 31,819,527	\$ 32,051,040	\$ 33,554,274	\$ 33,110,697	\$ 32,825,446	\$ 36,279,796	\$ 35,543,411
\$ (55,214,512)	\$ (54,393,821)	\$ (52,723,173)	\$ (52,723,173)	\$ (50,920,753)	\$ (64,912,988)	\$ (64,653,736)
2,549,483	4,020,029	2,084,377	2,084,377	(1,059,177)	(2,510,671)	2,836,142
\$ (52,665,029)	\$ (50,373,792)	\$ (50,638,796)	\$ (50,638,796)	\$ (51,979,930)	\$ (67,423,659)	\$ (61,817,594)

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities			
Taxes			
Property	\$ 33,005,614	\$ 33,667,265	\$ 32,191,912
Home rule sales tax	4,673,737	3,992,663	4,100,988
Telecommunications	2,870,797	2,834,118	2,796,032
Electric utility use	-	-	-
Other	1,467,906	1,286,211	1,280,923
State shared sales taxes	8,837,777	7,905,175	8,472,661
State shared income tax	6,270,922	5,476,622	5,307,674
Other intergovernmental revenues	163,719	166,343	543,868
Investment income	1,081,574	400,701	305,545
Miscellaneous	326,910	403,633	333,398
Gain on sale of capital assets	171,738	50,333	-
Transfers	-	-	-
Total governmental activities	58,870,694	56,183,064	55,333,001
Business-type activities			
Investment income	150,061	31,731	9,563
Income (loss) from joint venture	294,123	-	-
Gain on sale of capital assets	-	-	-
Transfers	-	-	-
Total business-type activities	444,184	31,731	9,563
TOTAL PRIMARY GOVERNMENT	\$ 59,314,878	\$ 56,214,795	\$ 55,342,564
CHANGE IN NET POSITION			
Governmental activities	\$ (2,824,402)	\$ 10,143,070	\$ 9,226,707
Business-type activities	(1,762,616)	(633,520)	599,597
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ (4,587,018)	\$ 9,509,550	\$ 9,826,304

Data Source

Audited Financial Statements



	2011	2012	2013	2014	2015	2016	2017
	\$ 33,563,321	\$ 32,904,361	\$ 31,515,066	\$ 31,303,000	\$ 31,387,642	\$ 31,113,482	\$ 32,991,371
	4,232,849	4,199,803	4,305,118	4,471,298	4,360,722	4,217,287	4,111,583
	2,462,499	2,550,703	2,239,240	1,906,545	1,891,654	1,869,966	1,490,678
	1,428,854	1,751,844	1,722,005	1,690,985	1,641,246	2,054,689	2,263,482
	1,248,610	1,267,148	1,242,698	1,309,644	1,400,596	1,407,848	1,456,653
	8,628,389	8,931,459	9,343,337	10,061,160	9,892,846	9,558,566	9,634,893
	5,341,577	6,023,925	6,532,135	6,563,909	7,294,684	6,673,615	6,296,903
	884,021	679,004	226,477	515,114	293,748	244,029	251,911
	285,881	321,140	300,305	309,200	305,362	391,626	698,159
	285,260	164,057	193,597	297,638	156,573	458,387	1,134,667
	-	-	-	-	-	-	-
	253,000	339,557	250,000	1,639,500	360,000	368,000	678,500
	58,614,261	59,133,001	57,869,978	60,067,993	58,985,073	58,357,495	61,008,800
	13,714	25,416	20,064	24,098	16,402	41,124	115,034
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(253,000)	(339,557)	(250,000)	(1,639,500)	(360,000)	(368,000)	(678,500)
	(239,286)	(314,141)	(229,936)	(1,615,402)	(343,598)	(326,876)	(563,466)
	Not = Entity						
	\$ 58,374,975	\$ 58,818,860	\$ 57,640,042	\$ 58,452,591	\$ 58,641,475	\$ 58,030,619	\$ 60,445,334
	Not = Entity						
	\$ 3,987,940	\$ 2,655,466	\$ 5,674,172	\$ 7,344,820	\$ 8,064,320	\$ (6,555,493)	\$ (3,644,936)
	1,456,412	2,319,547	2,404,627	468,975	(1,402,775)	(2,837,547)	2,272,676
	\$ 5,444,352	\$ 4,975,013	\$ 8,078,799	\$ 7,813,795	\$ 6,661,545	\$ (9,393,040)	\$ (1,372,260)
	Not = Entity						

VILLAGE OF PALATINE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011*
<b>GENERAL FUND</b>				
Reserved	\$ 5,536,201	\$ 5,898,008	\$ 6,025,530	\$ -
Unreserved	11,641,186	10,608,000	9,745,168	-
Nonspendable	-	-	-	6,267,920
Unassigned	-	-	-	12,657,972
<b>TOTAL GENERAL FUND</b>	<b>\$ 17,177,387</b>	<b>\$ 16,506,008</b>	<b>\$ 15,770,698</b>	<b>\$ 18,925,892</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved	\$ 28,994,327	\$ 42,712,889	\$ 57,463,551	\$ -
Unreserved, reported in				
Special Revenue Funds	(1,874,480)	-	-	-
Capital Project Funds	-	(106,775)	-	-
Restricted	-	-	-	36,631,487
Assigned	-	-	-	10,844,611
Unassigned	-	-	-	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 27,119,847</b>	<b>\$ 42,606,114</b>	<b>\$ 57,463,551</b>	<b>\$ 47,476,098</b>

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

Data Source

Audited Financial Statements

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
5,772,920	5,277,920	4,782,920	5,022,070	5,261,220	4,470,370
15,064,951	16,880,750	18,124,529	17,012,432	18,224,006	18,909,919
\$ 20,837,871	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	\$ 23,380,289
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
32,349,656	23,876,160	17,945,345	14,882,305	14,057,043	19,059,512
11,900,695	16,305,655	21,284,780	13,536,719	7,451,239	9,116,907
(871,431)	(2,484,768)	(43,615)	(43,615)	(35,515)	-
\$ 43,378,920	\$ 37,697,047	\$ 39,186,510	\$ 28,375,409	\$ 21,472,767	\$ 28,176,419

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes	\$ 51,676,949	\$ 50,488,804	\$ 50,087,153	\$ 42,936,134
Licenses and permits	3,088,823	3,081,984	3,112,015	2,695,124
Intergovernmental	9,520,180	9,374,441	12,810,025	21,894,742
Charges for services	1,814,636	1,845,422	1,839,736	3,364,812
Fines and forfeitures	1,061,999	1,948,079	1,256,149	944,747
Investment income	1,081,573	404,698	305,545	285,881
Contributions	6,165,959	1,000,000	-	-
Miscellaneous	425,003	683,590	670,400	291,996
Total revenues	74,835,122	68,827,018	70,081,023	72,413,436
<b>EXPENDITURES</b>				
General government	10,747,502	8,507,772	7,713,816	6,296,980
Public safety	31,524,578	31,678,221	33,638,662	36,499,775
Public works	8,652,609	8,370,752	8,250,868	5,870,884
Economic development	17,188,453	1,504,577	6,828,477	5,776,274
Capital outlay	5,495,697	15,945,994	9,139,690	24,177,056
Debt service				
Principal retirement	14,250,146	12,649,263	5,493,745	5,708,490
Interest	3,657,597	3,964,551	4,341,907	5,082,194
Fiscal charges	-	294,487	-	160,195
Total expenditures	91,516,582	82,915,617	75,407,165	89,571,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,681,460)	(14,088,599)	(5,326,142)	(17,158,412)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued, at par	-	33,340,315	32,158,385	7,000,000
Refunding bonds issued, at par	-	-	-	850,000
Bond premium	-	152,558	879,220	216,155
Payment to refunded bond escrow agent	-	(4,678,260)	(13,950,839)	(865,438)
Proceeds from sale of capital assets	171,738	88,594	61,483	3,172,436
Transfers in	-	-	65,000	253,000
Transfers (out)	-	(84,456)	(65,000)	-
Total other financing sources (uses)	171,738	28,818,751	19,148,249	10,626,153
NET CHANGE IN FUND BALANCES	\$ (16,509,722)	\$ 14,730,152	\$ 13,822,107	\$ (6,532,259)
Debt service as a percentage of noncapital expenditures	19.86%	23.63%	14.43%	14.89%

Data Source

Audited Financial Statements

	2012	2013	2014	2015	2016	2017
\$	42,673,859	\$ 41,024,128	\$ 40,681,472	\$ 40,681,860	\$ 40,663,272	\$ 42,313,767
	2,612,185	2,822,149	3,081,336	3,153,792	3,284,115	3,272,240
	21,449,463	22,102,467	22,735,622	22,291,479	21,845,363	21,401,178
	3,351,983	3,683,470	3,801,523	4,116,301	4,367,516	4,419,448
	1,395,806	1,376,629	1,394,054	1,394,381	1,582,252	1,753,256
	321,140	300,305	309,200	305,362	391,626	698,159
	-	-	-	-	-	-
	164,057	193,596	297,638	156,573	458,387	1,134,667
	71,968,493	71,502,744	72,300,845	72,099,748	72,592,531	74,992,715
	5,448,017	5,532,910	5,690,050	5,853,988	6,064,441	5,359,971
	36,627,642	37,149,960	38,212,533	40,197,022	40,907,770	42,657,188
	5,857,645	6,228,622	6,769,212	6,419,162	6,227,585	5,982,359
	7,999,863	5,914,067	3,400,486	5,187,476	4,080,021	1,464,895
	7,816,121	10,091,641	8,176,672	15,883,621	11,571,849	5,010,113
	6,403,904	6,346,812	6,089,339	6,988,013	6,138,391	14,589,233
	4,768,086	4,385,759	4,172,391	3,729,681	3,498,783	3,381,270
	91,906	8,303	122,338	11,611	6,900	219,828
	75,013,184	75,658,074	72,633,021	84,270,574	78,495,740	78,664,857
	(3,044,691)	(4,155,330)	(332,176)	(12,170,826)	(5,903,209)	(3,672,142)
	-	-	-	-	-	-
	5,025,000	-	10,985,000	-	-	18,355,000
	-	-	212,225	-	-	265,712
	(4,939,073)	-	(11,076,385)	-	-	(9,086,571)
	325,429	115,692	211,418	51,778	83,291	58,216
	3,609,447	5,249,753	12,364,540	3,451,125	466,031	716,596
	(3,269,890)	(4,999,753)	(10,736,130)	(3,016,125)	(98,031)	(38,096)
	750,913	365,692	1,960,668	486,778	451,291	10,270,857
\$	(2,293,778)	\$ (3,789,638)	\$ 1,628,492	\$ (11,684,048)	\$ (5,451,918)	\$ 6,598,715
	15.56%	15.06%	14.75%	14.88%	13.38%	23.25%

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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
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
2016	1,499,369,745	253,938,396	60,969,048	NA	1,814,277,189	1.212	5,442,831,567

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	2007	2008	2009	2010
<b>TAX RATES</b>				
Village of Palatine				
Social Security	\$ 0.093	\$ 0.091	\$ 0.087	\$ 0.097
IMRF	0.054	0.052	0.054	0.060
Police Protection	0.221	0.217	0.216	0.241
Fire Protection	0.316	0.301	0.215	0.239
Fire Pension	0.061	0.056	0.085	0.110
Police Pension	0.086	0.081	0.112	0.149
Debt Service	0.119	0.116	0.113	0.126
Total Village of Palatine	0.950	0.914	0.882	1.022
School Districts				
Palatine CCSD No. 15	2.435	2.385	2.307	2.603
Junior College No. 512	0.260	0.256	0.258	0.295
Township HSD No. 211	1.972	1.928	1.916	2.204
Park District	0.406	0.419	0.408	0.468
Library District	0.246	0.240	0.229	0.198
County				
County of Cook	0.446	0.415	0.394	0.423
Forest Preserve	0.053	0.051	0.049	0.051
Township				
Palatine Township	0.035	0.035	0.034	0.039
General Assistance	0.008	0.008	0.008	0.010
Road and Bridge	0.064	0.063	0.061	0.070
Other Districts				
Suburban T.B. Sanitarium	-	-	-	-
Northwest Mosquito	0.008	0.008	0.008	0.009
Sanitary District	0.263	0.252	0.261	0.274
Elections (ELCO)	0.012	-	0.021	-
<b>TOTAL TAX RATES</b>	<b>\$ 7.158</b>	<b>\$ 6.974</b>	<b>\$ 6.836</b>	<b>\$ 7.666</b>
<b>SHARE OF TOTAL TAX LEVIED BY THE VILLAGE</b>	<b>13.27%</b>	<b>13.11%</b>	<b>12.90%</b>	<b>13.33%</b>

Data Source

Office of the County Clerk



	2011		2012		2013		2014		2015		2016
\$	0.109	\$	0.122	\$	0.148	\$	0.119	\$	0.125	\$	0.111
	0.060		0.065		0.081		0.080		0.085		0.075
	0.233		0.267		0.305		0.306		0.295		0.215
	0.233		0.267		0.305		0.306		0.295		0.215
	0.148		0.163		0.196		0.204		0.210		0.218
	0.154		0.163		0.187		0.191		0.222		0.227
	0.184		0.153		0.168		0.162		0.174		0.151
	1.121		1.200		1.390		1.368		1.406		1.212
	2.943		3.269		3.849		3.868		4.035		3.543
	0.334		0.373		0.444		0.451		0.466		0.416
	2.482		2.772		3.197		3.213		3.309		2.871
	0.517		0.574		0.680		0.696		0.725		0.648
	0.222		0.248		0.293		0.295		0.308		0.268
	0.462		0.594		0.560		0.568		0.552		0.533
	0.058		0.062		0.069		0.069		0.069		0.063
	0.044		0.049		0.058		0.059		0.063		0.054
	0.012		0.014		0.017		0.017		0.018		0.012
	0.079		0.082		0.092		0.090		0.092		0.079
	-		-		-		-		-		-
	0.010		0.011		0.013		0.013		0.011		0.010
	0.320		0.370		0.417		0.430		0.426		0.406
	0.025		-		0.031		-		0.034		-
\$	8.629	\$	9.618	\$	11.110	\$	11.137	\$	11.514	\$	10.115
	12.99%		12.48%		12.51%		12.28%		12.21%		11.98%

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Levy Year and Nine Levy Years Ago

Taxpayer	Tax Year 2016			Tax Year 2007		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Wal Mart	\$ 18,771,915	1	1.03%	\$ 16,807,605	5	0.77%
Weber Stephen Products	18,560,588	2	1.02%	NA	NA	NA
Deer Grove Center	12,825,470	3	0.71%	NA	NA	NA
Bourbon Square Apartments	12,052,028	4	0.66%	NA	NA	NA
United Parcel Service	11,640,951	5	0.64%	19,016,955	3	0.87%
Arlington Toyota	8,860,010	6	0.49%	NA	NA	NA
Regency Retail LLC	8,800,596	7	0.49%	13,155,441	8	0.60%
Draper & Kramer Clays	8,415,262	8	0.46%	NA	NA	NA
McCaffery Interests	7,860,414	9	0.43%	NA	NA	NA
Clover Ridge Assoc	7,579,221	10	0.42%	NA	NA	NA
PFC Marquette Company	NA	NA	NA	22,836,150	1	1.05%
AL LH DB LP Apartments	NA	NA	NA	22,077,466	2	1.01%
Mid America Park Place	NA	NA	NA	18,581,221	4	0.85%
Individual Taxpayer	NA	NA	NA	14,290,475	6	0.66%
City Club Apartments	NA	NA	NA	14,290,475	7	0.66%
Hamilton Partners	NA	NA	NA	10,779,405	9	0.49%
Square D Company	NA	NA	NA	10,591,378	10	0.49%
	<u>\$ 115,366,455</u>		<u>6.35%</u>	<u>\$ 162,426,571</u>		<u>7.45%</u>

Note:

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

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 20,707,260	\$ 19,846,267	95.84%	\$ 170,585	\$ 20,016,852	96.67%
2008	21,286,105	18,913,144	88.85%	2,133,419	21,046,563	98.87%
2009	21,450,553	18,588,397	86.66%	2,706,312	21,294,709	99.27%
2010	22,302,137	21,350,808	95.73%	885,554	22,236,362	99.71%
2011	22,275,019	21,834,784	98.02%	256,672	22,091,456	99.18%
2012	22,188,995	21,661,897	97.62%	356,661	22,018,558	99.23%
2013	22,097,695	21,729,359	98.33%	(19,368)	21,709,991	98.25%
2014	21,983,368	21,698,390	98.70%	222,225	21,920,615	99.71%
2015	21,988,263	21,688,247	98.64%	222,973	21,911,220	99.65%
2016	21,989,040	21,682,685	98.61%	-	21,682,685	98.61%

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*
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
2017	61,050,000	-	79,793	12,315,000	73,444,793	2.97%	1,068

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

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended	General Obligation Bonds		Less: Net Position Restricted for Debt Service	Total Primary Government	Percent of Estimated Actual Taxable Value of Property*		Per Capita*
	Governmental Activities	Business- Type Activities					
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	72,530,000	17,310,000	-	89,840,000	1.62%		1,298
2017	61,050,000	12,315,000	-	73,365,000	1.54%		1,067

\* 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, 2017

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 61,129,793	100.00%	\$ 61,129,793
School Districts (2)			
Community Unit District 15	40,825,000	50.57%	20,645,203
Township High School District 211	6,230,000	23.51%	1,464,673
Township High School District 214	41,305,000	0.02%	8,261
Community College District 512	161,926,272	9.36%	15,156,299
Total school districts	250,286,272		37,274,436
Other than schools (2)			
Cook County	3,393,485,561	1.16%	39,364,433
Cook County Forest Preserve District	174,665,299	1.16%	2,026,117
Metropolitan Water Reclamation District	2,965,282,000	1.18%	34,990,328
Park Districts			
Arlington Heights Park District	15,335,000	0.06%	9,201
Palatine Park District	16,134,534	75.90%	12,246,111
Salt Creek Park District	3,249,000	50.30%	1,634,247
Total other than schools	6,568,151,394		90,270,437
Total Overlapping Governmental Activities Debt	6,818,437,666		127,544,873
Total Direct and Overlapping Governmental Activities Debt	\$ 6,879,567,459		\$ 188,674,666

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

(2) As of June 30, 2017

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2017

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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
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	8.2%
2013	68,557	2,463,595,795	35,935	6.9%
2014	68,557	2,463,595,795	35,935	5.1%
2015	69,188	2,421,307,161	34,996	5.0%
2016	69,188	2,431,032,638	35,137	4.6%
2017	68,766	2,476,263,660	36,010	4.0%

Data Source

US Census Bureau

Illinois Department of Employment Security



VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017			2008		
	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	3.04%	3	1,200	1.82%
Township High School District 211	2	2,022	2.94%	1	1,948	2.96%
United States Postal Service	3	1,000	1.45%	2	1,610	2.44%
Community College District 512	4	948	1.38%	5	816	1.24%
United Parcel Service	5	500	0.73%	4	1,000	1.52%
Little City Foundation	6	420	0.61%	6	500	0.76%
Weber-Stephen Products	7	400	0.58%	9	200	0.30%
Village of Palatine	8	338	0.49%	7	382	0.58%
Intec Group, Inc.	9	150	0.22%	10	150	0.23%
Keller Williams	10	140	0.20%	NA	NA	NA
Schneider Electric - Square D	NA	NA	NA	8	350	0.53%

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GENERAL GOVERNMENT</b>										
Village Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5
Village Manager	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5	5.0
Finance and Operations	17.0	17.0	15.0	13.0	12.0	12.0	12.0	12.0	10.0	10.0
Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resources	4.0	4.0	4.0	4.0	2.5	2.5	2.5	2.5	3.0	3.0
Information systems	8.5	10.0	9.5	7.0	7.0	7.0	7.0	7.0	7.0	8.0
Planning and Zoning	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5
<b>PUBLIC SAFETY</b>										
Community services	21.0	19.5	16.5	14.5	15.5	15.0	15.0	16.0	16.0	20.5
Police										
Sworn personnel	112.0	112.0	111.0	110.0	109.0	109.0	108.0	109.0	109.0	109.0
Civilians	31.0	31.0	31.0	31.5	31.5	31.5	31.0	31.5	27.5	31.0
Fire										
Sworn personnel	95.0	95.0	93.0	92.0	91.0	91.0	91.0	91.0	91.0	91.0
Civilians	11.0	11.0	10.5	9.5	9.5	9.5	9.5	9.5	9.5	8.0
<b>PUBLIC WORKS</b>										
Public Works	67.0	66.5	66.0	64.5	63.5	63.5	63.5	63.5	63.0	62.0

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

OPERATING INDICATORS										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PUBLIC SAFETY										
Police										
Physical arrests	2,162	2,308	2,224	1,657	1,506	1,475	1,527	1,660	1,832	2,155
Parking violations	7,388	7,315	6,908	6,264	4,364	4,754	4,756	5,664	5,645	6,638
Traffic violations	2,214	11,473	11,616	10,680	9,928	9,933	9,960	11,229	10,663	10,056
Fire										
Emergency responses	7,257	7,020	7,233	7,510	7,680	7,770	8,009	7,661	7,853	7,709
PUBLIC WORKS										
Water										
Number of connections	19,464	19,658	19,644	19,473	19,481	19,584	19,181	19,181	19,181	19,181
Avg daily consumption	6.71M	6.44M	6.44M	6.47M	6.93M	6.57M	6.30M	6.49M	6.22M	5.75M
CAPITAL ASSET STATISTICS										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	25	25	28	28	28	28	28	28	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	7	7	7	7	7	7	7	7	7	7
PUBLIC WORKS										
Streets and highways										
Streets (miles)	160	160	160	160	160	160	160	160	160	160
Number of bridges	6	6	6	6	6	6	6	6	6	6
Waterworks										
Water mains (miles)	140	156	156	156	156	156	245	245	246	246
Fire hydrants	2,050	2,060	2,060	2,060	2,060	2,060	2,513	2,513	2,523	2,523
Sewerage										
Sanitary sewers (miles)	145	145	145	145	145	145	168	168	169	169
Storm sewers (miles)	221	225	225	225	225	225	260	260	263	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, 2017

		As Percent of		Per Capita
		Assessed	Estimated	( 2010 Special
	Amount	Value	True	Census Pop.
			Value	68,557)
<hr/>				
Taxable real property, 2016				
Assessed valuation	\$ 1,814,277,189	100.00%	33.33%	\$ 26,464
Estimated true value	5,442,831,567	300.00%	100.00%	79,391
<hr/>				
Total general obligation bonded debt (1):	80,290,000	4.43%	1.48%	1,171
Less: Self-Supporting	(45,480,000)	-2.51%	-0.84%	(663)
Net general obligation bonded debt	34,810,000	1.92%	0.64%	508
<hr/>				
Overlapping bonded debt payable from property taxes (2):				
Schools	37,274,436	2.05%	0.68%	544
Other than schools	90,270,437	4.98%	1.66%	1,317
Total overlapping bonded debt	127,544,873	7.03%	2.34%	1,860
<hr/>				
Total net direct and overlapping bonded debt	\$ 162,354,873	8.95%	2.98%	\$ 2,368
<hr/>				

**Notes:**

(1) The Village is a home-rule unit under the 1970 Illinois Constitution and as such has no debt limit nor is it required to seek referendum approval for the issuance of general obligation debt. See "Retirement Schedule of Outstanding Village General Obligation Debt" for a listing of the Village's non-general obligation debt and currently outstanding general obligation debt. Of the Village's general obligation debt \$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, 2017

Due 12/1	Series 2007C	Series 2009 (3 Issues)	Series 2010 (2 Issues)	Series 2011A	Series 2012
2018	\$ 100,000	\$ 510,000	\$ 590,000	\$ 900,000	\$ 540,000
2019	100,000	560,000	615,000	900,000	555,000
2020	100,000	580,000	650,000	900,000	570,000
2021	115,000	610,000	675,000	1,000,000	595,000
2022	-	640,000	705,000	1,000,000	615,000
2023	-	670,000	-	100,000	-
2024	-	695,000	725,000	-	-
2025	-	740,000	735,000	-	-
2026	-	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	-	-
	\$ 415,000	\$ 8,340,000	\$ 22,035,000	\$ 4,800,000	\$ 2,875,000

**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 \$5,550,000 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; \$79,793 outstanding principal on Tax Increment Financing bonds and notes secured only by the incremental revenues generated by the district; and various industrial revenue bonds which are fully secured by payments from the benefitting entities. This table also excludes the Village's obligations as a member of the Solid Waste agency of Northern Cook County (SWANCC), a municipal joint action agency created to construct and equip a waste project to dispose of the municipal waste of its members.

(2) The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$73,365,000 outstanding principal at December 31, 2017, the Village estimates that \$39,960,000 (54.5%) is self-supporting from non-property tax sources.

Data Source

Village Records



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Series 2014 (2 Issues)		Series 2015		Series 2017 (4 Issues)		Total Maturities (2)	
						Amount	%
\$	1,475,000	\$	645,000	\$	2,290,000	\$ 7,050,000	9.6%
	1,505,000		665,000		2,510,000	7,410,000	10.1%
	1,565,000		695,000		2,540,000	7,600,000	10.4%
	945,000		725,000		3,295,000	7,960,000	10.8%
	975,000		750,000		3,385,000	8,070,000	11.0%
	1,015,000		785,000		1,180,000	3,750,000	5.1%
	1,050,000		820,000		1,200,000	4,490,000	6.1%
	1,090,000		870,000		1,210,000	4,645,000	6.3%
	310,000		-		745,000	3,110,000	4.2%
	325,000		-		-	2,455,000	3.3%
	335,000		-		-	2,535,000	3.5%
	-		-		-	2,290,000	3.1%
	-		-		-	2,200,000	3.0%
	-		-		-	2,300,000	3.1%
	-		-		-	2,400,000	3.3%
	-		-		-	2,500,000	3.4%
	-		-		-	2,600,000	3.5%
\$	10,590,000	\$	5,955,000	\$	18,355,000	\$ 73,365,000	100.0%

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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, 2017

Village Issue		Ratio to Estimated Actual Value				Per Capita		
		Direct and				Direct and		
		Direct Debt		Overlapping Debt		Overlapping Debt		
		Excluding		Excluding		Excluding		Population
		Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	
Sale Date	Amount	Supporting	(1)	Supporting	(1)	Supporting	(1)	Estimate
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
July 11, 2017 (3)	18,355,000	1.48%	0.84%	3.51%	2.67%	1,171	2,117	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, 2017

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
<b>School Districts</b>				
Palatine Community District No. 15	100.0%	\$ 40,825,000	50.57%	\$ 20,645,203
Township High School District No. 211	99.9%	6,230,000	23.51%	1,464,673
Township High School District No. 214	0.1%	41,305,000	0.02%	8,261
Community College District No. 512	100.0%	161,926,272	9.36%	15,156,299
Total school districts		<u>250,286,272</u>		<u>37,274,436</u>
<b>Other than schools</b>				
Cook County	100.0%	3,393,485,561	1.16%	39,364,433
Cook County Forest Preserve District	100.0%	174,665,299	1.16%	2,026,117
Metropolitan Water Reclamation District	100.0%	2,965,282,000	1.18%	34,990,328
<b>Park Districts</b>				
Arlington Heights Park District	0.1%	15,335,000	0.06%	9,201
Palatine Park District	94.2%	16,134,534	75.90%	12,246,111
Salt Creek Park District	5.7%	3,249,000	50.30%	1,634,247
Total other than schools		<u>6,568,151,394</u>		<u>90,270,437</u>
Total Overlapping Governmental Activities Debt		<u>\$ 6,818,437,666</u>		<u>\$ 127,544,873</u>

**Notes:**

(1) As of June 30, 2017.

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

Data Source  
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES  
December 31, 2017

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes (1)	Increase Over Prior Year
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%
2016 (2)	1,814,277,189	108,242,637	1,922,519,826	16.7%

**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, 2017

Tax Levy Year	2012	2013	2014	2015	2016
<b>TAX RATES</b>					
Village of Palatine (1)					
Social Security	\$ 0.122	\$ 0.148	\$ 0.119	\$ 0.125	\$ 0.111
IMRF	0.065	0.081	0.080	0.085	0.075
Corporate (Police Protection)	0.267	0.305	0.306	0.295	0.215
Fire Protection	0.267	0.305	0.306	0.295	0.215
Fire Pension	0.163	0.196	0.204	0.210	0.218
Police Pension	0.163	0.187	0.191	0.222	0.227
Debt Service	0.153	0.168	0.162	0.174	0.151
Total Village of Palatine	1.200	1.390	1.368	1.406	1.212
School Districts					
Palatine CCSD No. 15	3.269	3.849	3.868	4.035	3.543
Junior College No. 512	0.373	0.444	0.451	0.466	0.416
Township HSD No. 211	2.772	3.197	3.213	3.309	2.871
Park District	0.574	0.680	0.696	0.725	0.648
Library District	0.248	0.293	0.295	0.308	0.268
County					
County of Cook	0.594	0.560	0.568	0.552	0.533
Forest Preserve	0.062	0.069	0.069	0.069	0.063
Township					
Palatine Township	0.049	0.058	0.059	0.063	0.054
General Assistance	0.014	0.017	0.017	0.018	0.012
Road and Bridge	0.082	0.092	0.090	0.092	0.079
Other Districts					
Northwest Mosquito	0.011	0.013	0.013	0.011	0.010
Sanitary District	0.370	0.417	0.430	0.426	0.406
Elections (ELCO)	-	0.031	-	0.034	-
<b>TOTAL TAX RATE (2)</b>	<b>\$ 9.618</b>	<b>\$ 11.110</b>	<b>\$ 11.137</b>	<b>\$ 11.514</b>	<b>\$ 10.115</b>
<b>SHARE OF TOTAL TAX LEVIED BY THE VILLAGE</b>	<b>12.48%</b>	<b>12.51%</b>	<b>12.28%</b>	<b>12.21%</b>	<b>11.98%</b>

**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, 2017

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
2007	20,707,260	19,846,267	95.84%	170,585	20,016,852	96.67%
2008	21,286,105	18,913,144	88.85%	2,133,419	21,046,563	98.87%
2009	21,450,553	18,588,397	86.66%	2,706,312	21,294,709	99.27%
2010	22,302,137	21,350,808	95.73%	885,554	22,236,362	99.71%
2011	22,275,019	21,834,784	98.02%	256,672	22,091,456	99.18%
2012	22,188,995	21,661,897	97.62%	356,661	22,018,558	99.23%
2013	22,097,695	21,729,359	98.33%	(19,368)	21,709,991	98.25%
2014	21,983,368	21,698,390	98.70%	222,225	21,920,615	99.71%
2015	21,988,263	21,688,247	98.64%	222,973	21,911,220	99.65%
2016	21,989,040	21,682,685	98.61%	-	21,682,685	98.61%

**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, 2017

Property Classification (1)	2012	2013	2014	2015	2016
Residential	\$ 1,448,021,095	\$ 1,218,389,388	\$ 1,286,288,306	\$ 1,251,420,992	\$ 1,499,369,745
Commercial	266,901,767	248,664,150	261,895,895	255,861,463	253,938,396
Industrial/Railroad/Farm	134,160,019	122,708,665	58,787,142	56,605,366	60,969,048
Net for General Taxing Purposes	1,849,082,881	1,589,762,203	1,606,971,343	1,563,887,821	1,814,277,189
Incremental Valuation (2)	104,823,912	84,767,445	197,915,722	82,951,271	108,242,637
Total for all Taxing Purposes	\$ 1,953,906,793	\$ 1,674,529,648	\$ 1,804,887,065	\$ 1,646,839,092	\$ 1,922,519,826
Percentage Increase	-11.2%	-14.3%	7.8%	-8.8%	6.5%

**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, 2017

Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Wal Mart	Retail Store	\$ 18,771,915	1	1.03%
Weber Stephen Products	Maunufacturing	18,560,588	2	1.02%
Deer Grove Center	Commercial Real Estate	12,825,470	3	0.71%
Bourbon Square Apartments	Apartments	12,052,028	4	0.66%
United Parcel Service	United Parcel Service	11,640,951	5	0.64%
Arlington Toyota	Automobile Dealership	8,860,010	6	0.49%
Regency Retail LLC	Commercial Real Estate	8,800,596	7	0.49%
Draper & Kramer Clays	Commercial Real Estate	8,415,262	8	0.46%
McCaffery Interests	Commercial Real Estate	7,860,414	9	0.43%
Clover Ridge Assoc	Apartments	<u>7,579,221</u>	10	<u>0.42%</u>
		<u>\$ 115,366,455</u>		<u>6.35%</u>

**Note:**

Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked. The 2016 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, 2017

**Summary Statement of Revenue, Expenditures and Changes in Fund Balance (1)**  
**(Fiscal Year Ending December 31, 2013 - 2017)**

	2013	2014	2015	2016	2017	CY 2018 Budget (2)
<b>REVENUES</b>						
Taxes	\$ 26,061,334	\$ 25,864,623	\$ 25,505,027	\$ 26,055,992	\$ 25,423,866	\$ 14,775,765
Licenses and permits	2,822,149	3,081,336	3,153,792	3,284,115	3,272,240	2,619,700
Intergovernmental	18,176,446	18,899,416	19,484,491	18,532,713	18,461,630	9,534,116
Charges for services	3,380,429	3,494,656	3,855,071	4,092,172	4,108,578	11,995,634
Fines and forfeits	1,336,226	1,365,125	1,367,053	1,552,117	1,726,483	2,130,500
Investment income	257,429	273,846	266,890	300,885	426,061	25,000
Miscellaneous	152,334	209,354	80,843	427,647	164,619	1,435,700
Sale of capital assets	-	-	-	1,142	-	-
Transfers	-	175,410	-	-	38,096	-
Total revenues	52,186,347	53,363,766	53,713,167	54,246,783	53,621,573	42,516,415
<b>EXPENDITURES</b>						
General government	5,532,910	5,690,050	5,853,988	6,064,441	5,359,971	7,116,735
Public safety	36,975,266	37,982,977	40,046,839	40,504,033	42,384,180	43,642,605
Public works	6,228,622	6,769,212	6,419,162	6,227,585	5,982,359	6,253,325
Transfers	1,848,000	2,782,498	2,266,125	-	-	-
Total expenditures	50,584,798	53,224,737	54,586,114	52,796,059	53,726,510	57,012,665
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
OVER EXPENDITURES	1,601,549	139,029	(872,947)	1,450,724	(104,937)	<u>\$(14,496,250)</u>
FUND BALANCE, JANUARY 1	21,166,871	22,768,420	22,907,449	22,034,502	23,485,226	
FUND BALANCE, DECEMBER 31	<u>\$ 22,768,420</u>	<u>\$ 22,907,449</u>	<u>\$ 22,034,502</u>	<u>\$ 23,485,226</u>	<u>\$ 23,380,289</u>	

**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, 2017

<b>Balance Sheet (1)</b>					
<b>(December 31, 2013 - 2017)</b>					
	2013	2014	2015	2016	2017
<b>ASSETS</b>					
Cash and investments	\$ 14,703,048	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309	\$ 17,286,112
Receivables					
Property taxes	19,344,267	19,265,543	19,153,128	19,053,174	19,941,934
Other	670,240	658,730	772,440	808,115	773,590
Due from other governments	4,232,818	4,451,668	4,382,548	5,304,769	4,451,760
Accrued interest	1,105	15,590	5,580	7,990	37,330
Due from other funds	18,532	329,213	722,987	232,959	27,861
Advance to other funds	5,277,920	4,782,920	5,022,070	5,261,220	4,470,370
<b>TOTAL ASSETS</b>	<b>\$ 44,247,930</b>	<b>\$ 44,248,428</b>	<b>\$ 43,239,098</b>	<b>\$ 46,010,536</b>	<b>\$ 46,988,957</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 408,168	\$ 402,771	\$ 235,896	\$ 422,969	\$ 602,575
Deferred revenues	-	10,000	14,054	-	-
All other liabilities	1,845,492	1,748,047	1,873,098	1,849,167	2,018,325
<b>TOTAL LIABILITIES</b>	<b>2,253,660</b>	<b>2,160,818</b>	<b>2,123,048</b>	<b>2,272,136</b>	<b>2,620,900</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	19,225,850	19,180,161	19,081,548	19,053,174	19,897,548
Unavailable revenue	-	-	-	1,200,000	1,090,220
	19,225,850	19,180,161	19,081,548	20,253,174	20,987,768
<b>FUND BALANCES</b>					
Nonspendable	5,277,920	4,782,920	5,022,070	5,261,220	4,470,370
Unassigned	17,490,500	18,124,529	17,012,432	18,224,006	18,909,919
<b>TOTAL FUND BALANCES</b>	<b>22,768,420</b>	<b>22,907,449</b>	<b>22,034,502</b>	<b>23,485,226</b>	<b>23,380,289</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 44,247,930</b>	<b>\$ 44,248,428</b>	<b>\$ 43,239,098</b>	<b>\$ 46,010,536</b>	<b>\$ 46,988,957</b>

**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, 2017

<i>Fund Balances/Net Position</i>					
	2013	2014	2015	2016	2017
<b>Governmental Fund Types</b>					
General	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	\$ 23,380,289
Special Revenue	19,160,526	17,706,348	14,674,480	13,829,100	18,853,143
Debt Service	2,192,428	195,382	164,210	192,428	206,369
Capital Projects	16,344,093	21,284,780	13,536,719	7,451,239	9,116,907
	59,855,717	62,093,959	50,409,911	44,957,993	51,556,708
<b>Proprietary Fund Types</b>					
Enterprise Funds	59,059,420	59,528,395	57,365,321	54,979,319	58,043,925
Internal Service Funds	6,076,586	6,575,101	6,899,091	6,844,394	6,994,899
	65,136,006	66,103,496	64,264,412	61,823,713	65,038,824
<b>Fiduciary Fund Types (2):</b>					
Pension Trust	114,281,101	121,861,769	121,333,691	130,441,483	#REF!
<b>Total All Funds (Memo Only)</b>	<b>\$ 239,272,824</b>	<b>\$ 250,059,224</b>	<b>\$ 236,008,014</b>	<b>\$ 237,223,189</b>	<b>#REF!</b>
<i>Cash and Investments</i>					
	2013	2014	2015	2016	2017
<b>Fund</b>					
General	\$ 14,721,580	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309	\$ 17,286,112
Special Revenue	7,449,115	5,506,022	7,005,104	8,685,090	12,557,189
Debt Service	2,177,269	184,613	154,219	192,428	200,314
Capital Projects	15,966,430	21,019,849	15,203,368	7,522,738	9,012,473
Enterprise Funds	13,381,572	11,827,277	16,632,413	10,910,092	13,277,740
Internal Service Funds	8,081,736	8,723,459	8,592,296	8,731,379	9,177,862
Pension Trust	113,985,629	121,588,332	121,019,158	130,119,926	149,711,055
<b>Total All Funds (Memo Only)</b>	<b>\$ 175,763,331</b>	<b>\$ 183,594,316</b>	<b>\$ 181,786,903</b>	<b>\$ 181,503,962</b>	<b>\$ 211,222,745</b>

**Notes:**

(1) These condensed financial statements for the years ending December 31, 2013 - 2017, 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, 2013 - 2016. 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, 2017, and the results of operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles."

(2) Excludes the Village's Custodial Funds.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

CAPITAL ASSETS

December 31, 2017

	Governmental Activities	Business- Type Activities
Land	\$ 11,565,020	\$ 4,858,690
Land - Rights of way	139,806,925	-
Machinery and equipment	11,734,705	2,838,680
Buildings and improvements	52,208,475	23,018,430
Streets	29,561,310	-
Bridges	1,596,735	-
Sanitary sewer system	-	26,952,900
Storm sewer system	-	34,351,055
Water system	-	21,335,995
	246,473,170	113,355,750
Less: Accumulated depreciation	36,582,180	67,794,135
Net investment in capital assets	\$ 209,890,990	\$ 45,561,615

Data Source

Village Records