

STATE OF ILLINOIS
COMPTROLLER

SUSANA A. MENDOZA

Name of Municipality:	<u>Village of Palatine</u>	Reporting Fiscal Year:	2017
County:	<u>Cook</u>	Fiscal Year End:	12/31/2017
Unit Code:	016-430-32		

TIF Administrator Contact Information

First Name:	Reid	Last Name:	Ottesen		
Address:	200 E Wood Street	Title:	Village Manager		
Telephone:	(847) 359-9031	City:	Palatine	Zip:	60067
E-mail- required	findept@palatine.il.us				

I attest to the best of my knowledge, that this FY 2017 report of the redevelopment project area(s)
in the City/Village of: Palatine
is complete and accurate pursuant to Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] and
Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

P. J. Otter

06/04/2018

Written signature of TIF Administrator

Date _____

Section 1 (65 ILCS 5/11-74.4-5 (d) (1.5) and 65 ILCS 5/11-74.6-22 (d) (1.5)*)

FILL OUT ONE FOR EACH TIF DISTRICT

[illegible]

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

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

FY 2017

Name of Redevelopment Project Area (below):
Downtown TIF
Primary Use of Redevelopment Project Area*: Mixed
* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.
If "Combination/Mixed" List Component Types: Retail/Residential
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one): Tax Increment Allocation Redevelopment Act Industrial Jobs Recovery Law X

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)] If yes, please enclose the amendment labeled Attachment A	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] Please enclose the CEO Certification labeled Attachment B		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] Please enclose the Legal Counsel Opinion labeled Attachment C		X
Statement setting forth all activities undertaken in furtherance of the objectives of the redevelopment plan including any project implemented and a description of the redevelopment activities.? [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)] If yes, please enclose the Activities Statement labeled Attachment D		X
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] If yes, please enclose the Agreement(s) labeled Attachment E	X	
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] If yes, please enclose the Additional Information labeled Attachment F	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] If yes, please enclose the Joint Review Board Report labeled Attachment H		X
Were any obligations issued by the municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] If yes, please enclose any Official Statement labeled Attachment I and Attachment J MUST be Yes		X
An analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage? [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)] If attachment I is yes, Analysis MUST be attached and labeled Attachment J		X
Has a cumulative of \$100,000 of TIF revenue been deposited into the special tax allocation fund? 65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2) If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K		X
Cumulatively, have deposits of incremental taxes revenue equal to or greater than \$100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9)] If yes, The audit report shall contain a letter from the independent certified public accountant indicating compliance or noncompliance with the requirements of subsection (q) of Section 11-74.4-3 labeled Attachment L		X
A list of all intergovernmental agreements in effect to which the municipality is a part, and an accounting of any money transferred or received by the municipality during that fiscal year pursuant to those intergovernmental agreements. [65 ILCS 5/11-74.4-5 (d) (10)] If yes, please enclose list only, not actual agreements labeled Attachment M	X	

SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d)(5)(a)(b)(d)) and (65 ILCS 5/11-74.6-22 (d) (5)(a)(b)(d))

Provide an analysis of the special tax allocation fund.

FY 2017

TIF NAME:

Downtown TIF

Special Tax Allocation Fund Balance at Beginning of Reporting Period

\$ 343,318

SOURCE of Revenue/Cash Receipts:	Revenue/Cash Receipts for Current Reporting Year	Cumulative Totals of Revenue/Cash Receipts for life of TIF	% of Total
Property Tax Increment	\$ 5,552,637	\$ 74,181,863	47%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	\$ 74,487	\$ 1,063,245	1%
Land/Building Sale Proceeds		\$ 1,252,260	1%
Bond Proceeds	\$ 10,961,324	\$ 76,358,554	48%
Transfers from Municipal Sources	\$ 127,262	\$ 6,188,022	4%
Private Sources			0%
Other (identify source _____; if multiple other sources, attach schedule)			0%

All Amount Deposited in Special Tax Allocation by source

\$ 16,715,710

Cumulative Total Revenues/Cash Receipts

\$ 159,043,944 100%

Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)

\$ 14,746,604

Distribution of Surplus

Total Expenditures/Disbursements

\$ 14,746,604

Net/Income/Cash Receipts Over/(Under) Cash Disbursements

\$ 1,969,106

FUND BALANCE, END OF REPORTING PERIOD*

\$ 2,312,424

* If there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

FY 2017

TIF NAME: Downtown TIF

ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND

(by category of permissible redevelopment project costs)

PAGE 1

Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]	Amounts	Reporting Fiscal Year
1. Cost of studies, surveys, development of plans, and specifications. Implementation and administration of the redevelopment plan, staff and professional service cost.		
Legal & Other Professional Fees	14,163	
		\$ 14,163
2. Annual administrative cost.		
		\$ -
3. Cost of marketing sites.		
		\$ -
4. Property assembly cost and site preparation costs.		
		\$ -
5. Costs of renovation, rehabilitation, reconstruction, relocation, repair or remodeling of existing public or private building, leasehold improvements, and fixtures within a redevelopment project area.		
Rehabilitation, Reconstruction and Repairs	25,544	
		\$ 25,544
6. Costs of the construction of public works or improvements.		
Infrastructure Improvements (streets, watermains, etc.)	7,643	
		\$ 7,643
SECTION 3.2 A		

FY 2017

TIF NAME:

Downtown TIF

Optional: Information in the following sections is not required by law, but would be helpful in creating fiscal transparency.

List all vendors, including other municipal funds, that were paid in excess of \$10,000 during the current reporting year.

[illegible]

SECTION 3.3 - (65 ILCS 5/11-74.4-5 (d) (5d) 65 ILCS 5/11-74.6-22 (d) (5d)

Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period by source

FY 2017

TIF NAME:

Downtown TIF

FUND BALANCE BY SOURCE

\$ 2,312,424

	Amount of Original Issuance	Amount Designated
1. Description of Debt Obligations		
Redevelopment Notes, Limited Series 2006B	\$ 190,000	\$ 79,793
General Obligation Bonds, Taxable Refunding Series 2012	\$ 5,025,000	\$ 2,875,000
General Obligation Bonds, Taxable Refunding Series 2014A	\$ 3,720,000	\$ 1,905,000
General Obligation Bonds, Taxable Refunding Series 2017A	\$ 7,705,000	\$ 7,705,000
General Obligation Bonds, Taxable Refunding Series 2017C	\$ 3,125,000	\$ 3,125,000

Total Amount Designated for Obligations

\$ 19,765,000 \$ 15,689,793

2. Description of Project Costs to be Paid

Total Amount Designated for Project Costs

\$ -

TOTAL AMOUNT DESIGNATED

\$ 15,689,793

SURPLUS/(DEFICIT)

\$ (13,377,369)

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

FY 2017

TIF NAME:

Downtown TIF

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

**Check here if no property was acquired by the Municipality within the
 ___X___ Redevelopment Project Area.**

Property Acquired by the Municipality Within the Redevelopment Project Area.

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

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

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

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

FY 2017

TIF Name:

Downtown TIF

Page 1 is to be included with TIF report. Pages 2 and 3 are to be included **ONLY** if projects are listed.

Select **ONE** of the following by indicating an 'X':

1. NO projects were undertaken by the Municipality Within the Redevelopment Project Area.	X
2. The Municipality DID undertake projects within the Redevelopment Project Area. (If selecting this option, complete 2a.)	21
2a. The number of projects undertaken by the municipality within the Redevelopment Project Area:	

LIST the projects undertaken by the Municipality Within the Redevelopment Project Area:

TOTAL:	11/1/99 to Date	Estimated Investment for Subsequent Fiscal Year	Total Estimated to Complete Project
Private Investment Undertaken (See Instructions)	\$ 243,016,070	\$ -	\$ -
Public Investment Undertaken	\$ 47,405,353	\$ 13,525	\$ 13,525
Ratio of Private/Public Investment	5 12/95		0

*PROJECT NAME TO BE LISTED AFTER PROJECT NUMBER

Project 1*: Wellington Court

Private Investment Undertaken (See Instructions)	\$ 6,000,000		
Public Investment Undertaken	\$ 400,000		
Ratio of Private/Public Investment	15		0

Project 2*: Groves of Palatine

Private Investment Undertaken (See Instructions)	\$ 98,000,000		
Public Investment Undertaken	\$ 3,976,850		
Ratio of Private/Public Investment	24 9/14		0

Project 3*: Gateway Center

Private Investment Undertaken (See Instructions)	\$ 18,000,000		
Public Investment Undertaken	\$ 18,273,000		
Ratio of Private/Public Investment	66/67		0

Project 4*: Hummel Building

Private Investment Undertaken (See Instructions)	\$ 6,000,000		
Public Investment Undertaken	\$ 1,732,013		
Ratio of Private/Public Investment	3 13/28		0

Project 5*: Providence

Private Investment Undertaken (See Instructions)	\$ 4,200,000		
Public Investment Undertaken	\$ 9,349,935		
Ratio of Private/Public Investment	31/69		0

Project 6*: Palatine Station

Private Investment Undertaken (See Instructions)	\$ 35,000,000		
Public Investment Undertaken	\$ 164,830		
Ratio of Private/Public Investment	212 17/50		0

Project 7*:Brownstones #1

Private Investment Undertaken (See Instructions)	\$ 4,000,000		
Public Investment Undertaken	\$ 1,374,300		
Ratio of Private/Public Investment	2 51/56		0

Project 8*:Brownstones #2

Private Investment Undertaken (See Instructions)	\$ 5,000,000		
Public Investment Undertaken	\$ 990,000		
Ratio of Private/Public Investment	5 5/99		0

Project 9*:Benchmark

Private Investment Undertaken (See Instructions)	\$ 21,000,000		
Public Investment Undertaken	\$ 2,098,500		
Ratio of Private/Public Investment	10		0

Project 10*:Preserves of Palatine

Private Investment Undertaken (See Instructions)	\$ 3,000,000		
Public Investment Undertaken	\$ 2,089,963		
Ratio of Private/Public Investment	1 27/62		0

Project 11*:Metropolitan

Private Investment Undertaken (See Instructions)	\$ 13,000,000		
Public Investment Undertaken	\$ 1,952,000		
Ratio of Private/Public Investment	6 64/97		0

Project 12*:Music Room

Private Investment Undertaken (See Instructions)	\$ 1,000,000		
Public Investment Undertaken	\$ 125,000		
Ratio of Private/Public Investment	8		0

Project 13*:19 South Bothwell

Private Investment Undertaken (See Instructions)	\$ 675,000		
Public Investment Undertaken	\$ 190,000		
Ratio of Private/Public Investment	3 21/38		0

Project 14*:Lamplighter's Inn

Private Investment Undertaken (See Instructions)	\$ 1,000,000		
Public Investment Undertaken	\$ 190,000		
Ratio of Private/Public Investment	5 5/19		0

Project 15*:Mexico Uno

Private Investment Undertaken (See Instructions)	\$ 580,000		
Public Investment Undertaken	\$ 482,000		
Ratio of Private/Public Investment	1 12/59		0

Project 16*:Stratford

Private Investment Undertaken (See Instructions)	\$ 7,115,820		
Public Investment Undertaken	\$ 900,000		
Ratio of Private/Public Investment	7 29/32		0

Project 17*:Heritage

Private Investment Undertaken (See Instructions)	\$ 16,000,000		
Public Investment Undertaken	\$ 2,100,000		
Ratio of Private/Public Investment	7 13/21		0

Project 18*:Bauer's Brauhaus

Private Investment Undertaken (See Instructions)	\$ 300,000		
Public Investment Undertaken	\$ 30,000		
Ratio of Private/Public Investment	10		0

Project 19*:Patzke/FSKS

Private Investment Undertaken (See Instructions)	\$ 1,500,000		
Public Investment Undertaken	\$ 235,926	\$ 13,525	\$ 13,525
Ratio of Private/Public Investment	6 34/95		0

Project 20*:Downtown Façade Program

Private Investment Undertaken (See Instructions)	\$ 745,250		
Public Investment Undertaken	\$ 251,036		
Ratio of Private/Public Investment	2 31/32		0

Project 21*:Tap House Grill

Private Investment Undertaken (See Instructions)	\$ 900,000		
Public Investment Undertaken	\$ 500,000		
Ratio of Private/Public Investment	1 4/5		0

Project 22*:

Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 23*:

Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 24*:

Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 25*:

Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Optional: Information in the following sections is not required by law, but would be helpful in evaluating the performance of TIF in Illinois. ***even though optional MUST be included as part of complete TIF report**

SECTION 6

FY 2017

TIF NAME: **Downtown TIF**

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

Year redevelopment project area was designated	Base EAV	Reporting Fiscal Year EAV
1999	\$ 23,256,863	\$ 76,798,740

List all overlapping tax districts in the redevelopment project area.

If overlapping taxing district received a surplus, list the surplus.

☒ Check if the overlapping taxing districts did not receive a surplus.

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

SECTION 7

Provide information about job creation and retention:

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

SECTION 8

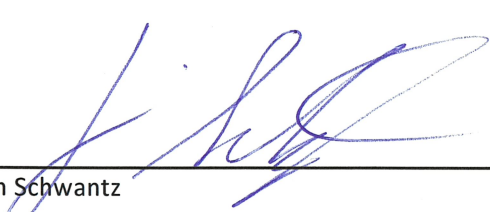
Provide a general description of the redevelopment project area using only major boundaries:

--

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

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Jim Schwantz, the duly elected Mayor and Chief Executive Officer of the Village of Palatine, County of Cook, State of Illinois, do hereby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning January 1, 2017 and ending December 31, 2017.



Jim Schwantz
Mayor

06/04/2018

Date

CERTIFICATION BY THE VILLAGE ATTORNEY

This will confirm that I am the duly appointed Village Attorney of the Village of Palatine, County of Cook, State of Illinois. I have reviewed all information provided to me by the Village of Palatine staff and consultants. I find that the Village has conformed to all the applicable requirements of the Illinois Tax Incremental Redevelopment Allocation Act set forth thereunder for the fiscal year beginning January 1, 2017 and ending December 31, 2017, to the best of my knowledge and belief.



Patrick Brankin
Village Attorney

06/04/2018

Date

Activities Undertaken in Furtherance of the Objectives of the Redevelopment Plan

The Village continues to progress in efforts to finalize the site remediation issues related to the former gas station located at the southwest corner of Palatine & Plum Grove Roads. This gas station was acquired in conjunction with the Village's Palatine/Plum Grove Intersection Improvement Project and was in the process of addressing issues related to their underground storage tanks. Funds were set aside as part of the Village's acquisition of the property and the Village is nearing completion of the required steps to obtain a No Further Remediation (NFR) letter from the State. Panamerican Bank & Trust is currently converting the former Smith Street Station tenant space into a drive-through bank facility.

Joint Review Board Minutes

DRAFT

Village of Palatine

Rand/Dundee Tax Increment Financing District
Dundee Road Tax Increment Financing District
Rand Corridor Tax Increment Financing District
Rand/Lake Cook Tax Increment Financing District
Downtown Area Tax Increment Financing District

Meeting of the Joint Review Board

Tuesday, November 28, 2017 – 1:00 PM

Minutes

I. JOINT REVIEW BOARD CALL TO ORDER

Reid Ottesen, Village Representative, called the meeting to order at 1:03 PM

II. ROLL CALL OF TAX DISTRICT MEMBERS

Present:

Palatine Park District
Mike Clark, Executive Director
Elliott Becker, Finance Director
Palatine Public Library District
Melissa Gardner, Interim Executive Director
Regina Stapleton, Finance Manager
Township of Palatine
Andy John Kalkounos, Township Trustee
Village of Palatine
Reid Ottesen, Village Manager
Mike Jacobs, Deputy Village Manager
Paul Mehring, Finance Director
Patrick Brankin, Village Attorney
Bob Kenny, Village Attorney

Absent:

Community Consolidated School District 15
Cook County
Forest Preserve District of Cook County
Illinois Department of Commerce and Economic Opportunity
Metropolitan Water Reclamation District of Greater Chicago
Northwest Mosquito Abatement District
Palatine Township Road District
Township High School District 211
William Rainer Harper Community College District 512

Joint Review Board Minutes

III. NOMINATION FOR AND SELECTION OF PUBLIC MEMBER

Mike Jacobs indicated that Ray Franczak, who had previously served as the Public Member, was notified of the scheduled Joint Review Board meeting. Mr. Franczak was not in attendance, thus no public member nomination occurred.

IV. NOMINATION FOR CHAIR OF THE JOINT REVIEW BOARD

Mike Clark, seconded by Andy John Kalkounos, nominated Reid Ottesen as the Chair of the Joint Review Board meeting for November 28, 2017. The motion was approved unanimously.

V. APPROVAL OF THE NOVEMBER 18, 2016 MINUTES OF THE JOINT REVIEW BOARD

Elliott Becker, seconded by Mike Clark, moved to approve the November 18, 2016 minutes of the Joint Review Board. The motion was approved unanimously.

VI. ANNUAL REVIEW OF PERFORMANCE

Reid Ottesen explained that all taxing bodies are required to meet once a year to discuss the status of the Village's TIF districts. He then indicated that he would review the projected surplus to be declared from the Dundee Road TIF and Rand/Dundee TIF and the upcoming expiration of these two TIF districts following an overview of development activity within the Village's TIF Districts over the past year.

- A. DUNDEE ROAD TIF DISTRICT
- B. RAND/DUNDEE TIF DISTRICT
- C. RAND ROAD CORRIDOR TIF DISTRICT
- D. DOWNTOWN AREA TIF DISTRICT
- E. RAND/LAKE COOK TIF DISTRICT

Mike Jacobs provided a brief overview of the development activity that occurred last year, is currently underway, and is anticipated in the coming year. The projects highlighted included the redevelopment of the former Idol's site with a drive-through Panera, Mattress Firm, and Verizon. He noted the Village is in discussions with a potential buyer/user for the former Menard's site, outlined the status of the Park Place center, and noted IDOT's pending plans to modify Dundee Road, between Rand Road and Kennedy Drive. Mike Jacobs also outlined the ongoing construction of a new drive-through Starbucks on Lake Cook Road and a proposed self-storage use south of Grossinger Hyundai. Lastly, Mike Jacobs indicated that in the coming year the Village will be reviewing options for the Village owned parcels within the Downtown TIF District.

Joint Review Board Minutes

Paul Mehring distributed a summary chart that outlined the projected surplus distribution by agency for 2018, while also sharing information regarding the potential balances that will exist in the Dundee Road and Rand/Dundee TIF Districts. Elliott Becker asked what the current balance was within the Dundee Road TIF District and Paul Mehring indicated it was approximately \$9,000,000.

Bob Kenny then distributed a memo outlining issues related to tax appeals following the closure of a TIF District. Mr. Kenny reviewed a recent court case involving Arlington Heights. Mr. Ottesen then indicated the Village would look to withhold a certain amount of funding from each TIF District as they expire to cover any appeals that may be processed in the future. Once the appeal window would close, which could take several years, remaining funds could then be distributed to the applicable taxing bodies by the County.

VII. ADJOURNMENT

Mike Clark, seconded by Melissa Gardner, moved to adjourn the Joint Review Board Meeting at 1:37 PM. The motion was approved unanimously.

Respectfully submitted,

Michael W. Jacobs
Village of Palatine

Final Official Statement

Subject to compliance by the Village with certain covenants, in the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under present law, interest on the Tax-Exempt Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Tax-Exempt Bonds is not exempt from present State of Illinois income taxes. See "TAX EXEMPTION-TAX-EXEMPT BONDS" herein for a more complete discussion. The Tax-Exempt Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS-TAX EXEMPT BONDS" herein.

Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS- TAXABLE BONDS" herein for a more complete discussion.

**VILLAGE OF PALATINE****Cook County, Illinois****\$7,705,000 General Obligation Refunding Bonds, Series 2017A****\$1,465,000 General Obligation Refunding Bonds, Series 2017B****\$3,125,000 Taxable General Obligation Refunding Bonds, Series 2017C****\$6,060,000 Taxable General Obligation Refunding Bonds, Series 2017D****SIGNED
COPY**

Dated Date of Delivery	Book-Entry	Bank Qualified (Tax-Exempt Bonds)	Due on As Detailed Herein
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The \$7,705,000 General Obligation Refunding Bonds, Series 2017A (the "2017A Bonds"), the \$1,465,000 General Obligation Refunding Bonds, Series 2017B (the "2017B Bonds"), the \$3,125,000 Taxable General Obligation Refunding Bonds, Series 2017C (the "2017C Bonds"), and the \$6,060,000 Taxable General Obligation Refunding Bonds, Series 2017D (the "2017D Bonds," and together with the 2017A Bonds, the 2017B Bonds and the 2017C Bonds, the "Bonds"), are being issued by the Village of Palatine, Cook County, Illinois (the "Village"). The 2017A Bonds and the 2017B Bonds are collectively referred to as the "Tax-Exempt Bonds"; and the 2017C Bonds and the 2017D Bonds are collectively referred to as the "Taxable Bonds". Semiannual interest on the Tax-Exempt Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2017. Semiannual interest on the Taxable Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2018. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each series and maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 1 as detailed herein.

NO OPTIONAL REDEMPTION

The Bonds are **not** subject to optional redemption prior to maturity.

PURPOSE, LEGALITY AND SECURITY

The 2017A Bond proceeds are expected to be used to advance refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2009E (Build America Bonds - Direct Payment) (the "Series 2009E Refunded Bonds"), and to pay the costs of issuance of the 2017A Bonds. The 2017B Bond proceeds are expected to be used to advance refund the Village's outstanding Taxable General Obligation Bonds, Series 2009F (Build America Bonds - Direct Payment) (the "Series 2009F Refunded Bonds"), and to pay the costs of issuance of the 2017B Bonds. The 2017C Bond proceeds are expected to be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Taxable Series 2007B (the "Series 2007B Refunded Bonds"), and to pay the costs of issuance of the 2017C Bonds. The 2017D Bond proceeds are expected to be used to advance refund the Village's outstanding General Obligation Bonds, Taxable Series 2007D (the "Series 2007D Refunded Bonds"), and to pay the costs of issuance of the 2017D Bonds. See "PLAN OF FINANCING" herein.

The Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

This Final Official Statement is dated June 19, 2017, and has been prepared under the authority of the Village. An electronic copy of this Final Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Final Official Statement Sales Calendar". Additional copies may be obtained from Mr. Paul D. Mehring, Finance Director, Village of Palatine, 200 East Wood Street, Palatine, Illinois 60067, or from the Independent Public Finance Consultants to the Village:

Speer Financial, Inc.
INDEPENDENT MUNICIPAL ADVISORS • ESTABLISHED 1951
ONE NORTH WASHINGTON STREET, SUITE 4100 • CHICAGO, ILLINOIS 60607
Telephone: (312) 346-3700 • Facsimile: (312) 346-8833
www.speerfinancial.com

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Village and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement, which is provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors. The following descriptions apply equally to the 2017A Bonds, the 2017B Bonds, the 2017C Bonds and the 2017D Bonds. Other terms specific to each series are provided separately herein.

Issuer:	Village of Palatine, Cook County, Illinois.
Dated Date:	Date of delivery, expected to be on or about July 11, 2017.
No Optional Redemption:	The Bonds are not subject to optional redemption prior to maturity.
Authorization:	The Village is a home rule unit under the 1970 Illinois Constitution, has no statutory debt limit, and is not required to seek referendum approval to issue the Bonds.
Security:	The Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.
Investment Rating:	The Bonds have received a rating of "AA+" from S&P Global Ratings, New York, New York. See "INVESTMENT RATING" herein.
Bond Registrar/Paying Agent:	Amalgamated Bank of Chicago, Chicago, Illinois.
Delivery:	The Bonds are expected to be delivered on or about July 11, 2017.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See APPENDIX B herein.
Denomination:	\$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Chicago, Illinois.

The 2017A Bonds

Issue: \$7,705,000 General Obligation Refunding Bonds, Series 2017A.

Principal Due: Each June 1 and December 1, commencing December 1, 2018, through December 1, 2022, as detailed below.

Interest Due: Each June 1 and December 1, commencing December 1, 2017.

Purpose: The 2017A Bond proceeds are expected to be used to refund a portion of the Village's outstanding Series 2009E Refunded Bonds and to pay the costs of issuance of the 2017A Bonds. See "PLAN OF FINANCING" herein.

Tax Exemption: Katten Muchin Rosenman LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the interest on the Tax-Exempt Bonds as discussed under "TAX EXEMPTION - TAX-EXEMPT BONDS" in this Final Official Statement. Interest on the Tax-Exempt Bonds is not exempt from present State of Illinois income taxes.

Bank Qualification: The Tax-Exempt Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS - TAX-EXEMPT BONDS" herein.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS⁽¹⁾

Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP (1) Number	Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP (1) Number
\$1,135,000.....	2018	4.000%	1.150%	696089 G70	\$1,995,000.....	2021	1.650%	1.630%	696089 H20
1,250,000.....	2019	4.000%	1.250%	696089 G88	2,060,000.....	2022	1.800%	1.760%	696089 H38
1,265,000.....	2020	1.500%	1.490%	696089 G96					

The 2017B Bonds

Issue: \$1,465,000 General Obligation Refunding Bonds, Series 2017B.

Principal Due: Each June 1 and December 1, commencing December 1, 2018, through December 1, 2025, as detailed below.

Interest Due: Each June 1 and December 1, commencing December 1, 2017.

Purpose: The 2017B Bond proceeds are expected to be used to refund the Village's outstanding Series 2009F Refunded Bonds and to pay the costs of issuance of the 2017B Bonds. See "PLAN OF FINANCING" herein.

Tax Exemption: Katten Muchin Rosenman LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the interest on the Tax-Exempt Bonds as discussed under "TAX EXEMPTION-TAX-EXEMPT BONDS" in this Final Official Statement. Interest on the Tax-Exempt Bonds is not exempt from present State of Illinois income taxes.

Bank Qualification: The Tax-Exempt Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS-TAX-EXEMPT BONDS" herein.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS⁽¹⁾

Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP (1) Number
\$490,000	2023	3.000%	1.850%	696089 H95
490,000	2024	3.000%	2.000%	696089 J28
485,000	2025	3.000%	2.150%	696089 J36

(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Global Ratings. The Village is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

The 2017C Bonds

Issue: \$3,125,000 Taxable General Obligation Refunding Bonds, Series 2017C.

Principal Due: Each June 1 and December 1, commencing December 1, 2018, through December 1, 2022, as detailed below.

Interest Due: Each June 1 and December 1, commencing June 1, 2018.

Purpose: The 2017C Bond proceeds are expected to be used to refund a portion of the Series 2007B Refunded Bonds and to pay the costs of issuance of the 2017C Bonds. See “**PLAN OF FINANCING**” herein.

Tax Matters: Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Taxable Bonds is not exempt from present State of Illinois income taxes.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS⁽¹⁾

Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number
\$590,000.....	2018	1.300%	1.300%	696089 J44	\$640,000.....	2021	2.000%	2.000%	696089 J77
620,000.....	2019	1.550%	1.550%	696089 J51	650,000.....	2022	2.200%	2.200%	696089 J85
625,000.....	2020	1.800%	1.800%	696089 J69					

The 2017D Bonds

Issue: \$6,060,000 Taxable General Obligation Refunding Bonds, Series 2017D.

Principal Due: Each June 1 and December 1, commencing December 1, 2018, through December 1, 2026, as detailed below.

Interest Due: Each June 1 and December 1, commencing June 1, 2018.

Purpose: The 2017D Bond proceeds are expected to be used to refund a portion of the Series 2007D Refunded Bonds and to pay the costs of issuance of the 2017D Bonds. See “**PLAN OF FINANCING**” herein.

Tax Matters: Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Taxable Bonds is not exempt from present State of Illinois income taxes.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS⁽¹⁾

Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number
\$565,000.....	2018	2.000%	1.550%	696089 J93	\$690,000.....	2023	2.500%	2.500%	696089 K67
640,000.....	2019	2.000%	1.750%	696089 K26	710,000.....	2024	2.600%	2.600%	696089 K75
650,000.....	2020	2.000%	2.000%	696089 K34	725,000.....	2025	3.000%	2.700%	696089 K83
660,000.....	2021	2.200%	2.200%	696089 K42	745,000.....	2026	3.000%	2.800%	696089 K91
675,000.....	2022	2.350%	2.350%	696089 K59					

(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Global Ratings. The Village is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

VILLAGE COUNCIL

Jim Schwantz
Mayor

Kollin Kozlowski
Doug Myslinski
Scott Lamerand

Tim Millar
Brad Helms
Greg Solberg

OFFICIALS

Margaret R. Duer
Village Clerk

Reid T. Ottesen
Village Manager

Paul D. Mehring
Finance Director

Patrick Brankin, Esq.
Village Attorney

THE VILLAGE

Overview

The Village of Palatine (the “Village”) is located in northwestern Cook County approximately 31 miles from downtown Chicago and was incorporated in 1866. Neighboring communities include the Village of Arlington Heights to the east, the City of Rolling Meadows and the Village of Schaumburg to the south, the Village of Deer Park to the north, and the Village of Inverness to the west. The Village encompasses approximately 13.11 square miles.

According to the 1990 Census, the Village’s population was 39,655, a 23% increase from the 1980 Census population of 32,166. At the 2000 Census, the Village’s population increased 65% over the 1990 Census to 65,479. At the 2010 Census, the Village’s population increased 4.7% over the 2000 Census to 68,557.

Organization and Services

In 1970, by virtue of a population above 25,000 people, the Village achieved home rule status. As a home rule community, the Village has the authority to exercise any power or perform any function pertaining to its government and affairs including, but not limited to, the powers to regulate for the protection of the public health, safety, morals, and welfare, and to license, tax, and incur debt.

The Village operates under the Council-Manager form of government. The Village Council is comprised of seven members: a Mayor is elected at large, while the Council Members are elected within one of six districts. The length of each term is four years. With overlapping election terms, only one half of the Village Council is elected every two years. The professional Village Manager is responsible for the administration of policy set by the Village Council and the day-to-day operation of the Village.

The Village employs 338 full-time and 59 part-time/seasonal employees. This represents a reduction of 37 full-time employees since January 1, 2009. The Palatine Police Department is comprised of 109 sworn officers and 24 civilian personnel. The police officers have a three-year contract that expires December 31, 2019. The Palatine Fire Department operates from five stations and is comprised of 91 sworn fire fighters and 4 civilian personnel. The firefighters have a three-year contract expiring December 31, 2017. The Village operates a water distribution and sewage collection system, consisting of approximately 200 miles of mains and a storage capacity of 21.5 million gallons. The public works department is staffed by 51 employees of whom 39 are unionized and had a three-year contract that expired on December 31, 2015. The Village is currently in negotiations with the public works unionized employees for a new multi-year contract. Lake Michigan water is obtained from the Northwest Water Commission and sewerage treatment is the responsibility of the Metropolitan Water Reclamation District, each a separate unit of government or agency.

Community Life

The Palatine Park District maintains over 40 parks, including the beautiful 195-acre, 18-hole championship Palatine Hills Golf Course with pro shop, clubhouse, and driving range. The Family Aquatic Center features two 180-foot slides, two tot water slides, sand play area, 6-lane lap pool, and a large lawn area. Palatine Horse Stables provide English Riding lessons and boarding. The Community Center has an indoor track, gymnasium, gymnastics facilities, locker rooms, weight room and classrooms. Birchwood Park Recreation Center offers a gymnasium, a 50 meter pool, plus fitness, dance, preschool, and babysitting areas. The 15 mile Palatine Trail winds scenically through neighborhood parks, the Palatine Hills Golf Course, Deer Grove Forest Preserve, and Harper College. Cutting Hall is a 430-seat auditorium where residents enjoy all aspects of theatrical entertainment throughout the year, while the Fred P. Hall Amphitheatre is the summertime venue for outdoor concerts. The Park District has also entered into an agreement with Harper College to operate a newly constructed indoor pool and recreation facility on the Harper College Campus. The Palatine Park District also oversees and operates the George Clayson Historical Museum and Library. A small portion of the Village is served by the Salt Creek Rural Park District.

Library services are provided by the Palatine Public Library District which operates a main library in the Village and a branch in the Village of Hoffman Estates. Hennen's American Public Library Rating Index named the Palatine Public Library among the top five libraries in the nation serving populations between 50,000 and 100,000 people. The Palatine Public Library's excellent ranking is due in part to the high per capita use of library services by the community.

Education

Elementary and secondary education is provided by Palatine Community Consolidated School District Number 15 and Palatine Township High School District Number 211. District 15 is the third largest elementary school district in Illinois, serves a population of approximately 112,700 and has an enrollment of approximately 12,655. District 15 has fifteen elementary schools, four junior high schools, and one alternative school. Township High School District 211 is the largest high school district in Illinois with approximately 12,000 students in its five high schools, two of which are located in the Village.

A number of private and parochial schools service the Village, including St. Thomas of Villanova School, St. Theresa School and Immanuel Lutheran School. Quest Academy is an accredited independent day school for gifted and talented students from preschool to eighth grade, educating children from over 40 Chicago area communities.

William Rainey Harper College is a comprehensive community education college dedicated to providing excellent education at a reasonable cost, enlightening the community, and meeting the needs of a changing world. Harper offers two-year degrees, as well as a wide range of certificate programs. In addition, Harper offers a variety of special interest, vocational and continuing education classes. The variety of programs and services offered by Harper answers the needs of a diverse student body of approximately 16,000 students.

Transportation

Village residents have easy access to the Northwest Tollway (I-90), which is two miles south of the Village, and the Tri-State Tollway (I-294), which is eight miles east of the Village. The Village is located approximately 14 miles from O'Hare International Airport and 12 miles from the Chicago Executive Airport. Commuter rail service to downtown Chicago is provided by the Metra northwest line. Travel time to downtown Chicago is approximately 40 minutes.

SOCIOECONOMIC INFORMATION

Following are lists of large employers located in the Village and in the surrounding area.

Major Village Employers(1)

<u>Name</u>	<u>Product/Service</u>	<u>Approximate Employment</u>
Community Unit School District 15.....	School District	2, 088 (2)
Township High School District 211.....	School District	2, 015 (2)
United States Postal Service.....	Product and Document Processing and Distribution Center.....	1, 000
William Rainey Harper College.....	Community College	840
United Parcel Service.....	Product and Document Delivery	500
Weber-Stephen Products Co.....	Barbecue Grills & Accessories Company Headquarters.....	400
Village of Palatine.....	Municipality	338 (3)
The Intec Group, Inc.....	Plastic Insert & Injection Molding.....	150
Keller Williams Team Realty.....	Real Estate	140

Notes: (1) Source: 2016 Illinois Manufacturers Directory, 2016 Illinois Services Directory, the Village and a selected telephone survey.

(2) Includes employees at facilities outside the Village.

(3) Excludes part-time/seasonal employees.

Major Area Employers(I)

Location	Name	Product/Service	Approximate Employment
Lincolnshire.....	Aon Hewitt, LLC.....	Employee Benefits and Compensation Consultants.....	5,000
Arlington Heights.....	Northwest Community Hospital.....	General Hospital.....	4,000
Riverwoods.....	Discover Financial Services, LLC.....	Company Headquarters and Financial Services.....	3,000
Vernon Hills.....	Hawthorn Shopping Center.....	Shopping Center.....	2,500
Lincolnshire.....	W. W. Grainger Co., Inc.....	Industrial Machinery Corporate Headquarters.....	2,091
Buffalo Grove.....	Siemens Building Technologies.....	Company Headquarters and Building Control Systems.....	1,800
Wheeling.....	Durable Packaging International, Inc.....	Aluminum Foil and Plastic Products.....	1,500
Buffalo Grove.....	I.S.I.....	Management Consulting.....	1,200
Multiple.....	Zebra Technologies Corp.....	Printing Machinery and Equipment.....	1,100
Arlington Heights.....	Clearbrook.....	Charitable Organization.....	1,000
Wheeling.....	Handi-Foil Corp.....	Aluminum Foil Cooking Containers.....	800
Lincolnshire.....	HydraForce, Inc.....	Fluid Power Valves and Hose Fittings.....	750
Wheeling.....	The Segerdahl Corp.....	Printing.....	725
Wheeling.....	National-Louis University.....	Colleges and Universities.....	600
Arlington Heights.....	Paddock Publications, Inc.....	Corporate Headquarters and Daily Printed and Online Newspaper.....	550
Arlington Heights.....	AMITA Health.....	Company Headquarters and Health Care Services.....	500
Wheeling.....	Crothall Laundry Systems.....	Laundry Services.....	500
Wheeling.....	Durable, Inc.....	Aluminum Foil and Foil Products.....	500
Arlington Heights.....	Level 3 Communications, LLC.....	Data and Voice Communications Services.....	500
Arlington Heights.....	Paylocity Corporation.....	Software Development.....	500
Lincolnshire.....	Quill Corp.....	Office Supplies.....	500
Wheeling.....	Shure, Inc.....	Audio and Video Equipment.....	500
Riverwoods.....	Wolters Kluwer U.S. Corp.....	Corporate Headquarters and Book Publishing.....	500

Note: (1) Source 2016 Illinois Manufacturers Directory, 2016 Illinois Services Directory.

The following tables show employment by industry and by occupation for the Village, Cook County (the “County”) and the State of Illinois (the “State”) as reported by the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimated values.

Employment By Industry(I)

Classification	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing, Hunting, and Mining.....	14	0.0%	4,575	0.2%	64,380	1.1%
Construction.....	1,904	5.2%	112,960	4.6%	313,232	5.1%
Manufacturing.....	5,016	13.7%	254,630	10.3%	765,301	12.6%
Wholesale Trade.....	1,379	3.8%	68,415	2.8%	184,522	3.0%
Retail Trade.....	4,630	12.6%	249,744	10.1%	668,523	11.0%
Transportation and Warehousing, and Utilities.....	1,798	4.9%	158,391	6.4%	358,122	5.9%
Information.....	875	2.4%	56,415	2.3%	123,286	2.0%
Finance, Insurance, Real Estate, and Rental and Leasing....	2,995	8.2%	199,520	8.1%	446,219	7.3%
Professional, Scientific, Management, Administrative, and Waste Management Services.....	5,276	14.4%	342,325	13.9%	695,791	11.4%
Educational, Health and Social Services.....	7,256	19.8%	561,213	22.8%	1,396,976	23.0%
Arts, Entertainment, Recreation, Accommodation and Food Services.....	3,422	9.3%	243,193	9.9%	551,219	9.1%
Other Services (except Public Administration).....	1,694	4.6%	123,729	5.0%	288,602	4.7%
Public Administration.....	421	1.1%	88,545	3.6%	230,053	3.8%
Total.....	36,680	100.0%	2,463,655	100.0%	6,086,226	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Employment By Occupation(1)

Classification	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Management, Professional and Related Occupations.....	16,080	43.8%	943,691	38.3%	2,241,849	36.8%
Service Occupations.....	5,468	14.9%	447,279	18.2%	1,057,682	17.4%
Sales and Office Occupations.....	9,321	25.4%	601,574	24.4%	1,493,597	24.5%
Natural Resources, Construction, Extraction, and Maintenance	1,978	5.4%	150,202	6.1%	444,435	7.3%
Production, Transportation, and Material Moving.....	3,833	10.4%	320,909	13.0%	848,663	13.9%
Total.....	36,680	100.0%	2,463,655	100.0%	6,086,226	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Annual Average Unemployment Rates(1)

Calendar Year	The Village	The County	The State
2006.....	3.3%	4.8%	4.6%
2007.....	3.8%	5.2%	5.0%
2008.....	4.9%	6.5%	6.5%
2009.....	8.3%	10.3%	10.1%
2010.....	8.5%	10.5%	10.5%
2011.....	7.9%	10.4%	9.8%
2012.....	6.6%	9.3%	8.9%
2013.....	7.1%	9.6%	9.2%
2014.....	5.8%	7.4%	7.1%
2015.....	4.8%	6.1%	5.9%
2016.....	4.9%	5.3%	5.5%
2017(2).....	3.6%	4.4%	4.7%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of March 2017.

Building Permits

Residential building permits have averaged \$14,726,748 annually over the last five years in the Village, excluding the value of land.

Village Building Permits(1)

Calendar Year	Single-Family		Multi-Family		All Other	Total
	Units	Value	Units	Value	Value(2)	Value
2008.....	24	\$7,801,720	0	\$	\$48,918,400	\$56,720,120
2009.....	11	2,997,993	0	0	23,169,432	26,167,425
2010.....	17	6,515,891	0	0	57,008,786	63,524,677
2011.....	31	10,911,591	0	0	29,073,076	39,984,667
2012.....	22	6,866,575	0	0	21,821,436	28,688,011
2013.....	47	15,466,712	0	0	29,556,308	45,023,020
2014.....	91	23,394,133	0	0	27,657,129	51,051,262
2015.....	47	13,485,802	0	0	42,432,618	55,918,420
2016.....	62	14,420,521	0	0	50,211,242	64,631,763

Notes: (1) Source: The Village.
(2) Includes additions/remodeling of existing single family and multiple family residences, additions/remodeling of commercial and industrial buildings, additions/remodeling of public buildings, and other miscellaneous building permits.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the Village's owner-occupied homes was \$266,700. This compares to \$218,700 for the County and \$173,800 for the State. The following table represents the five year average market value of specified owner-occupied units for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Home Values(I)

Value	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$50,000.....	668	3.8%	48,037	4.3%	240,110	7.6%
\$ 50,000 to \$99,999.....	1,462	8.2%	108,435	9.8%	518,898	16.3%
\$100,000 to \$149,999.....	1,996	11.2%	157,507	14.2%	533,593	16.8%
\$150,000 to \$199,999.....	1,774	10.0%	185,870	16.8%	527,923	16.6%
\$200,000 to \$299,999.....	4,782	26.9%	261,739	23.6%	648,006	20.4%
\$300,000 to \$499,999.....	5,111	28.7%	219,756	19.8%	473,931	14.9%
\$500,000 to \$999,999.....	1,974	11.1%	99,160	9.0%	188,536	5.9%
\$1,000,000 or more.....	20	0.1%	26,981	2.4%	46,708	1.5%
Total.....	17,787	100.0%	1,107,485	100.0%	3,177,705	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Mortgage Status(I)

Value	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Housing Units With a Mortgage.....	12,842	72.3%	756,665	68.3%	2,104,166	66.2%
Housing Units Without a Mortgage.....	4,915	27.7%	350,820	31.7%	1,073,539	33.8%
Total.....	17,757	100.0%	1,107,485	100.0%	3,177,705	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Income

Per Capita Personal Income for the Highest Income Counties in the State(I)

Rank		2011 to 2015
1.....	DuPage County	\$39,336
2.....	Lake County	39,299
3.....	McHenry County	33,735
4.....	Monroe County	32,889
5.....	Piatt County	32,724
6.....	Will County	31,310
7.....	McLean County	31,305
8.....	Kane County	31,056
9.....	Kendall County	31,053
10.....	Sangamon County	31,024
11.....	Cook County	31,013

Note: (1) Source: U.S. Bureau of the Census. 2011 to 2015
American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2011-2015 American Community Survey.

Ranking of Median Family Income(I)

County	Family Income	Rank
DuPage County	\$96,751	1
Lake County	93,668	2
Kendall County	91,612	3
McHenry County	89,768	4
Will County	87,950	5
Kane County	81,718	8
Cook County	67,324	23

Note: (1) Source: U.S. Bureau of the Census 2011 to 2015 American Community Survey 5-Year Estimates.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median family income of \$89,648. This compares to \$67,324 for the County and \$71,546 for the State. The following table represents the distribution of family incomes for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Family Income(I)

Income	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	573	3.3%	64,458	5.4%	137,468	4.4%
\$ 10,000 to \$ 14,999	251	1.5%	39,120	3.3%	83,523	2.7%
\$ 15,000 to \$ 24,999	1,069	6.2%	98,161	8.3%	219,861	7.0%
\$ 25,000 to \$ 34,999	727	4.2%	103,925	8.8%	247,041	7.9%
\$ 35,000 to \$ 49,999	1,679	9.8%	140,772	11.9%	372,279	11.9%
\$ 50,000 to \$ 74,999	2,783	16.2%	200,807	16.9%	572,734	18.3%
\$ 75,000 to \$ 99,999	2,353	13.7%	156,377	13.2%	460,502	14.7%
\$100,000 to \$149,999	3,905	22.7%	190,625	16.1%	554,220	17.7%
\$150,000 to \$199,999	2,031	11.8%	87,173	7.4%	234,835	7.5%
\$200,000 or more	1,842	10.7%	103,439	8.7%	242,220	7.8%
Total	17,213	100.0%	1,184,857	100.0%	3,124,683	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median household income of \$71,573. This compares to \$55,251 for the County and \$57,574 for the State. The following table represents the distribution of household incomes for the Village, the County and the State at the time of the 2011-2015 American Community Survey.

Household Income(I)

Income	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	1,146	4.4%	166,690	8.6%	343,101	7.2%
\$ 10,000 to \$ 14,999	589	2.2%	95,443	4.9%	217,426	4.5%
\$ 15,000 to \$ 24,999	2,139	8.2%	201,757	10.4%	477,279	10.0%
\$ 25,000 to \$ 34,999	1,658	6.3%	183,447	9.4%	449,729	9.4%
\$ 35,000 to \$ 49,999	3,431	13.1%	241,142	12.4%	610,069	12.7%
\$ 50,000 to \$ 74,999	4,655	17.7%	328,904	16.9%	851,656	17.8%
\$ 75,000 to \$ 99,999	3,463	13.2%	231,125	11.9%	609,496	12.7%
\$100,000 to \$149,999	4,825	18.4%	258,409	13.3%	676,505	14.1%
\$150,000 to \$199,999	2,317	8.8%	109,676	5.6%	272,382	5.7%
\$200,000 or more	2,019	7.7%	126,366	6.5%	278,745	5.8%
Total	26,242	100.0%	1,942,959	100.0%	4,786,388	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

Retail Activity

Following is a summary of the Village's sales tax receipts as collected and disbursed by the State of Illinois.

Retailers' Occupation, Service Occupation and Use Tax(1)

State Fiscal Year Ending June 30	State Sales Tax Distributions (2)	Home Rule Sales Tax Distributions	Total	Annual Percent Change + (-)
2006	\$8,001,451	\$4,687,599	\$12,689,050	6.79% (3)
2007	7,951,481	4,570,553	12,522,034	(1.32%)
2008	8,307,192	4,836,382	13,143,574	4.96%
2009	7,724,639	4,519,643	12,244,282	(6.84%)
2010	7,005,809	3,938,998	10,989,807	(10.25%)
2011	7,245,268	4,138,020	11,383,288	3.58%
2012	8,197,117	4,292,394	12,489,511	9.72%
2013	7,931,726	4,152,875	12,084,601	(3.24%)
2014	8,205,897	4,319,283	12,525,180	3.64%
2015	8,754,600	4,436,077	13,190,677	5.31%
2016	8,313,844	4,404,320	12,718,164	(3.58%)
Growth from 2006 to 2015				0.23%

- Notes: (1) Source: Illinois Department of Revenue.
(2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the Village, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
(3) The 2006 percentage is based on a 2005 sales tax of \$11,881,706.

PLAN OF FINANCING

A portion of the 2017A Bond proceeds will be used to advance refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2009E (Build America Bonds - Direct Payment), as listed below (the "Series 2009E Refunded Bonds"):

Outstanding Taxable General Obligation Bonds, Series 2009E (Build America Bonds - Direct Payment)

Maturities	Outstanding Amount	Amount Refunded	Redemption Price(s)	Redemption Date
12/1/2017.....	\$ 750,000	\$ 0	N/A	N/A
12/1/2018.....	1,150,000	1,150,000	100.00%	12/1/2017
12/1/2019.....	1,250,000	1,250,000	100.00%	12/1/2017
12/1/2020.....	1,250,000	1,250,000	100.00%	12/1/2017
12/1/2021.....	2,000,000	2,000,000	100.00%	12/1/2017
12/1/2022.....	2,100,000	2,100,000	100.00%	12/1/2017
Total.....	\$8,500,000	\$7,750,000		

The remaining portion of the 2017A Bond proceeds will be used to pay the costs of issuance of the 2017A Bonds.

A portion of the 2017B Bond proceeds will be used to advance refund the Village's outstanding Taxable General Obligation Bonds, Series 2009F (Build America Bonds- Direct Payment), as listed below (the "Series 2009F Refunded Bonds"):

**Outstanding Taxable General Obligation Bonds, Series 2009F
(Build America Bonds - Direct Payment)**

<u>Maturities</u>	<u>Outstanding Amount</u>	<u>Amount Refunded</u>	<u>Redemption Price(s)</u>	<u>Redemption Date</u>
12/1/2023.....	\$ 500,000	\$ 500,000	100.00%	12/1/2017
12/1/2024.....	500,000	500,000	100.00%	12/1/2017
12/1/2025.....	500,000	500,000	100.00%	12/1/2017
Total	\$1,500,000	\$1,500,000		

The remaining portion of the 2017B Bond proceeds will be used to pay the costs of issuance of the 2017B Bonds.

A portion of the 2017C Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Taxable Series 2007B, as listed below (the "Series 2007B Refunded Bonds"):

Outstanding General Obligation Bonds, Taxable Series 2007B

<u>Maturities</u>	<u>Outstanding Amount</u>	<u>Amount Refunded</u>	<u>Redemption Price(s)</u>	<u>Redemption Date</u>
12/1/2017.....	\$ 525,000	\$ 0	N/A	N/A
12/1/2018.....	555,000	555,000	100.00%	12/1/2017
12/1/2019.....	585,000	585,000	100.00%	12/1/2017
12/1/2020.....	615,000	615,000	100.00%	12/1/2017
12/1/2021.....	645,000	645,000	100.00%	12/1/2017
12/1/2022.....	680,000	680,000	100.00%	12/1/2017
Total	\$3,605,000	\$3,080,000		

The remaining portion of the 2017C Bond proceeds will be used to pay the costs of issuance of the 2017C Bonds.

A portion of the 2017D Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Taxable Series 2007D, as listed below (the "Series 2007D Refunded Bonds", and together with the Series 2009E Refunded Bonds, the Series 2009F Refunded Bonds, and the Series 2007B Refunded Bonds; the "Refunded Bonds"):

Outstanding General Obligation Bonds, Taxable Series 2007D

<u>Maturities</u>	<u>Outstanding Amount</u>	<u>Amount Refunded</u>	<u>Redemption Price(s)</u>	<u>Redemption Date</u>
12/1/2017.....	\$ 515,000	\$ 0	N/A	N/A
12/1/2018.....	540,000	540,000	100.00%	12/1/2017
12/1/2019.....	570,000	570,000	100.00%	12/1/2017
12/1/2020.....	600,000	600,000	100.00%	12/1/2017
12/1/2021.....	630,000	630,000	100.00%	12/1/2017
12/1/2022.....	665,000	665,000	100.00%	12/1/2017
12/1/2023.....	700,000	700,000	100.00%	12/1/2017
12/1/2024.....	740,000	740,000	100.00%	12/1/2017
12/1/2025.....	780,000	780,000	100.00%	12/1/2017
12/1/2026.....	820,000	820,000	100.00%	12/1/2017
Total.....	\$6,560,000	\$6,045,000		

The remaining portion of the 2017D Bond proceeds will be used to pay the costs of issuance of the 2017D Bonds.

Bond proceeds used to refund the Refunded Bonds will be used to purchase direct full faith and credit obligations of the United States of America (the "Government Securities"), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Tax-Exempt Bonds through December 1, 2017, (ii) to pay when due the interest on the Series 2007B Refunded Bonds and Series 2007D Refunded Bonds through December 1, 2017, and (iii) to pay the redemption amount on the Refunded Bonds on the December 1, 2017 redemption date.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the "Escrow Agreement") between the Village and Amalgamated Bank of Chicago, Chicago, Illinois, as Escrow Agent (the "Escrow Agent").

The mathematical calculations of the adequacy of the deposit made pursuant to the Escrow Agreement to provide for the payment of certain interest, principal and call premiums on the Refunded Bonds, will be verified by Dunbar Breitweiser & Company, LLP, Bloomington, Illinois, at the time of delivery of the Bonds. All moneys and Government Securities deposited for the payment of Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the Bonds and the Refunded Bonds as stated above.

RISK FACTORS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Final Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.

Finances of the State of Illinois

The State of Illinois (the “State”) has experienced adverse fiscal conditions resulting in significant shortfalls between the State’s general fund revenues and spending demands. In addition, the underfunding of the State’s pension systems has contributed to the State’s poor financial health. The State has also been operating since July 1, 2015, without a fully enacted budget for the fiscal year ending June 30, 2016 (“Fiscal Year 2016”), and has not enacted a budget for the fiscal year ending June 30, 2017 (“Fiscal Year 2017”). Certain Fiscal Year 2016 appropriations, however, were enacted, including the approval of spending for elementary and secondary education, and other certain Fiscal Year 2016 spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees.

As described below, Fiscal Year 2017 spending for elementary and secondary education has been approved for the entire fiscal year and includes an increase of \$361 million over Fiscal Year 2016 levels. As for Fiscal Year 2017 spending for all other purposes, the General Assembly approved a stopgap six-month budget, which authorized spending through December 31, 2016. Nonetheless, even with this partial-year budget, there will continue to be delays in payments of bills and the State’s backlog of unpaid bills will continue to grow.

The State’s general fiscal condition, the underfunding of the State’s pension systems and the State’s continuing budget impasse have materially adversely affected the State’s financial condition and may result in decreased or delayed State appropriations to the Village.

The Village cannot predict the effect the State’s ongoing financial problems may have on the Village’s future finances.

Local Economy

The financial health of the Village is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the Village.

Declining Equalized Assessed Valuations

The amount of property taxes extended for the Village is determined by applying the various operating tax rates and the bond and interest tax rate levied by the Village to the Village’s Equalized Assessed Valuation (“EAV”). The Village’s EAV could decrease for a number of reasons including, but not limited to, a decline in property values or large taxpayers moving out of the Village. As detailed below, the Village’s EAV has declined in four of the most recent five years. Declining EAVs and increasing tax rates could reduce the amount of taxes the Village is able to receive.

Loss or Change of Bond Rating

A credit rating for the Bonds has been requested from S&P Global Ratings, New York, New York (“S&P”). The rating can be changed or withdrawn at any time for reasons both under and outside the Village’s control. Any change, withdrawal or combination thereof could adversely affect the ability of investors to sell the Bonds or may affect the price at which they can be sold.

Secondary Market for the Bonds

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The Underwriter is not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Continuing Disclosure

A failure by the Village to comply with the Undertaking for continuing disclosure (see “**CONTINUING DISCLOSURE**” herein) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and may adversely affect the transferability and liquidity of the Bonds and their market price.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Final Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Future Changes in Laws

Various state and federal laws, regulations and constitutional provisions apply to the Village and to the Bonds. The Village can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Village, or the taxing authority of the Village. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State may affect the overall financial conditions of the Village, the taxable value of property within the Village, and the ability of the Village to levy property taxes or collect revenues for its ongoing operations.

Bankruptcy

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Bonds will be similarly qualified.

DEBT INFORMATION

After issuance of the Bonds, and the refunding of the Refunded Bonds, the Village will have outstanding \$80,290,000 principal amount of general obligation bonded debt. The Village also has outstanding \$5,630,000 of special service area (SSA) bonds and \$89,026 of tax increment financing (TIF) revenue bonds and notes, both as of December 31, 2016. The SSA bonds and the TIF bonds and notes are not obligations of the Village, but of a SSA area and TIF districts within the Village, respectively. The Village does not expect to issue additional general obligation bonded debt in 2017.

General Obligation Bonded Debt (1) (Principal Only)

Calendar Year	Series 2007	Series 2009A	Series 2009C	Series 2009D	Series 2009E	Series 2009F	Series 2010A	Series 2010C	Series 2011A
2017	\$ 1,485,000	\$ 55,000	\$ 0	\$ 440,000	\$ 750,000	\$ 0	\$ 565,000	\$ 0	\$ 875,000
2018	1,195,000	55,000	0	455,000	1,150,000	0	590,000	0	900,000
2019	1,255,000	60,000	500,000	0	1,250,000	0	615,000	0	900,000
2020	1,315,000	60,000	520,000	0	1,250,000	0	650,000	0	900,000
2021	1,390,000	60,000	550,000	0	2,000,000	0	675,000	0	1,000,000
2022	1,345,000	65,000	575,000	0	2,100,000	0	705,000	0	1,000,000
2023	700,000	70,000	600,000	0	0	500,000	0	0	100,000
2024	740,000	70,000	625,000	0	0	500,000	0	725,000	0
2025	780,000	75,000	665,000	0	0	500,000	0	735,000	0
2026	820,000	80,000	700,000	0	0	0	0	1,275,000	0
2027	0	80,000	725,000	0	0	0	0	1,325,000	0
2028	0	85,000	775,000	0	0	0	0	1,340,000	0
2029	0	90,000	800,000	0	0	0	0	1,400,000	0
2030	0	0	0	0	0	0	0	2,200,000	0
2031	0	0	0	0	0	0	0	2,300,000	0
2032	0	0	0	0	0	0	0	2,400,000	0
2033	0	0	0	0	0	0	0	2,500,000	0
2034	0	0	0	0	0	0	0	2,600,000	0
Total ..	\$11,025,000	\$905,000	\$7,035,000	\$895,000	\$8,500,000	\$1,500,000	\$3,800,000	\$18,800,000	\$5,675,000

Calendar Year	Series 2011B	Series 2012	Series 2014A	Series 2014B	Series 2015	The Bonds (2)	Less: The Refunded Bonds	Total Outstanding Debt	Cumulative Principal Retired Amount	Percent
2017	\$175,000	\$ 525,000	\$ 855,000	\$ 585,000	\$ 615,000	\$ 0	\$ 0	\$ 6,925,000	\$ 6,925,000	8.62%
2018	0	540,000	870,000	605,000	645,000	2,290,000	(2,245,000)	7,050,000	13,975,000	17.41%
2019	0	555,000	875,000	630,000	665,000	2,510,000	(2,405,000)	7,410,000	21,385,000	26.63%
2020	0	570,000	910,000	655,000	695,000	2,540,000	(2,465,000)	7,600,000	28,985,000	36.10%
2021	0	595,000	265,000	680,000	725,000	3,295,000	(3,275,000)	7,960,000	36,945,000	46.01%
2022	0	615,000	270,000	705,000	750,000	3,385,000	(3,445,000)	8,070,000	45,015,000	56.07%
2023	0	0	280,000	735,000	785,000	1,180,000	(1,200,000)	3,750,000	48,765,000	60.74%
2024	0	0	290,000	760,000	820,000	1,200,000	(1,240,000)	4,490,000	53,255,000	66.33%
2025	0	0	300,000	790,000	870,000	1,210,000	(1,280,000)	4,645,000	57,900,000	72.11%
2026	0	0	310,000	0	0	745,000	(820,000)	3,110,000	61,010,000	75.99%
2027	0	0	325,000	0	0	0	0	2,455,000	63,465,000	79.04%
2028	0	0	335,000	0	0	0	0	2,535,000	66,000,000	82.20%
2029	0	0	0	0	0	0	0	2,290,000	68,290,000	85.05%
2030	0	0	0	0	0	0	0	2,200,000	70,490,000	87.79%
2031	0	0	0	0	0	0	0	2,300,000	72,790,000	90.66%
2032	0	0	0	0	0	0	0	2,400,000	75,190,000	93.65%
2033	0	0	0	0	0	0	0	2,500,000	77,690,000	96.76%
2034	0	0	0	0	0	0	0	2,600,000	80,290,000	100.00%
Total ..	\$175,000	\$3,400,000	\$5,885,000	\$6,145,000	\$6,570,000	\$18,355,000	\$ (18,375,000)	\$80,290,000		

Note: (1) Source: the Village.

Detailed Overlapping Bonded Debt(I) (As of October 3, 2016)

	Outstanding Debt	Applicable to Village Percent (2)	Amount
Schools:			
School District Number 15.....	\$ 17,642,164	50.57%	\$ 8,921,642
High School District Number 211.....	6,230,000	23.51%	1,464,673
High School District Number 214.....	53,830,000	0.02%	10,766
Community College District Number 512.....	158,810,000	9.36%	14,864,616
Total Schools.....			\$ 25,261,697
Others:			
Cook County.....	\$3,361,910,000	1.16%	\$ 38,998,156
Cook County Forest Preserve District.....	165,330,000	1.16%	1,917,828
Metropolitan Water Reclamation District.....	2,543,400,740	1.18%	30,012,129
Arlington Heights Park District.....	15,335,000	0.06%	9,201
Palatine Park District.....	16,890,000	75.90%	12,819,510
Salt Creek Park District.....	2,585,000	50.30%	1,300,255
Total Others.....			\$ 85,057,079
Total School and Others Overlapping Bonded Debt.....			\$110,318,776

Notes: (1) Source: Cook County Clerk.
(2) Overlapping debt percentages based on 2015 EAV, the most current available.

Statement of Bonded Indebtedness(I)

	Amount Applicable	Ratio To Equalized Assessed	Estimated Actual	Per Capita (2010 Special Census 68,557)
Village's EAV of Taxable Property, 2016.....	\$1,814,277,189	100.00%	33.33%	\$26,463.78
Estimated Actual Value, 2016.....	\$5,442,831,567	300.00%	100.00%	\$79,391.33
Total General Obligation Bonded Debt(2).....	\$ 80,290,000	4.43%	1.48%	\$ 1,171.14
Less: Self-Supporting Debt.....	(45,480,000)	(2.51%)	(0.84%)	(663.39)
Net General Obligation Bonded Debt.....	\$ 34,810,000	1.92%	0.64%	\$ 507.75
Overlapping Bonded Debt:				
Schools.....	\$ 25,261,697	1.39%	0.46%	\$ 368.48
Others.....	85,057,079	4.69%	1.56%	1,240.68
Total Overlapping Bonded Debt.....	\$ 110,318,776	6.08%	2.03%	\$ 1,609.15
Total Net Direct and Overlapping Bonded Debt...	\$ 145,128,776	8.00%	2.67%	\$ 2,116.91

Note: (1) Overlapping bonded debt as of October 3, 2016 and Net General Obligation Debt Bonded Debt as of the date of issuance of the Bonds.
(2) Includes \$80,310,000 of outstanding general obligation bonded debt, plus the Bonds and less the Refunded Bonds.

DEFAULT RECORD

The Village has no record of default and has met its debt repayment obligations promptly.

SHORT-TERM BORROWING

The Village has not issued tax anticipation warrants or revenue anticipation notes during the last five years to meet its short-term current year cash flow requirements.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2015 levy year, the Village's EAV was comprised of approximately 80% residential, 4% industrial, 16% commercial, less than 1% railroad property valuations.

Equalized Assessed Valuation(1)

Property Class	Levy Years					
	2011	2012	2013	2014	2015	2016
Residential	\$1,563,334,770	\$1,448,021,095	\$1,218,389,388	\$1,286,288,306	\$1,249,443,453	
Commercial	278,224,339	266,901,767	248,664,150	261,895,896	245,439,439	Detail Not
Farm	0	0	0	18,822	32,033	Available
Industrial	144,705,730	133,253,208	121,589,125	57,601,056	67,292,458	
Railroad	801,943	906,811	1,119,540	1,167,263	1,680,438	
Total	\$1,987,066,782	\$1,849,082,881	\$1,589,762,203	\$1,606,971,343	\$1,563,887,821	\$1,814,277,189
Percent Change + (-)	(8.94%) (2)	(6.94%)	(14.02%)	1.08%	(2.68%)	16.01%

- Notes: (1) Source: Cook County Clerk.
 (2) Percentage change based on a levy year 2010 EAV of \$2,182,205,171.

Representative Tax Rates(1) (Per \$100 EAV)

	Levy Years				
	2012	2013	2014	2015	2016
Village Rates:					
Corporate.....	\$0.267	\$ 0.305	\$ 0.306	\$ 0.000	\$ 0.000
Bonds and Interest.....	0.153	0.168	0.162	0.173	0.151
Police Pension.....	0.163	0.187	0.191	0.222	0.227
Fire Pension.....	0.163	0.196	0.204	0.210	0.218
I.M.R.F.....	0.065	0.081	0.080	0.085	0.075
Fire Protection.....	0.267	0.305	0.306	0.295	0.215
Police Protection.....	0.000	0.000	0.000	0.295	0.215
Social Security.....	0.122	0.148	0.119	0.125	0.111
Total Village Rates (2)	\$1.200	\$ 1.390	\$ 1.368	\$ 1.406	\$ 1.212
Cook County.....	0.594	0.560	0.568	0.552	0.533
Cook County Forest Preserve District.....	0.062	0.069	0.069	0.069	0.063
Metropolitan Water Reclamation District..	0.370	0.417	0.430	0.426	0.406
Northwest Mosquito Abatement District....	0.011	0.013	0.013	0.011	0.010
Consolidated Elections.....	0.000	0.031	0.000	0.034	0.000
Palatine Township(3).....	0.145	0.167	0.166	0.173	0.145
Palatine Park District.....	0.574	0.680	0.696	0.725	0.648
Palatine Public Library District.....	0.248	0.293	0.295	0.308	0.268
School District Number 15.....	3.269	3.849	3.868	4.035	3.543
High School Township District 211.....	2.772	3.197	3.213	3.309	2.871
Community College District 512.....	0.373	0.444	0.451	0.466	0.416
Total Rates(4).....	\$9.618	\$11.110	\$11.137	\$11.514	\$10.115

- Notes: (1) Source: Cook County Clerk.
 (2) The Village is a home-rule municipality and based on the 1970 Illinois Constitution has no statutory tax rate limits.
 (3) Includes township, general assistance, and road and bridge.
 (4) Representative tax rates for other governmental units are from Palatine Township tax code 29007, which represents approximately 79% of the Village's levy year 2016 EAV.

Tax Extensions and Collections(1)

Levy Year	Collection Year	Taxes Extended	Total Collections Amount	Percent
2006.....	2007.....	\$19,798,207	\$19,367,498	97.82%
2007.....	2008.....	20,707,260	20,016,522	96.66%
2008.....	2009.....	21,286,105	21,050,713	98.89%
2009.....	2010.....	21,450,553	21,296,240	99.28%
2010.....	2011.....	22,302,137	22,287,164	99.93%
2011.....	2012.....	22,275,019	22,172,180	99.54%
2012.....	2013.....	22,188,995	22,113,926	99.66%
2013.....	2014.....	22,097,695	21,840,677	98.84%
2014.....	2015.....	21,983,368	21,979,714	99.98%
2015.....	2016.....	21,988,263	21,688,247	98.64%

Note: (1) Source: Cook County Treasurer and the Village.

Principal Taxpayers(1)

Taxpayer Name	Type of Property	2015 EAV(2)
Weber Stephen Products	Real Property.....	\$14,869,426
Wal-Mart	Retail Store.....	14,295,909
Bourbon Square Apartments	Real Property.....	10,411,846
Brookind Corp Tax Department	United Parcel Service.....	8,959,056
Thomson Pts	Real Property.....	7,970,718
City Club Apartments	Apartments.....	7,900,878
Arlington Toyota	Car Dealership.....	7,715,479
McCaffery Interests	Real Property.....	7,186,321
Highland Mgmt. PP	Property Development.....	6,538,705
Target Proptax Trust 753	Retail Store.....	5,935,624
Total		\$91,783,962
Ten Largest Taxpayers as a Percent of the Village's 2015 EAV (\$1,563,887,821).....		5.87%

Notes: (1) Source: Cook County Clerk.

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Real Property Assessment

The County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including that in the Village, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The Village is located in the North Tri and will be reassessed for the 2019 tax levy year.

Real property in the County is separated into classes for assessment purposes. After the County Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification percentage to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Prior to the 2009 tax levy year, the classification percentages ranged from 16% for certain residential, commercial and industrial property to 36% and 38%, respectively, for other industrial and commercial property. On September 17, 2008, the Cook County Board of Commissioners approved changes to the property classification ordinance. The changes reduced the percentages used to calculate the assessed value of real property in the County for real estate tax purposes. These reductions take effect in the 2009 tax levy year. Such new classification percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed (beginning with the 2009 tax levy year) at various percentages of fair market value as follows: Class 1) unimproved real estate - 10%; Class 2) residential - 10%; Class 3) rental-residential - 16%, in tax year 2009, 13% in assessment year 2010, and 10% in assessment year 2011 and subsequent years; Class 4) not-for-profit - 25%; Class 5a) commercial - 25%; Class 5b) industrial - 25%. There are also eight additional categories. Upon expiration of such classification, property so classified will revert to one of the basic six assessment classifications described above. Newly constructed industrial properties or substantially rehabilitated sections of existing industrial properties within the County may qualify for a Class 6b assessment level, which assessment level is 10% for the first 10 years and for any subsequent 10-year renewal periods. However, if the incentive is not renewed, the 6b assessment level is 15% in year 11 and 20% in year 12, hereafter reverting to Class 5b. Real estate, which is to be used for industrial or commercial purposes where such real estate has undergone environmental testing and remediation, may be eligible for a Class C assessment level. The Class C assessment level for industrial properties is 10% for the first 10 years, 15% in year 11 and 20% in year 12, thereafter reverting to Class 5b. Class C commercial properties are assessed at 10% for the first 10 years, 15% in year 11 and 20% in year 12, thereafter reverting to Class 5a. Commercial properties that are newly constructed or substantially rehabilitated and are within an area determined to be an area in need of commercial development may be classified as Class 7a or 7b property, and will then be assessed at a level of 10% for the first 10 years, 15% in year 11 and 20% in year 12, thereafter reverting to Class 5a. Newly constructed or rehabilitated commercial buildings and acquisition of abandoned property and rehabilitation of buildings thereon including the land upon which the buildings are situated and the land related to the rehabilitation may be classified as Class 7c, and will be assessed at a level of 10% for first 3 years and any 3 year renewal; if not renewed, 15% in year 4, 20% in year 5, thereafter reverting to Class 5a. Certain commercial and industrial properties located in zones determined to be in need of substantial revitalization or in an enterprise community could be eligible for Class 8 assessments. The Class 8 assessment level for industrial properties is 10% for the first 10 years and for any subsequent 10-year renewal periods. If the incentive is not renewed, the Class 8 assessment level for industrial properties is 15% in year 11 and 20% in year 12, thereafter reverting to Class 5b. The Class 8 assessment level for commercial properties is 10% for the first 10 years, 15% in year 11 and 20% in year 12, thereafter reverting to Class 5a. Substantially rehabilitated or new construction multi-family residential properties within certain target areas, empowerment or enterprise zones may be eligible for Class 9 categorization. The Class 9 assessment level is 10% for an initial 10-year period, renewable upon application for additional 10-year periods. When the Class 9 assessment level expires, the assessment level reverts to the applicable classification. Rental-residential (Class 3) properties subject to a Section 8 contract that has been renewed under the "Mark Up To Market" option may qualify for a Class S assessment level. The Class S assessment level is 10% for the term of the Section 8 contract renewal under the Mark Up To Market option, and for any additional terms of renewal of the Section 8 contract under the Mark Up To Market option. When the Class S assessment level expires, the assessment level reverts to Class 3. Substantially rehabilitated properties which are designated as Class 3, Class 4, Class 5a or Class 5b and which qualify as Landmark or Contributing buildings may qualify for a Class L assessment level. The Class L assessment level for Class 3, 4 or 5b properties is 10% for the first 10 years and for any subsequent 10-year renewal periods. If the incentive is not renewed, the Class L assessment level is 15% in year 11 and 20% in year 12, thereafter reverting to Class 3, 4 or 5b. Class L commercial properties are assessed at 10% for the first 10 years, 15% in year 11 and 20% in year 12, thereafter reverting to Class 5a.

The Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review, which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the Assessor.

Owners of both residential property having six or fewer units and owners of real estate other than residential property with six or fewer units are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court of Cook County similar to the previous judicial review procedure but with a different standard of proof than that previously required. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

Equalization

After the County Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Illinois Department of Revenue is required by statute to review the Assessed Valuations. The Illinois Department of Revenue establishes an equalization factor (the “Equalization Factor”), commonly called the “multiplier,” for each county to make all valuations uniform among the 102 counties in the State. Under State law, the aggregate of the assessments within each county is to be equalized at 33-1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in Cook County, regardless of its assessment category, except for some farmland property which is not subject to equalization.

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the equalized assessed valuation (the “EAV”) of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body’s jurisdiction, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the “Assessment Base”). The following table sets forth the Equalization Factor for Cook County for the last 10 tax levy years.

<u>TAX LEVY YEAR</u>	<u>EQUALIZATION FACTOR</u>
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056
2013	2.6621
2014	2.7253
2015	2.6685

Exemptions

The Illinois Property Tax Code, as amended (the “Property Tax Code”), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes (“Residential Property”) may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$7,000 for tax year 2012 and thereafter.

The Long-Time Occupant Homestead Exemption limits the increase in EAV of a taxpayer’s homestead property to 10% per year if such taxpayer has owned the property for at least 10 years as of January 1 of the assessment year (or 5 years if purchased with certain government assistance) and has a household income of \$100,000 or less (“Qualified Homestead Property”). If the taxpayer’s annual income is \$75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties.

The Homestead Improvement Exemption applies to Residential Property that has been improved and to properties that have been rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to \$75,000 per year, to the extent the Assessed Valuation is attributable solely to such improvements or rebuilding.

The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. Beginning with tax year 2013, the maximum exemption is \$5,000.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of \$55,000. This exemption grants to qualifying senior citizens an exemption equal to the difference between (a) the current EAV of the residence and (b) the EAV of a senior citizen’s residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year.

Beginning January 1, 2015 purchasers of certain single family homes and residences of one to six units located in certain distressed communities can apply for the Community Stabilization Assessment Freeze Pilot Program. To be eligible the purchaser must meet certain requirements for rehabilitating the property, including expenditures of at least \$5 per square foot, adjusted by CPI. Upon meeting the requirements, the assessed value of the improvements is reduced by (a) 90% in the first seven years, (b) 65% in the eighth year and (c) 35% in the ninth year. The program will be phased out by June 30, 2029.

The Natural Disaster Homestead Exemption (the “Natural Disaster Exemption”) applies to homestead properties containing a residential structure that has been rebuilt following a natural disaster occurring in taxable year 2012 or any taxable year thereafter. A natural disaster is an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause including but not limited to fire, flood, earthquake, wind, or storm. The Natural Disaster Exemption is equal to the equalized assessed value of the residence in the first taxable year for which the taxpayer applies for the exemption minus the base amount. To be eligible for the Natural Disaster Exemption, the residential structure must be rebuilt within two years after the date of the natural disaster, and the square footage of the rebuilt residential structure may not be more than 110% of the square footage of the original residential structure as it existed immediately prior to the natural disaster. The Natural Disaster Exemption remains at a constant amount until the taxable year in which the property is sold or transferred.

Three exemptions are available to veterans of the United States armed forces. The Disabled Veterans' Exemption exempts up to \$100,000 of the Assessed Valuation of property owned and used exclusively by veterans, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran's disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs.

The Disabled Veterans' Standard Homestead Exemption provides an annual homestead exemption to veterans with a service-connected disability based on the percentage of such disability. If the veteran has a (a) service-connected disability of 30% or more but less than 50%, the annual exemption is \$2,500, (b) service-connected disability of 50% or more but less than 70%, the annual exemption is \$5,000, and (c) service-connected disability of 70% or more, the property is exempt from taxation.

The Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, or the year following the assessment year, in which the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a one-time homestead exemption of \$5,000.

Finally, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain disabled persons who meet State-mandated guidelines.

Tax Levy

As part of the annual budgetary process of governmental units (the "Units") with power to levy taxes in the County, proceedings are adopted by the designated body for each Unit each year in which it determines to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the County Clerk and the County Treasurer. After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit. The Cook County Clerk uses the prior year's EAV to compute the taxing district's maximum allowable levy. The maximum levy that can be raised for a Unit is the maximum tax rate for that Unit multiplied by the prior year, EAV for all property currently in the district. The prior year's EAV includes the prior year's EAV plus the EAV of any new property, the current year value of any annexed property, and any recovered tax increment value, minus any disconnected property for the current year under the Limitation Law. The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year's EAV.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law (the "Limitation Law") limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

Home rule units, including the Village, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the Village, the limitations set forth therein will not apply to any taxes levied by the Village to pay the principal of and interest on the Bonds.

Extensions

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the County Collector (the "Warrant Books") along with the tax rates, the Assessed Valuation and the EAV. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

Collections

Property taxes are collected by the County Collector, who is also the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. The first installment is equal to one-half of the prior year's tax bill; beginning in collection year 2010, this estimated amount was raised to 55% of the prior year's tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead equal to one-half of the corrected prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the then current tax year levy, assessed value and Equalization Factor, and reflects any changes from the prior year in those factors. The following table sets forth the second installment penalty date for the last 10 tax levy years in Cook County; the first installment penalty date has been March 1 for all such years.

<u>TAX LEVY YEAR</u>	<u>SECOND INSTALLMENT PENALTY DATE</u>
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013
2013	August 1, 2014
2014	August 3, 2015
2015	August 1, 2016

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years. The County may provide for tax bills to be payable in four installments instead of two. However, the County has not required payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the County Collector, the Village promptly credits the taxes received to the funds for which they were levied.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the “Annual Tax Sale”) of unpaid taxes shown on that year’s Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any “automated means.” Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the “Scavenger Sale”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which two or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes. Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

Illinois legislators have introduced proposals to modify the Limitation Law, including freezing property taxes and extending tax caps to all taxing bodies in the State (the “Property Tax Freeze Proposal”). If the Property Tax Freeze Proposal or similar legislation were to become law, such reform may have a material impact on the finances of the Village and the ability of the Village to issue non-referendum bonds. The Village cannot predict whether, or in what form, any change to the Limitation Law, including the Property Tax Freeze Proposal, may be enacted into law, nor can the Village predict the effect of any such change on the Village’s finances.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the “Law”) limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

FINANCIAL INFORMATION

Budget Policies

The Village Manager has implemented the following policies for the development of the most recent annual budget.

- All budget requests should be predicated upon providing our core services. Recognizing the economic environment, there was to be no program expansion or personnel expansion.
- All non-personnel operating expenditures including commodities and contractual services were to receive no increase. Fixed costs or areas with contractual obligations or outside influences such as salt and motor fuel must be funded through reprioritization of other expenditures.
- Departments were to continue to explore public/private partnerships and intergovernmental cooperation opportunities wherever possible.
- Benefit related expenditures would meet all statutory requirements for funding.
- The Capital Investment Plan must continue to address the needs of our residents and a systematic replacement of our aging infrastructure, roads and facilities.
- All expenditures should be evaluated as to timing of expense to identify potential projects that could be delayed to address the uncertain economic climate.

Investment Policy

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value). The Village's investment policy does limit their deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance. Additionally, the Village will not invest in any institution in which the Village's funds on deposit are in excess of 75% of the institutions capital stock and surplus.

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

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

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 rated AAA.

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

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in 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.

Financial Reports

The Village's financial statements are audited annually by certified public accountants. The Village's financial statements are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables contained in this "**FINANCIAL INFORMATION**" section (the "Excerpted Financial Information") are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended December 31, 2016 (the "2016 Audit"), which was audited by Sikich LLP, Naperville, Illinois (the "Auditor") and was approved by formal action of the Village Board and attached to this Final Official Statement as **APPENDIX A**. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information or the 2016 Audit; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information or the 2016 Audit in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information and 2016 Audit has not been updated since the date of the 2016 Audit. The inclusion of the Excerpted Financial Information and 2016 Audit in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2016 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2016 Audit should be directed to the Village.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. The Village is currently operating under a balanced budget for its 2017 fiscal year. To date, revenues and expenditures have been generally within budgeted amounts. See **APPENDIX A** for the Village's 2016 Audit.

Statement of Net Assets/Position Governmental Activities

	Audited As of December 31				
	2012	2013	2014	2015	2016
ASSETS:					
Cash and Investments.....	\$ 45,002,152	\$ 48,396,130	\$ 50,178,707	\$ 44,135,332	\$ 40,473,944
Receivables, Net:					
Property Taxes.....	22,051,022	21,972,674	21,936,181	21,817,728	21,713,632
Other	685,223	695,088	926,135	1,018,491	1,057,801
Accrued Interest	62,170	7,590	43,380	38,860	7,990
Due From Other Governments.....	6,564,752	5,184,706	5,069,774	5,021,255	5,911,916
Prepaid Expenses.....	55,787	60,650	60,325	60,325	60,325
Inventories	185,000	166,005	197,115	181,630	179,300
Land Held For Resale.....	23,110,440	16,867,257	16,867,257	13,028,799	10,384,300
Capital Assets Not Being Depreciated.....	149,383,825	151,415,325	151,371,945	162,219,950	151,371,945
Capital Assets Being Depreciated.....	47,273,745	47,186,250	47,570,362	46,314,990	60,164,505
Total Assets	\$294,374,116	\$291,951,675	\$294,221,181	\$293,837,360	\$291,325,658
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charge on Refunding.....	\$ 666,265	\$ 530,410	\$ 606,665	\$ 463,745	\$ 330,420
Deferred Outflows Related to Pensions.....	0	0	0	31,729,306	26,733,704
Total Deferred Outflows of Resources.....	\$ 666,265	\$ 530,410	\$ 606,665	\$ 32,193,051	\$ 27,064,124
LIABILITIES:					
Accounts Payable.....	\$ 1,953,842	\$ 1,480,187	\$ 1,327,574	\$ 2,486,025	\$ 1,193,299
Accrued Payroll.....	705,601	949,423	1,069,591	1,337,723	1,384,323
Accrued Interest Payable.....	360,770	327,330	285,350	271,670	254,475
Due to Fiduciary and Other Funds.....	29,272	35,877	26,048	22,878	0
Deposits Payable.....	729,128	877,706	675,583	546,493	495,180
Claims Payable	1,375,960	1,610,635	1,741,970	969,807	930,425
Other Deferred of Unearned Revenues Noncurrent.....	39,086	14,291	24,582	65,914	14,580
Noncurrent Liabilities:					
Due Within One Year.....	7,212,528	6,512,347	7,516,785	6,396,635	5,608,315
Due In More Than One Year.....	89,179,798	83,829,738	78,071,404	183,449,989	175,773,468
Total Liabilities.....	\$101,585,985	\$ 95,637,534	\$ 90,738,887	\$195,547,134	\$185,654,065
DEFERRED INFLOWS OF RESOURCES:					
Deferred Property Tax Revenue.....	\$ 21,900,345	\$ 21,814,343	\$ 21,713,931	\$ 21,713,631	\$ 21,713,632
Deferred Inflows Related to Pensions.....	0	0	0	297,660	6,377,365
Total Deferred Inflows of Resources.....	\$ 21,900,345	\$ 21,814,343	\$ 21,713,931	\$ 22,011,291	\$ 28,090,997
NET ASSETS/POSITION:					
Invested in Capital Assets, Net of Related Debt.....	\$134,215,974	\$140,609,666	\$144,374,387	\$157,741,380	\$164,820,305
Restricted For:					
Streets and Highways.....	848,331	994,753	1,465,780	1,042,949	1,091,444
Debt Service	2,064,208	1,865,098	0	0	0
Public Safety	321,038	740,936	770,368	795,629	659,542
Unrestricted	34,104,500	30,819,755	35,764,493	(51,107,972)	(61,926,571)
Total Net Position.....	\$171,554,051	\$175,030,208	\$182,375,028	\$108,471,986	\$104,644,720

Statement of Activities Governmental Activities Net (Expense) Revenue and Changes in Net Assets

	Audited for the Fiscal Year Ending December 31				
	2012	2013	2014	2015	2016
EXPENSES:					
General Government	\$ (2,508,956)	\$ (825,815)	\$ (2,082,900)	\$ (842,665)	\$ (1,768,521)
Public Safety	(35,047,084)	(35,098,130)	(36,223,237)	(35,192,807)	(49,114,549)
Public Works	(8,828,672)	(12,182,247)	(7,565,462)	(6,768,914)	(7,243,928)
Economic Development	(4,652,691)	(2,268,637)	(3,264,936)	(5,059,964)	(3,950,065)
Interest and Fiscal Charges	(4,177,109)	(4,018,992)	(3,586,638)	(3,056,403)	(2,835,925)
Total Net Expenses	<u>\$ (55,214,512)</u>	<u>\$ (54,393,821)</u>	<u>\$ (52,723,173)</u>	<u>\$ (50,920,753)</u>	<u>\$ (64,912,988)</u>
GENERAL REVENUES:					
Taxes:					
Property	\$ 32,904,361	\$ 31,515,066	\$ 31,303,000	\$ 31,387,642	\$ 31,113,482
Home Rule Sales Tax	4,199,803	4,305,118	4,471,298	4,360,722	4,217,287
Telecommunications	2,550,703	2,239,240	1,906,545	1,891,654	1,869,966
Electric Utility Use	1,751,844	1,722,005	1,690,985	1,641,246	2,054,689
Other	1,267,148	1,242,698	1,309,644	1,400,596	1,407,848
State Shared Sales Taxes	8,931,459	9,343,337	10,061,160	9,892,846	9,558,566
State Shared Income Tax	6,023,925	6,532,135	6,563,909	7,294,684	6,673,615
Other Intergovernmental Revenues	679,004	226,477	515,114	293,748	244,029
Investment Income	321,140	300,305	309,200	305,362	391,626
Miscellaneous	164,057	193,597	297,638	156,573	458,387
Transfers	339,557	250,000	1,639,500	360,000	368,000
Total General Revenues	<u>\$ 59,133,001</u>	<u>\$ 57,869,978</u>	<u>\$ 60,067,993</u>	<u>\$ 58,985,073</u>	<u>\$ 58,357,495</u>
Change in Net Position	\$ 3,918,489	\$ 3,476,157	\$ 7,344,820	\$ 8,064,320	\$ (6,555,493)
Net Position, January 1 (1)	<u>\$167,635,562</u>	<u>\$171,554,051</u>	<u>\$175,030,208</u>	<u>\$100,407,666</u>	<u>\$111,200,213</u>
Net Position, December 31	<u>\$171,554,051</u>	<u>\$175,030,208</u>	<u>\$182,375,028</u>	<u>\$108,471,986</u>	<u>\$104,644,720</u>

Note: (1) As restated.

General Fund Balance Sheet

	Audited as of December 31				
	2012	2013	2014	2015	2016
ASSETS:					
Cash and Investments	\$11,790,228	\$14,721,580	\$14,744,764	\$13,180,345	\$15,342,309
Receivables, Net:					
Property Taxes	19,240,191	19,344,267	19,265,543	19,153,128	19,053,174
Other	665,701	670,240	658,730	772,440	808,115
Due From Other Governments	4,577,491	4,232,818	4,451,668	4,382,548	5,304,762
Accrued Interest	4,255	1,105	15,590	5,580	7,990
Advance to Other Funds	0	0	0	5,022,070	5,261,220
Due From Other Funds	5,796,201	5,277,920	5,112,133	722,987	232,959
Total Assets	<u>\$42,074,067</u>	<u>\$44,247,930</u>	<u>\$44,248,428</u>	<u>\$43,239,098</u>	<u>\$46,010,536</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	\$ 311,396	\$ 408,168	\$ 402,771	\$ 235,896	\$ 422,969
Deferred/Unearned Revenues	0	0	10,000	14,054	0
All Other Liabilities	1,444,550	1,845,492	1,748,047	1,873,098	1,849,167
Total Liabilities	<u>\$ 1,755,946</u>	<u>\$ 2,253,660</u>	<u>\$ 2,160,818</u>	<u>\$ 2,123,048</u>	<u>\$ 2,272,136</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred Property Taxes	\$19,151,250	\$19,225,850	\$19,180,161	\$19,081,548	\$19,053,174
Unavailable Revenue	0	0	0	0	1,200,000
Total Deferred Inflows of Resources	<u>\$19,151,250</u>	<u>\$19,225,850</u>	<u>\$19,180,161</u>	<u>\$19,081,548</u>	<u>\$20,253,174</u>
Fund Balance:					
Nonspendable in From - Advances	\$ 5,772,920	\$ 5,277,920	\$ 4,782,920	\$ 5,022,070	\$ 5,261,220
Unrestricted - Unassigned	15,393,951	17,490,500	18,124,529	17,012,432	18,224,006
Total Fund Balance	<u>\$21,166,871</u>	<u>\$22,768,420</u>	<u>\$22,907,449</u>	<u>\$22,034,502</u>	<u>\$23,485,226</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$42,074,067</u>	<u>\$44,247,930</u>	<u>\$44,248,428</u>	<u>\$43,239,098</u>	<u>\$46,010,536</u>

General Fund Revenues and Expenditures

	Audited for the Fiscal Year Ending December 31				
	2012	2013	2014	2015	2016
REVENUES:					
Taxes.....	\$25,588,613	\$26,061,334	\$25,864,623	\$25,505,027	\$26,055,992
Licenses and Permits.....	2,612,185	2,822,149	3,081,336	3,153,792	3,284,115
Intergovernmental.....	17,742,034	18,176,446	18,899,416	19,484,491	18,532,713
Charges for Services.....	3,075,790	3,380,429	3,494,656	3,855,071	4,092,172
Fines and Forfeits.....	1,361,163	1,336,226	1,365,125	1,367,053	1,552,117
Investment Income.....	260,139	257,429	273,846	266,890	300,885
Miscellaneous.....	139,661	152,334	209,354	80,843	427,647
Sale of Capital Assets.....	0	0	0	0	1,142
Transfers.....	0	0	175,410	0	0
Total Revenues.....	\$50,779,585	\$52,186,347	\$53,363,766	\$53,713,167	\$54,246,783
EXPENDITURES:					
General Government.....	\$ 5,448,017	\$ 5,532,910	\$ 5,690,050	\$ 5,853,988	\$ 6,064,441
Public Safety.....	36,298,800	36,975,266	37,982,977	40,046,839	40,504,033
Public Works.....	5,850,899	6,228,622	6,769,212	6,419,162	6,227,585
Transfers.....	1,269,890	1,848,000	2,782,498	0	0
Total Expenditures.....	\$48,867,606	\$50,584,798	\$53,224,737	\$52,319,989	\$52,796,059
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ 1,911,979	\$ 1,601,549	\$ 139,029	\$ 1,393,178	\$ 1,450,724
Other Financing Sources (Uses).....	0	0	0	(2,266,125)	0
Net Change in Fund Balance.....	\$ 1,911,979	\$ 1,601,549	\$ 139,029	\$ (872,947)	\$ 1,450,724
Fund Balance, January 1.....	\$19,254,892	\$21,166,871	\$22,768,420	\$22,907,449	\$22,034,502
Fund Balance, December 31.....	\$21,166,871	\$22,768,420	\$22,907,449	\$22,034,502	\$23,485,226

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

See **APPENDIX D** herein for a discussion of the Village's employee retirement and other postemployment benefits.

REGISTRATION, TRANSFER AND EXCHANGE

Registration and Record Date

The registered owner of a Bond will be deemed and regarded as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest thereon and for all other purposes whatsoever, and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Village nor the Bond Registrar will be affected by any notice to the contrary.

Interest on the Bonds will be paid to the registered owners of the Bonds appearing on the registration books of the Bond Registrar as of the close of business on the 15th day of the calendar month next preceding an interest payment date (the "Record Date").

Transfers and Exchanges

The transfer of Bonds will be registrable only upon the registration books maintained by the Village for that purpose at the principal corporate trust office of the Bond Registrar, by the registered owner thereof or by his attorney duly authorized in writing, upon surrender thereof together with an instrument of transfer satisfactory to the Bond Registrar and duly executed by the registered owner or his duly authorized agent. Upon such surrender for registration of transfer, the Village will execute and the Bond Registrar will authenticate and deliver a new Bond or Bonds of any authorized denominations, registered in the name of the transferee, and of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate and of any authorized denominations, upon surrender thereof as the principal corporate trust office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or his duly authorized agent.

For every such exchange or registration of transfer of Bonds, the Village or the Bond Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. No charge will be made in connection with such exchange or registration of transfer to pay the cost of preparing each new Bond issued upon such exchange or registration of transfer.

TAX EXEMPTION - TAX-EXEMPT BONDS

Summary of Bond Counsel Opinion

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Tax-Exempt Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Bond Counsel is further of the opinion that the Tax-Exempt Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Tax-Exempt Bonds is includible in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for tax purposes of the corporate alternative minimum tax. Interest on the Tax-Exempt Bonds is not exempt from State of Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Bonds. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Bonds, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Bonds and the use of property financed with the proceeds of the Tax-Exempt Bonds. The Village has covenanted in the Bond Ordinance for the Bonds (the "Bond Ordinance") to comply with these requirements.

Tax-Exempt Bonds Purchased at a Premium or a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Tax-Exempt Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Tax-Exempt Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as "bond premium"; if the Offering Price is lower than the maturity value of a Bond, the difference between the two is known as "original issue discount".

Bond premium and original issue discount are amortized over the term of a Tax-Exempt Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner's tax basis in the Tax-Exempt Bonds. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Tax-Exempt Bonds for Federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Tax-Exempt Bonds. A Tax-Exempt Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon disposition of the Tax-Exempt Bonds (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Tax-Exempt Bonds).

Owners of Tax-Exempt Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Tax-Exempt Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Tax-Exempt Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a year later.

Exclusion From Gross Income Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Tax-Exempt Bonds proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain "temporary periods," proceeds of the Tax-Exempt Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Tax-Exempt Bonds.

Rebate of Arbitrage Profit. Unless the Village qualifies for one of several exemptions, earnings from the investment of the "gross proceeds" of the Tax-Exempt Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Tax-Exempt Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Tax-Exempt Bonds, amounts received as a result of investing such proceeds, and amounts to be used to pay debt service on the Tax-Exempt Bonds.

Covenants to Comply. The Village has covenanted in the Bond Ordinance to comply with the requirements of the Code relating to the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds.

Risks of Non-Compliance

In the event that the Village fails to comply with the requirements of the Code, interest on the Tax-Exempt Bonds may become includible in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issue. In such event, the Tax-Exempt Bond Ordinance requires neither acceleration of payment of principal of, or interest on, the Tax-Exempt Bonds nor payment of any additional interest or penalties to the owners of the Tax-Exempt Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Tax-Exempt Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Tax-Exempt Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE TAX-EXEMPT BONDS.

QUALIFIED TAX-EXEMPT OBLIGATIONS - TAX-EXEMPT BONDS

Section 265(b)(3)(B) of the Code provides that certain issues designated or deemed as “qualified tax-exempt obligations” and purchased by financial institutions (either from the issuer or in a secondary market transaction) may be disregarded in computing the proportional disallowance of interest expense provided in such Section. In the Bond Ordinance, the Village has designated the Tax-Exempt Bonds as “qualified tax-exempt obligations”. In addition, as required by Section 265 of the Code, the Village has represented that the reasonably anticipated amount of “tax-exempt obligations” that are required to be taken into account under Section 265 of the Code and will be issued by the Village and all subordinate entities of the Village during 2017 does not exceed \$10,000,000 except to the extent that refunding bonds may be deemed as “qualified tax-exempt obligations” in excess of \$10,000,000, and has covenanted that it will not designate and issue more than \$10,000,000 aggregate principal amount of “tax-exempt obligations” during 2017. For purposes of the foregoing sentence, the term “tax-exempt obligations” includes “qualified 501(c)(3) bonds” (as defined in Section 145 of the Code) but does not include other “private activity bonds” (as defined in Section 141(a) of the Code).

TAX MATTERS – TAXABLE BONDS

Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Taxable Bonds may result in other federal income tax consequences to certain taxpayers. Taxable Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Bonds in gross income for federal income tax purposes and any collateral tax consequences.

Interest on the Taxable Bonds is not exempt from present State income taxes. Ownership of the Taxable Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Taxable Bonds. Prospective purchasers of the Taxable Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

In the Bond Ordinances for the Bonds, the Village has covenanted and agreed, for the benefit of the beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Village within 210 days after the close of the Village's fiscal year (the "Annual Report"); and, in a timely manner not in excess of ten business days after the event, to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Village with the Municipal Securities Rulemaking Board (the "MSRB") for disclosures on its Electronic Municipal Market Access ("EMMA") system. The information to be contained in the Annual Report will consist of the annual audited financial statement of the Village, and updated information with respect to the statements in the Final Official Statement contained under the captions "**Retailers' Occupation, Service Occupation and Use Tax**", "**DEBT INFORMATION**", "**PROPERTY ASSESSMENT AND TAX INFORMATION**" and "**FINANCIAL INFORMATION**". Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units and will be prepared in accordance with standards of the Governmental Accounting Standards Board. If the audited financial statement is not available, then an unaudited financial statement will be included in the Annual Report and the audited financial statement will be filed promptly after it becomes available. The notices of enumerated events and timely notice of any failure of the Village to file its Annual Report within the 210 day period will be filed by the Village with the MSRB for disclosures on EMMA. The Village's undertaking with respect to enumerated events includes timely notice of the occurrence of any of the following events with respect to the Bonds.

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Debt calls, if material
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Tender offers
13. Bankruptcy, insolvency, receivership or similar event of the Village*
14. The consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Village in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Village, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Village.*

The Village has agreed to the foregoing undertakings in order to assist participating underwriters of the Bonds and brokers, dealers and municipal securities dealers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The Village will provide the foregoing information for so long as Rule 15c2-12(b)(5) is applicable to the Bonds and the Village remains an “obligated person” under the Rule with respect to the Bonds. No provision of the bond ordinance limits the remedies available to any beneficial owner of the Bonds with respect to the enforcement of the continuing disclosure covenants of the Village described above. Failure to comply with the continuing disclosure covenants will not constitute an event of default under the Bond Ordinance.

The Village may amend the continuing disclosure undertakings contained in the Bond Ordinances upon a change in circumstances provided that (a) the change in circumstances arises from a change in legal requirements, law, or change in the identity, nature or status of the Village or the type of business conducted by the Village, (b) the undertakings, as amended, would have complied with the requirements of Rule 15c2-12(b)(5) at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (c) in the opinion of nationally recognized bond counsel selected by the Village, the amendment does not materially impair the interests of the beneficial owners of the Bonds.

NO OPTIONAL REDEMPTION

The Bonds are **not** subject to optional redemption prior to maturity.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Village taken with respect to the issuance or sale thereof. There is no litigation now pending, or to the knowledge of the Village, threatened against the Village that is expected to materially impact the financial condition of the Village.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, whose approving opinion will be delivered with the Bonds. Bond Counsel has reviewed the statements in this Final Official Statement appearing under the headings “**TAX EXEMPTION – TAX-EXEMPT BONDS, QUALIFIED TAX-EXEMPT OBLIGATIONS – TAX-EXEMPT BONDS**” and “**TAX MATTERS – TAXABLE BONDS**” and is of the opinion that the statements contained under such headings are accurate statements or summaries of the matters set forth therein and fairly present the information purported to be shown. Except for the foregoing, however, Bond Counsel has not independently verified the accuracy or completeness of statements and information contained in the Final Official Statement and does not assume any responsibility of the accuracy or completeness of such statements and information.

The opinion of Bond Counsel and the descriptions of the tax law contained in this Final Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the Village, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

The Bonds have received a rating of "AA+" from S&P Global Ratings, New York, New York. The Village has supplied certain information and material concerning the Bonds and the Village to S&P Global Ratings, New York, New York, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone 212-438-2000.

DEFEASANCE AND PAYMENT OF BONDS

If the Village shall pay or cause to be paid to the registered owners of the bonds, the principal, premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this ordinance, then the pledge of taxes, securities and funds hereby pledged and the covenants, agreements and other obligations of the Village to the registered owners and the beneficial owners of the bonds shall be discharged and satisfied.

Any bonds or interest installments appertaining thereto, whether at or prior to the maturity or the redemption date of such bonds, shall be deemed to have been paid if (1) in case any such bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (2) there shall have been deposited in trust with a bank, trust company or national banking association acting as fiduciary for such purpose either (i) moneys in an amount which shall be sufficient, or (ii) "Federal Obligations" as defined below, the principal of and the interest on which when due will provide moneys which, together with any moneys on deposit with such fiduciary at the same time for such purpose, shall be sufficient, to pay when due the principal of, redemption premium, if any, and interest due and to become due on said bonds on and prior to the applicable redemption date or maturity date thereof.

The term "Federal Obligations" means (i) non-callable, direct obligations of the United States of America, (ii) non-callable and non-prepayable, direct obligations of any agency of the United States of America, which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons or interest installments from the securities described in clause (i) or clause (ii) which are stripped pursuant to programs of the Department of the Treasury of the United States of America, or (iv) coupons or interest installments stripped from bonds of the Resolution Funding Corporation.

UNDERWRITING

The 2017A Bonds

The 2017A Bonds were offered for sale by the Village at a public, competitive sale on June 19, 2017. The best bid submitted at the sale was submitted by Mesirow Financial, New York, New York (the “2017A Underwriter”). The Village awarded the contract for sale of the 2017A Bonds to the 2017A Underwriter at a price of \$7,824,766.95. The 2017A Underwriter has represented to the Village that the 2017A Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

The 2017B Bonds

The 2017B Bonds were offered for sale by the Village at a public, competitive sale on June 19, 2017. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the “2017B Underwriter”). The Village awarded the contract for sale of the 2017B Bonds to the 2017B Underwriter at a price of \$1,545,460.55. The 2017B Underwriter has represented to the Village that the 2017B Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

The 2017C Bonds

The 2017C Bonds were offered for sale by the Village at a public, competitive sale on June 19, 2017. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the “2017C Underwriter”). The Village awarded the contract for sale of the 2017C Bonds to the 2017C Underwriter at a price of \$3,104,628.94. The 2017C Underwriter has represented to the Village that the 2017C Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

The 2017D Bonds

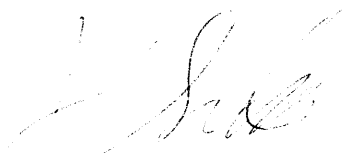
The 2017D Bonds were offered for sale by the Village at a public, competitive sale on June 19, 2017. The best bid submitted at the sale was submitted by Northland Securities, Minneapolis, Minnesota (the “2017D Underwriter”). The Village awarded the contract for sale of the 2017D Bonds to the 2017D Underwriter at a price of \$6,054,064.55. The 2017D Underwriter has represented to the Village that the 2017D Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

MUNICIPAL ADVISOR

The Village has engaged Speer Financial, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the Bonds. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Municipal Advisor obligated by the Village’s continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated June 19, 2017, for the \$7,705,000 General Obligation Refunding Bonds, Series 2017A, \$1,465,000 General Obligation Refunding Bonds, Series 2017B, the \$3,125,000 Taxable General Obligation Refunding Bonds, Series 2017C and the \$6,060,000 Taxable General Obligation Refunding Bonds, Series 2017D, believe it to be true and correct and will provide to the purchasers of the Bonds at the time of delivery a certificate confirming to the purchasers that to the best of our knowledge and belief information in the was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.


/s/ **JIM SCHWANTZ**
Mayor
VILLAGE OF PALATINE
Cook County, Illinois

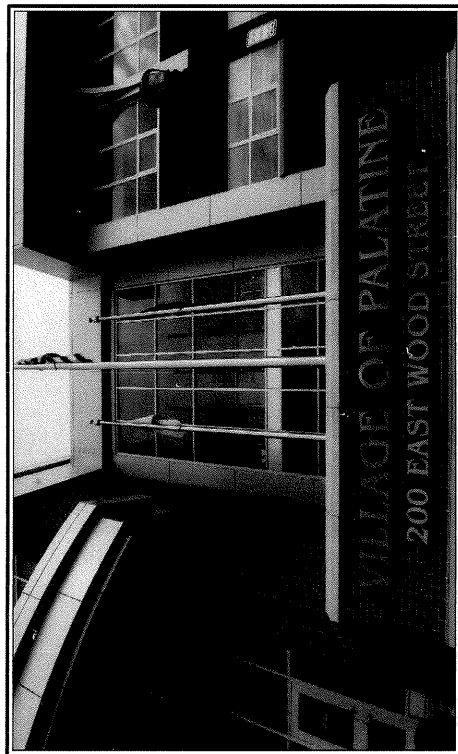

/s/ **REID T. OTTESEN**
Village Manager
VILLAGE OF PALATINE
Cook County, Illinois

APPENDIX A

VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS

FISCAL YEAR 2016 AUDITED FINANCIAL STATEMENTS

VILLAGE OF PALATINE, ILLINOIS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
DECEMBER 31, 2016

VILLAGE OF PALATINE, ILLINOIS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Year Ended
December 31, 2016

Prepared by the Finance Department
Paul D. Mehring, CPA
Director of Finance and Operations

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INTRODUCTORY SECTION

MAYOR

Jim Schwantz

VILLAGE COUNCIL

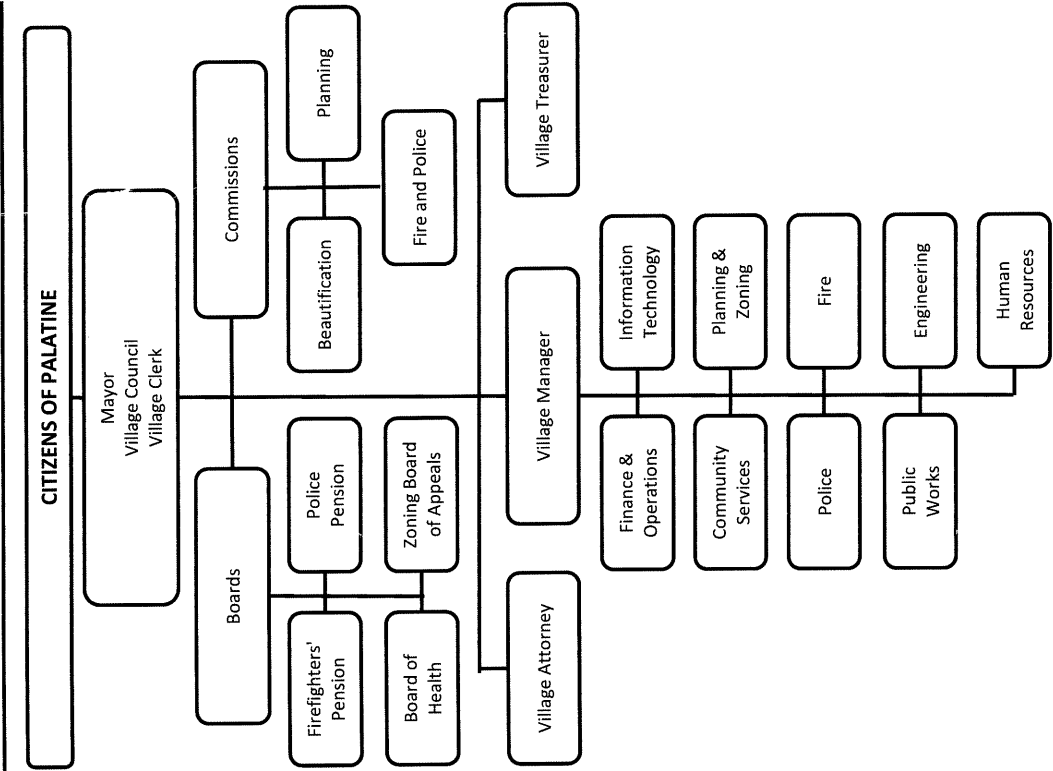
Tim Millar	District 1
Scott Lamerand	District 2
Doug Myslinski	District 3
Greg Solberg	District 4
Kollin Kozlowski	District 5
Brad Helms	District 6

VILLAGE CLERK

Margaret Duer

ADMINISTRATIVE

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





Government Finance Officers Association

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

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Presented to

**Village of Palatine
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Jeffrey P. Snow
Executive Director/CEO

- iii -



DEPARTMENT OF FINANCE & OPERATIONS
 200 E. Wood Street, Palatine, IL 60067-5339
 Telephone (847) 359-9088; Fax (847) 202-6672
www.palatine.il.us

June 1, 2017

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

State law requires that all general-purpose governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Palatine, Illinois for the calendar year ended December 31, 2016.

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

The Village's financial statements have been audited by Sikich LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village for the calendar year ended December 31, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Village's financial statements for the calendar year ended December 31, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Incorporated in 1866
 Council – Manager Government Since 1956

Profile of the Government

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

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

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

The Village of Palatine has adopted sections 5/8-2-9.1, through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes providing for an annual municipal budget in lieu of the passage of an annual appropriation ordinance. The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit requests for appropriation to the Village Manager each year. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Mayor and Village Council for review. The Mayor and Council are required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, Downtown TIF Fund, and Rand Road Corridor Fund this comparison is presented on pages 74-76 as part of the basic financial statements for the governmental funds. For governmental funds, other than the major funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 87.

Factors Affecting Financial Condition

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

Local economy

There are a number of factors that influence the economy of a specific community and various measures are used to gauge the economic outlook. Perhaps four of the most objective measures are the level of retail sales, the employment level of the community, income levels in the community, and building activity. In Illinois, sales taxes are collected based upon the point-of-sale, and accordingly represent the sales in the community. Total sales tax revenue for calendar year 2016 decreased by approximately \$700,000 (5.5%) from the prior year. This decrease is mainly the result of two significant sales tax producers leaving the community.

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

In a suburban setting where it is often difficult to distinguish the boundaries of one community from a neighboring community, the economic activity of the "region" is a major influence on the economies of the individual communities. The Village of Palatine is located on the northern edge of the "I-90 Corridor" which extends along Interstate 90 from O'Hare Airport to Elgin, a stretch of approximately 25 miles. Economic development in the area directly Southwest of Palatine is expected to continue at a strong pace. Additionally, the Village of Deer Park, continues to develop once vacant land immediately north of the Village. Deer Park Towne Center, an upscale shopping mall, and an office building are already developed with future plans including another office building and additional retail development. As the Village of Palatine supplies Deer Park with water, their most recent development proposal and associated request for additional water allocation resulted in the Deer Park agreeing to share a portion of the sales taxes generated by the new development with the Village of Palatine. While the retail sales are not occurring within Palatine, the Village of Palatine will benefit from additional sales tax revenues, as well as increased revenues in our water fund.

Despite the Village of Palatine's efforts to facilitate economic development, actions taken by Cook County are creating an unequal playing field between Palatine and our neighboring communities to the north that are located within Lake County. Cook County's recent actions related to an increase in the County's sales tax rate, adjustments to minimum wage, and paid sick leave are forcing local businesses to overcome additional challenges that businesses in some of our neighboring communities aren't facing. While not passing judgement on these various issues, the County's actions are creating additional factors for businesses to consider when determining where to locate, stay, or expand.

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

Northwest Highway Corridor – During the past year, The Grand at Twin Lakes senior housing project was completed and began operation. In addition, tenants are currently within the Village's zoning review process to occupy the retail space that was developed within the Grand at Twin Lakes complex. These tenants will not only serve the residents

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

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

Long-term financial planning

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2016, the Village spent over \$5.9 million to maintain and improve its transportation system. The Village uses the PAVER system to track the condition of its streets. This system assigns a rating to a street based on an assessment of its physical condition. The Village uses these ratings to annually develop a prioritized listing of streets in need of repair.

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

The Village has placed a heavy focus on its aging utility (water and sanitary sewer) infrastructure. In 2009, the Village commissioned a Village-wide study and evaluation of the current state of its infrastructure in addition to looking out fifteen to twenty years to determine what will be required to maintain the system over that horizon. This study resulted in a long-term maintenance and replacement plan to ensure the systems continue functioning as required by the Village's customers. Calendar 2016 also saw the completion of the Village-Wide AMR meter conversion.

Palatine will continue to participate in the strong economic growth of the area through its emergence as an ideal place to live and raise a family. One of Palatine's strongest qualities is the residential character of the Village. With an excellent range of housing, increasing property values, access to transportation, outstanding schools and parks, a power shopping corridor on Dundee Road, and economical municipal services, Palatine will continue to attract residents, employers and customers to

the Village. These factors coupled with the commitment by Village officials to address emergent issues should enable the Village to maintain its economic stability for years to come.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2015. This was the 16th consecutive year that the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,



Paul D. Mehring, CPA
Director of Finance and Operations

FINANCIAL SECTION



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

630.566.8400 // www.sikich.com

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, (the Village) as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, the supplementary financial information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, as well as the supplementary financial information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Schick LLP
Naperville, Illinois
June 1, 2017

General Purpose External Financial Statements

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

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

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

Financial Highlights

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

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

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

Government-Wide Financial Statements

The government-wide financial statements (see pages 3-5) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Position ("the Unrestricted Net Position") (see page 3) is designed to be similar to bottom line

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

results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see pages 4-5) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the Village's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

Proprietary fund financial statements (see pages 12-17) provide the same type of information as the government-wide financial statements, only in more detail. The Waterworks Fund, Sewerage Fund, and Motor Vehicle Parking System Fund are considered major funds of the Village and are presented in a separate column in the Fund Financial Statements. The Refuse Collection Fund is the Village's only non-major enterprise fund; however, it is also presented in a separate column in the Fund Financial Statements. The Internal Service Funds are combined in a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is presented elsewhere in the report.

Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension Fund, Firefighters Pension Fund, and Agency Fund, see pages 18-19). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide statements.

The governmental fund financial statements provide a reconciliation to facilitate the comparison between the governmental funds and governmental activities on the government-wide financial statement. The governmental funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 8 and 11). The flow of current financial resources reflects bond proceeds and interfund transfers as other financial sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligation (bond and others) into the governmental activities column (in the government-wide statements). The reconciliation also includes the Internal Service Funds' activities given that the Internal Service Funds serve primarily the governmental funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 20 - 73 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary

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

schedules and data concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74-86 of this report. The combining and individual fund statements for non-major governmental, enterprise, and internal service funds are presented on pages 87-113 of this report, immediately following the required supplementary information.

Infrastructure Assets

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

GOVERNMENT-WIDE STATEMENT

Statement of Position

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

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

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

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

Normal Impacts on Net Position

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

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

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

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

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

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

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

Current Year Impacts

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

Governmental Activities

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

Business-Type Activities

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

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

Changes in Net Position

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

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

MD&A 6

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.

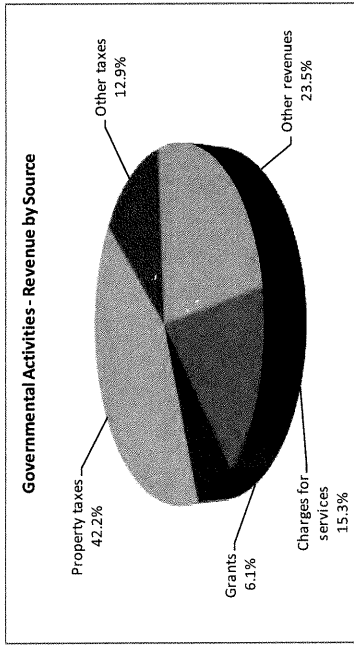
Inflation - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

MD&A 7

Current Year Impacts

Governmental Activities

Revenues:



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

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

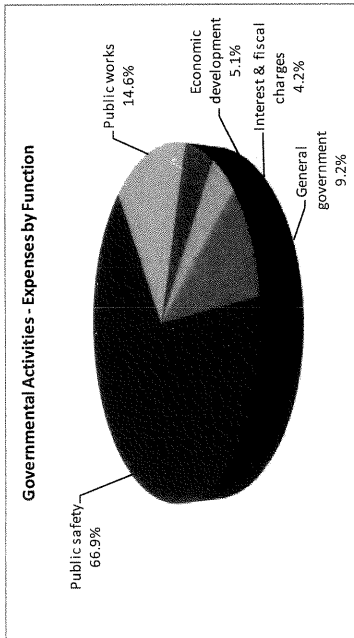
The charges for services category increase of \$0.6 million results from general rate increases and an increase in discretionary services that relate directly to improving economic conditions.

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

MD&A 8

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

Expenses



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

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

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

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

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

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

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

Business-Type Activities

Revenues

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

Expenses

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

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

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

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

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

Assigned Fund Balance in the amount of \$7.5 million for capital projects represents the portion of fund balance denoted for an intended use of resources, or for all remaining fund balance in non-General funds that cannot be categorized above.

Unassigned Fund Balance of \$18.1 million that represents available expendable financial resources that are not the object of tentative management plan. In the General Fund, this includes the operating reserves and the "Economic Stabilization" reserve as defined in the Village's adopted Reserve Policy.

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The General Fund's total fund balance increased by \$1.45 million (6.6%) from the prior year; the fund balance for the prior year showed a decrease of \$0.9 million. Revenues increased by \$0.5 million and expenditures increased by \$0.5 million, resulting in no change in

MD&A 10

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS
(presented in millions)

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

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

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

The General Fund expenditure budget was amended during the fiscal year to reflect encumbrance items from the prior year, transfers of excess reserves as defined by the Village's Reserve Policy, and projects deemed necessary during the year. General fund expenditures were \$0.5 million higher than the prior year mainly due an increase in personnel costs due to regular wage and pension contribution increases and a decrease in supplies and services expenditures.

General Fund actual revenues and actual expenditures were \$0.2 million lower and \$1.7 million lower than the final budgeted amounts, respectively. Approximately one-half of the expenditure budget variance was due to decreased actual spending from vacant positions and the other half was due to consciously controlled spending on supplies and services.

The Downtown TIF Fund experienced a negative net change in fund balance in the amount of \$2.5 million mainly due to a \$2.8 million write-down of land being held for development purposes. The Rand Road Corridor TIF Fund experienced a negative net change in fund balance of \$0.3 million mainly due to decreasing incremental values of properties within the district.

MD&A 11

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

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

Proprietary Funds

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

CAPITAL ASSETS

The Village's investment in capital assets for its governmental and business-type activities amounts to \$259.2 million. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a \$1.5 million net increase (including additions and deductions) from the prior year. Detailed information regarding the change in capital assets for governmental and business-type activities is included in the Notes to the Financial Statements on pages 34-35.

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

DEBT OUTSTANDING

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

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

\$19,799 million (24.7%) of the \$80.31 million currently outstanding general obligation bonds were issued for improvements in the Village's various TIF Districts. The issuance of these bonds did not produce capital assets for the Village; therefore, the unrestricted net position for Governmental Activities have been reduced by the amount of these bonds.

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

MD&A 12

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

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

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

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VILLAGE OF PALATINE, ILLINOIS
STATEMENT OF NET POSITION

December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 40,473,944	\$ 10,910,092	\$ 51,384,036
Receivables (net, where applicable, of allowances for uncollectibles)	21,713,632	-	21,713,632
Property taxes	-	1,929,481	1,929,481
Accounts	1,057,801	158,769	1,216,570
Other	5,911,916	-	5,911,916
Due from other governments	7,990	-	7,990
Accrued interest	60,325	-	60,325
Prepaid expenses	179,300	-	179,300
Inventories	10,384,300	-	10,384,300
Land held for resale	-	11,624,500	11,624,500
Investment in joint venture	151,371,945	4,858,690	156,230,635
Northwest Water Commission			
Capital assets not being depreciated	60,164,505	42,824,540	102,989,045
Capital assets being depreciated (net of accumulated depreciation)	291,325,658	72,306,072	363,631,730
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	330,420	189,855	520,275
Deferred outflows related to pensions	26,733,704	815,396	27,549,100
Total deferred outflows of resources	27,064,124	1,003,251	28,067,375
LIABILITIES			
Accounts payable	1,193,299	1,343,652	2,536,951
Accrued payroll	1,384,323	67,202	1,451,525
Accrued interest payable	254,475	43,325	297,800
Deposits payable	495,180	268,773	763,953
Claims payable	930,425	-	930,425
Unearned revenues	14,580	144,650	159,230
Noncurrent liabilities			
Due within one year	5,608,315	1,618,180	7,226,495
Due in more than one year	175,773,468	14,801,863	190,575,331
Total liabilities	185,654,065	18,287,645	203,941,710
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	21,713,632	-	21,713,632
Deferred inflows related to pensions	6,377,365	42,359	6,419,724
Total deferred inflows of resources	28,090,997	42,359	28,133,356
NET POSITION			
Net investment in capital assets	164,820,305	32,913,880	197,734,185
Restricted for			
Streets and highways	1,091,444	-	1,091,444
Public safety	659,542	-	659,542
Unrestricted	(61,926,571)	22,065,439	(39,861,132)
TOTAL NET POSITION	\$ 104,644,720	\$ 54,979,319	\$ 159,624,039

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

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

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2016

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

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2016

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

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

For the Year Ended December 31, 2016

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation	Village Hall Renovation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 76,055,992	\$ 4,970,011	\$ 1,764,648	\$ 2,657,299	\$ -	\$ 5,215,322	\$ 40,665,272
Licenses and permits	3,384,115	-	-	-	-	-	3,384,115
Intergovernmental	18,532,713	127,125	-	503,022	-	2,682,503	21,845,363
Charges for services	4,092,172	-	-	-	-	275,344	4,367,516
Fines and forfeits	1,552,117	-	-	-	-	30,135	1,582,252
Investment income	3,008,885	23,243	4,713	5,092	6,653	51,040	391,626
Miscellaneous	427,647	-	-	-	-	30,740	458,387
Total revenues	54,245,641	5,120,379	1,769,361	3,165,413	6,653	8,285,084	72,592,531
EXPENDITURES							
Current							
General government	6,064,441	-	-	-	-	-	6,064,441
Public safety	40,504,033	-	-	-	-	403,737	40,907,770
Public works	6,227,585	-	-	-	-	-	6,227,585
Economic development	-	2,851,862	316,203	-	-	911,956	4,080,021
Capital outlay	-	-	7,482	-	6,346,086	5,218,281	11,571,849
Debt service	-	3,678,391	1,160,000	1,300,000	-	-	6,138,391
Principal retirement	-	1,068,818	595,670	1,834,295	-	-	3,498,783
Interest	-	2,650	1,350	2,900	-	-	6,900
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	52,796,059	7,601,721	2,080,705	3,137,195	6,346,086	6,533,974	78,495,740

See accompanying notes to financial statements.

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See accompanying notes to financial statements.

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

See accompanying notes to financial statements.
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	\$ 4,909,064	\$ 2,632,359	\$ 1,359,162	\$ 2,009,507	\$ 10,910,092	\$ 8,731,379
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,426,326	487,172	-	15,983	1,929,481	-
Other	-	18,240	3,190	137,339	158,769	42,960
Prepaid expenses	-	-	-	-	-	60,325
Inventories	-	-	-	-	-	179,300
Total current assets	6,335,390	3,137,771	1,362,352	2,162,829	12,998,342	9,013,964
NONCURRENT ASSETS						
Capital assets						
Land	740,200	-	4,118,490	-	4,858,690	-
Buildings and improvements	6,739,405	597,545	15,681,480	-	23,018,430	-
Systems and improvements	20,663,560	61,303,955	-	-	81,967,515	-
Machinery and equipment	2,575,285	404,580	-	-	2,979,865	-
Accumulated depreciation	(18,435,213)	(37,832,085)	(10,875,970)	-	(65,141,270)	-
Total capital assets	14,285,235	24,473,995	8,924,000	-	47,883,230	-
Other assets						
Investment in joint venture	-	-	-	-	-	-
Northwest Water Commission	11,624,500	-	-	-	11,624,500	-
Total noncurrent assets	25,909,735	24,473,995	8,924,000	-	59,307,730	-
Total assets	32,245,125	27,611,766	10,286,352	2,162,829	72,306,072	9,013,964

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Parking System	Refuse Collection	Internal Service	
OPERATING REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	12,864
Charges for services	11,278,668	3,520,489	631,587	4,518,775	19,949,419	10,139,441
Miscellaneous	225,958	301,383	-	-	527,341	80,971
Total operating revenues	11,504,526	3,821,872	631,587	4,518,775	20,476,760	10,233,276
OPERATING EXPENSES						
Costs of sales and services	11,438,365	3,095,928	742,561	4,394,318	19,671,772	10,489,423
Total operating expenses excluding depreciation	11,438,365	3,095,928	742,561	4,394,318	19,671,772	10,489,423
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	66,161	725,944	(110,974)	123,857	804,988	(256,147)
DEPRECIATION	805,340	1,192,325	784,080	-	2,781,745	-
OPERATING INCOME (LOSS)	(739,179)	(466,381)	(895,054)	123,857	(1,976,757)	(256,147)
NONOPERATING REVENUES (EXPENSES)						
Investment income	19,188	12,337	4,906	4,693	41,124	39,898
Interest expense	(172,092)	(292,202)	-	-	(464,294)	-
Loss on disposal of capital assets	(38,020)	-	-	-	(38,020)	-
Joint venture	(31,600)	-	-	-	(31,600)	-
Total nonoperating revenues (expenses)	(772,524)	(779,865)	4,906	4,693	(487,790)	39,898

See accompanying notes to financial statements.

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	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	General Service	
DEFERRED OULOWS OF RESOURCES						
Deferred charge on refunding	\$ 1,030	\$ 188,825	-	\$ -	\$ 189,855	\$ -
Deferred outflows related to pensions	559,200	254,136	-	-	813,396	388,410
Total deferred outflows of resources	560,230	443,021	-	-	1,003,251	388,410
CURRENT LIABILITIES						
Accounts payable	87,588	81,613	116,732	1,057,719	1,343,652	157,074
Accrued payroll	-	50,310	-	-	67,022	21,519
Accrued interest payable	19,365	23,960	-	-	43,325	-
Deposits payable	268,773	-	-	-	268,773	-
Claims payable	-	-	-	-	-	930,425
Unearned revenues	-	-	-	144,650	144,650	5,170
Compensated absences payable	19,405	3,775	-	-	23,180	7,995
General obligation bonds payable	672,000	923,000	-	-	1,595,000	-
Total current liabilities	1,117,441	1,049,240	116,732	1,202,369	3,485,782	1,122,183
LONG-TERM LIABILITIES						
Claims payable	-	-	-	-	-	908,345
Compensated absences payable	77,600	15,095	-	-	92,695	31,980
Net pension liability	960,888	384,275	-	-	1,344,963	480,344
General obligation bonds payable	5,504,585	7,859,620	-	-	13,364,205	-
Total long-term liabilities	6,542,973	8,258,990	-	-	14,807,863	1,420,669
Total liabilities	7,660,314	9,308,230	116,732	1,202,369	18,287,645	2,542,852
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	30,256	12,103	-	-	42,359	15,128
NET POSITION						
Net investment in capital assets	8,109,580	15,880,200	8,924,000	-	32,913,880	-
Unrestricted	17,025,205	2,854,234	1,245,620	960,460	22,085,459	6,844,394
TOTAL NET POSITION	\$ 25,134,785	\$ 18,734,434	\$ 10,169,620	\$ 960,460	\$ 54,979,339	\$ 6,844,394

See accompanying notes to financial statements.

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	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE TRANSFERS	\$ (961,703)	\$ (746,246)	\$ (890,148)	\$ 128,550	\$ (2,469,547)	\$ (216,249)
Transfers (out)	(134,000)	(134,000)	-	(100,000)	(368,000)	-
CHANGE IN NET POSITION	(1,095,703)	(880,246)	(890,148)	28,550	(2,837,547)	(216,249)
NET POSITION, JANUARY 1 - AS RESTATED	26,210,488	19,614,700	11,059,768	931,910	57,816,866	7,060,643
NET POSITION, DECEMBER 31	\$ 25,114,785	\$ 18,734,454	\$ 10,169,620	\$ 960,460	\$ 54,979,319	\$ 6,844,394

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 11,589,305	\$ 3,852,218	\$ 628,397	\$ 4,509,706	\$ 20,579,626	\$ 1,386,385
Receipts from customers and users	-	-	-	-	-	8,818,857
Payments to suppliers	(10,742,873)	(2,826,824)	(578,613)	(3,488,131)	(17,635,441)	(9,337,810)
Payments to employees	(1,596,116)	(671,091)	(3,937)	-	(2,271,144)	(801,332)
Payments for interfund services transactions	(155,000)	(392,000)	(62,000)	(113,000)	(722,000)	-
Net cash from operating activities	(904,684)	(36,697)	(16,153)	908,575	(48,959)	66,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (out)	(134,000)	(134,000)	-	(100,000)	(368,000)	-
Net cash from noncapital financing activities	(134,000)	(134,000)	-	(100,000)	(368,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(1,255,830)	(118,500)	-	-	(1,374,330)	-
Proceeds of bonds issued	(2,370,000)	(1,030,000)	-	-	(3,400,000)	-
Principal payments on long-term debt	(258,743)	(313,823)	-	-	(572,566)	-
Interest and fiscal charges paid on long-term debt	(3,884,573)	(1,462,323)	-	-	(5,346,896)	-
Net cash from capital and related financing activities	(5,569,146)	(2,824,646)	-	-	(8,393,792)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	19,403	12,532	4,906	4,693	41,534	72,583
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,905,854)	(1,620,488)	(11,247)	813,268	(5,722,321)	139,783
CASH AND CASH EQUIVALENTS, JANUARY 1	9,812,918	4,252,847	1,370,409	1,196,239	16,632,413	8,592,296
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 4,907,064	\$ 2,632,359	\$ 1,359,162	\$ 2,009,507	\$ 10,910,092	\$ 8,731,379

See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2016

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

	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Governmental Activities Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (739,179)	\$ (466,381)	\$ (895,054)	\$ 123,857	\$ (1,976,757)	\$ (256,147)
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	805,340	1,192,325	784,080	-	2,781,745	-
(Increase) decrease in						
Accounts receivables	44,794	20,828	-	11,728	77,350	-
Other receivables	-	9,518	(3,190)	(21,817)	(15,489)	(23,395)
Inventories	-	-	-	-	-	2,330
Deferred outflows related to pensions	(200,040)	(106,194)	-	-	(306,234)	(206,995)
Increase (decrease) in						
Accounts payable	(1,301,954)	(858,457)	98,011	793,787	(1,288,613)	30,181
Accrued payroll	(9,988)	(8,351)	-	-	(18,339)	(6,535)
Deposits payable	39,985	-	-	-	39,985	-
Claims payable	-	-	-	-	-	307,068
Unearned revenue	-	-	-	1,020	1,020	(4,659)
Compensated absences payable	8,485	865	-	-	9,350	-
Net pension liability	417,477	167,045	-	-	584,522	208,395
Deferred inflows related to pensions	30,526	12,103	-	-	42,629	15,128
NET CASH FROM OPERATING ACTIVITIES	\$ (904,684)	\$ (36,697)	\$ (16,153)	\$ 908,575	\$ (48,959)	\$ 66,400
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Loss on disposal of capital assets	\$ (38,020)	\$ -	\$ -	\$ -	\$ (38,020)	\$ -
Change in investment in joint venture	(31,600)	-	-	-	(31,600)	-
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	\$ (69,620)	\$ -	\$ -	\$ -	\$ (69,620)	\$ -

See accompanying notes to financial statements.

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See accompanying notes to financial statements.

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2016

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

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See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

INDEX TO
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Village was incorporated on March 19, 1866. The Village is a municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present the Village (the primary government). Management has determined that there are no component units that are required to be included in the financial statements of the Village.

The Village's financial statements include two pension trust funds.

Police Pension Employees Retirement System (PPERS)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System (FPERS)

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the government. The Village utilizes pension trust funds (for its Police and Firefighters' Pension Funds) and agency funds (for its Special Service Areas debt service and various other activities) which are generally used to account for assets that the Village holds in a fiduciary capacity.

c. Government-Wide and Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

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

The General Obligation Bond Fund accounts for the accumulation of resources and payment of the principal and interest of the Village's general obligation bonded debt.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

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

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

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

The Refuse Collection Fund accounts for the refuse collection and recycling services provided by the Village.

Additionally, the Village reports the following proprietary fund:

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

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. The Special Service Areas Fund, Letters of Credit Fund, and Section 125 Fund are reported as agency funds as the assets in these funds are not available for use by the Village.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds use the accrual basis of accounting but have no measurement focus. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as nonoperating.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. Cash and Investments
- Cash and Cash Equivalents
- For purposes of the statement of cash flows, the Village's proprietary funds consider their equity in pooled cash and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.
- Investments
- Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- f. Interfund Receivables/Payables
- Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due from/to other funds."
- Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.
- g. Inventories
- Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.
- h. Deferred Charge on Refunding
- Deferred outflows in the government-wide and enterprise fund financial statements represent unamortized deferred charges on refunding which are being amortized over the life of the bonds.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- i. Prepaid Items/Expenses
- Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are recognized as expenditures proportionately over the periods that the service is provided.
- j. Land Held for Resale
- Land held for resale is valued at cost. Reported land held for resale is equally offset by a restricted fund balance, which indicates that it is restricted for a specific purpose. The land held consists of numerous parcels within the Downtown TIF District and the Rand Corridor District that the Village owns and is holding until sold.
- k. Capital Assets
- Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, storm water) and intangibles (software and easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.
- | Asset Class | Capitalization Threshold |
|---|--------------------------|
| Buildings and land improvements | \$ 200,000 |
| Infrastructure | 250,000 |
| Vehicles, machinery, equipment and software | 50,000 |
- Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.
- The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.
- Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated/amortized using the straight-line method over the following estimated useful lives:

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 investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the

2. DEPOSITS AND INVESTMENTS (Continued)

Village Deposits and Investments (Continued)

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

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

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

Deposits with Financial Institutions

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

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

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in external investment pools. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

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

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions (Continued)

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

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

3. RECEIVABLES

a. Property taxes

Property taxes for 2016 attach as an enforceable lien on January 1, 2016, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1 and August 1 each year and are payable in two installments, on or about March 1 and September 1. The County collects such taxes and remits them periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2016 tax levy has been recorded as unavailable/deferred revenue on the financial statements.

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

3. RECEIVABLES (Continued)

b. Other Receivables

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

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	\$ 14,215
Ambulance service and fees	112,855
Cable franchise fees	302,965
Food and beverage tax	129,070
Red light violations	53,520
Electric utility tax	195,490
Loan receivable	204,506
Billed receivables	45,180
Total governmental activities	<u>1,057,801</u>

BUSINESS-TYPE ACTIVITIES

Disposal fees	137,339
Parking fees	3,190
Sewer loan program	18,240
Total business-type activities	<u>158,769</u>

TOTAL OTHER RECEIVABLES

\$ 1,216,570

c. Due from Other Governments

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

GOVERNMENTAL ACTIVITIES	
State sales tax	\$ 2,000,000
Home rule sales tax	1,064,000
Loan to park district	1,200,000
Grants	63,349
State income tax	767,072
Public safety reimbursements	77,905
Court fines	87,115
Other state sources	80,840
Motor fuel tax allotments	162,635
Telecommunications tax	409,000
Total government activities	<u>5,911,916</u>

BUSINESS-TYPE ACTIVITIES

TOTAL DUE FROM OTHER GOVERNMENTS \$ 5,911,916

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

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 11,565,020	\$ -	\$ -	\$ 11,565,020
Land right of way	139,806,925	-	-	139,806,925
Buildings and improvements – construction in progress	10,848,005	5,146,085	15,994,090	-
Total capital assets not being depreciated	162,219,950	5,146,085	15,994,090	151,371,945
Capital assets being depreciated				
Buildings and improvements	39,225,130	15,994,090	3,010,745	52,208,475
Machinery and equipment	10,909,480	583,610	252,730	11,240,360
Streets	28,478,530	733,555	36,665	29,175,420
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	80,209,875	17,311,255	3,300,140	94,220,990
Less accumulated depreciation for				
Buildings and improvements	11,994,855	1,294,000	2,384,050	10,904,805
Machinery and equipment	5,929,235	899,475	227,380	6,601,330
Streets	15,116,160	584,240	36,665	15,663,715
Bridges	854,635	32,000	-	886,635
Total accumulated depreciation	33,894,885	2,809,695	2,648,095	34,056,485
Total capital assets being depreciated, net	46,314,990	14,501,560	652,045	60,164,505
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 208,534,940	\$ 19,647,645	\$ 16,646,135	\$ 211,536,450

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

4. CAPITAL ASSETS (Continued)

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

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

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

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

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued is \$101,820,000. During the year, no general obligation bonds were issued.

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

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

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

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2017	\$ 5,330,000	\$ 3,053,329	\$ 1,595,000	\$ 519,763
2018	5,525,000	2,875,830	1,480,000	460,363
2019	5,775,000	2,685,332	1,530,000	405,863
2020	5,925,000	2,469,209	1,600,000	349,363
2021	6,275,000	2,240,999	1,665,000	290,163
2022	6,405,000	1,975,167	1,725,000	228,663
2023	2,705,000	1,698,042	1,065,000	162,443
2024	3,420,000	1,571,968	1,110,000	116,518
2025	3,545,000	1,405,190	1,170,000	67,933
2026	2,875,000	1,230,092	310,000	27,683
2027	2,130,000	1,073,322	325,000	19,313
2028	2,200,000	954,235	335,000	10,050

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2029	\$ 2,290,000	\$ 828,376	\$ -	\$ -
2030	2,200,000	696,000	-	-
2031	2,300,000	568,400	-	-
2032	2,400,000	435,000	-	-
2033	2,500,000	295,800	-	-
2034	2,600,000	150,800	-	-
TOTAL	\$ 66,400,000	\$ 26,207,051	\$ 13,910,000	\$ 2,658,118

b. Tax Increment Financing Revenue Bonds and Notes

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

These bonds and notes are not obligations of the Village and are secured only by the incremental property tax revenues generated by the tax increment financing district. Annual debt service payments are based upon 50% of the incremental revenues, if any, generated by the underlying project. As such, there are no established debt service amortization schedules for these bonds and notes.

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

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

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

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

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

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

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

d. Noncommitment Debt

Special Service Area Number 5 Bonds, Taxable Series 2008 outstanding as of the date of this report totaled \$5,630,000. These bonds are not an obligation of the Village and are secured solely by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for the repayment, but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

e. Tax Increment Financing Redevelopment Note Disclosures

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

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

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

5. LONG-TERM DEBT (Continued)

f. Changes in Long-Term Liabilities

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

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

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

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

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is self-insured for medical benefits and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of \$110,000 per individual's claims paid and a maximum of 125% of the expected aggregate claims paid. The Village purchases commercial insurance for claims in excess of the coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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

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

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

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

The Village has committed to purchase water from NWWC. The Village expects to pay approximately \$3,017,460 through December 31, 2017. This amount has been calculated using the Village's current allocation percentage of approximately 30%. In future years, this allocation percentage will be subject to change.

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

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

The Village's estimated payment for operations and maintenance costs for 2017 is \$1,110,000. This is based on an estimated tipping fee of \$46.06 per ton for 24,102 tons.

8. TAX ABATEMENTS

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

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

8. TAX ABATEMENTS (Continued)

For the current year, the Village rebated its share of property taxes paid by several individuals to induce them to annex into the Village in 2007 for redevelopment purposes. These agreements terminate upon the first of the following events to occur: the Owner selling, assigning, conveying, redeveloping the Property and/or the business with either a new use or a new or remodeled structure, or twenty (20) years from the date of the annexation. The rebate for the year totaled \$148,741.

The Village rebated property taxes paid by several businesses located within Tax Increment Financing Districts for costs associated with construction of or improvements to their business facilities. These agreements state the total eligible costs and the rebates are contingent on meeting certain financial performance metrics. The rebate for the year totaled \$349,902.

The Village rebated property taxes paid by a business located within a Tax Increment Financing District to retain this business. This agreement allows for the business to occupy what would otherwise be a vacant building. This license agreement is renewable annually. The rebate for the year totaled \$75,000.

9. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

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

9. JOINT VENTURES (Continued)

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

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

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

In accordance with the contract, the Village made payments totaling \$1,133,139 to SWANCC during the year. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at the date of this report.

Northwest Water Commission (NWWC)

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

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

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

9. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC) (Continued)

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

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

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

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

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

In accordance with the joint venture agreement, the Village remitted \$2,838,076 to NWWC during the year. The Village's equity interest in NWWC was \$11,624,500 at the date of this report. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

10. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

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

Receivable Fund	Payable Fund	Amount
Major governmental General	Major governmental Downtown TIF	\$ 179,610
Major governmental General	Nonmajor governmental Rand/Lake Cook TIF Special Police Grant	35,515 17,834
TOTAL		\$ 232,959

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

10. INDIVIDUAL FUND DISCLOSURES (Continued)

a. Due From/To Other Funds (Continued)

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

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

b. Advances From/To Other Funds

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

Receivable Fund	Payable Fund	Amount
Major governmental General	Downtown TIF	\$ 5,261,220

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

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

c. Transfers

During the year, the following transfers were made:

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

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

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

11. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At the date of this report, membership consisted of:

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

d. Funding Policy

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

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

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

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

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

a. Illinois Municipal Retirement Fund (IMRF)

Plan Administration

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

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

Plan Membership

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

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

Benefits Provided

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

Benefits Provided (Continued)

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

Contributions

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution and required employer contribution for 2016 was 12.79% of covered payroll.

Net Pension Liability

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

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

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

Discount Rate

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Changes in the Net Pension Liability

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

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

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

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.47% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47%) or 1 percentage point higher (8.47%) than the current rate:

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized IMRF pension expense of \$1,813,866. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 93,984	\$ 302,562
Changes in assumptions	1,002,635	-
Net difference between projected and actual earnings on pension plan investments	3,779,355	-
Employer contributions after the measurement date	1,365,908	-
Total	\$ 6,241,882	\$ 302,562

The \$1,365,908 reported as deferred outflows of resources related to pensions resulting from Village contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

Year Ending December 31,	
2017	\$ 1,548,163
2018	1,251,714
2019	947,858
2020	825,677
2021	-
Thereafter	-
Total	\$ 4,573,412

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12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- b. Police Pension Employees Retirement System (PPERS)

Plan Administration

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

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

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

Plan Membership

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

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

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 ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the preceding 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, 2016, the Village's contribution was 35.12% of covered payroll.

Investment Policy

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Large cap core	27.0%	7.7%
Large cap value	8.0%	7.7%
Large cap growth	8.0%	8.0%
Small - Mid	10.0%	8.9%
International	12.0%	7.6%
Fixed income	33.0%	3.5%
Cash and cash equivalents	2.0%	0.1%

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

The long-term expected rate of return on PPERS' investments was determined using an asset allocation study conducted by PPERS' investment management consultant in December 2016, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in PPERS' target asset allocation as of the date of this report are listed in the table above.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31 for debt securities, equity securities, mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

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

Investment Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

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

Interest Rate Risk

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Interest Rate Risk (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 5,778,680	\$ 300,402	\$ 1,369,855	\$ 571,300	\$ 3,537,123
U.S. Agency obligations	1,013,744	200,308	409,756	181,742	221,938
Corporate bonds	14,422,571	757,501	6,871,079	5,570,345	1,223,646
Municipal bonds	598,438	-	343,616	37,143	217,679
TOTAL	\$ 21,813,433	\$ 1,258,211	\$ 8,994,306	\$ 6,360,530	\$ 5,200,386

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

PPERS has the following recurring fair value measurements as of December 31, 2016. The U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (level 2 inputs).

Credit Risk

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

Custodial Credit Risk

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Discount Rate

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

Changes in the Net Pension Liability

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

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Police Officers.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized PPERS pension expense of \$4,436,779 and reported deferred outflows of resources and deferred inflows of resources related to PPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,490,549	\$ 4,255,651
Changes in assumptions	6,257,125	1,836,540
Net difference between projected and actual earnings on pension plan investments	2,728,603	-
Total	\$ 10,476,277	\$ 6,092,191

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

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

c. Firefighters' Pension Employees Retirement System (FPERS)

Plan Administration

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Plan Administration (Continued)

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

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

Plan Membership

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

Inactive plan members currently receiving benefits	66
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	91
TOTAL	158

Number of participating employers

1

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 ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ⅓% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ⅓ of the change in the Consumer Price Index for the preceding calendar year.

Contributions

Employees are required by ILCS to contribute 9.455% of their base salary to FPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has elected to calculate its annual contribution using the entry age normal level percentage of payroll actuarial cost method that will result in the funding of 100% of the past service cost by the year 2040. For the year ended December 31, 2016, the Village's contribution was 41.85% of covered payroll.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy

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

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Russell 1000 large cap index	21%	7.31%
US small cap	6%	10.40%
World equity	17%	9.35%
Emerging markets	4%	11.46%
High yield bond fund	5%	6.13%
Emerging markets debt fund	5%	7.45%
Dynamic asset allocation fund	7%	9.81%
Fixed income	33%	4.26%
Cash and cash equivalents	2%	0.10%

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy (Continued)

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

The long-term expected rate of return on FPERS' investments was determined using an asset allocation study conducted by FPERS' investment management consultant in December 2016, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in FPERS' target asset allocation as of the date of this report are listed in the table on the previous page.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31 for debt securities, equity securities, mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

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

Investment Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Deposits with Financial Institutions

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

Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 10,837,070	\$ -	\$ 5,842,510	\$ 4,994,560	\$ -
U.S. Agency obligations	953,863	94	524,464	429,305	-
Corporate bonds	9,465,488	1,990,545	5,856,361	1,618,582	-
TOTAL	\$ 21,256,421	\$ 1,990,639	\$ 12,223,335	\$ 7,042,447	\$ -

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

FPERS has the following recurring fair value measurements as of December 31, 2016. The U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations and the corporate bonds are valued using quoted matrix pricing models (level 2 inputs).

Credit Risk

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Custodial Credit Risk

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

Discount Rate

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

Changes in the Net Pension Liability

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Changes in the Net Pension Liability (Continued)

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

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

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0 - 10.44%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Firefighters.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized FPERS pension expense of \$4,627,794 and reported deferred outflows of resources and deferred inflows of resources related to FPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 914,111	\$ 24,971
Changes in assumptions	5,931,937	-
Net difference between projected and actual earnings on pension plan investments	3,982,893	-
Total	\$ 10,828,941	\$ 24,971

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Funded Status (Continued)

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

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

13. PENSION TRUST FUNDS

a. Schedule of Net Position

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

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

13. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

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

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

14. CHANGE IN ACCOUNTING PRINCIPLE

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

	Entity-Wide Governmental Activities	Fleet Services Fund	Entity-Wide Business- Type Activities	Waterworks Fund	Sewerage Fund
Net position - as previously reported	\$ 108,471,986	\$ 348,834	\$ 557,365,319	\$ 25,891,053	\$ 19,482,588
Restatement of					
Net pension liability	3,591,508	208,809	584,664	417,617	157,047
Deferred outflows	(1,123,484)	(62,385)	(175,476)	(128,438)	(47,038)
Deferred inflows	260,203	15,128	42,359	30,256	12,103
Net position - as restated	\$ 111,200,213	\$ 510,386	\$ 557,816,866	\$ 26,210,488	\$ 19,614,700

15. SUBSEQUENT EVENT

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

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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, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

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

¹ Results from prior year.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUNDLast Ten Fiscal Years
(schedule to be built prospectively)

Fiscal 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%

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.

Aggregate entry-age normal

Actuarial cost method

Assumptions

Amortization method

Remaining amortization 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

Mortality

Level percentage of payroll, closed
28-year closed period until remaining period reaches 15 years
(then 15-year rolling period)

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.

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.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

Last Ten Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2007	\$ 1,380,059	\$ 1,368,869	\$ 11,190	\$ 7,384,968	18.54%
2008	1,677,795	1,824,972	(147,177)	8,323,248	21.93%
2009	1,697,492	1,839,264	(141,772)	8,476,022	21.70%
2010	2,685,568	2,685,585	(17)	8,915,083	30.12%
2011	2,971,158	3,489,556	(518,398)	9,332,860	37.39%
2012	2,775,424	3,016,992	(241,568)	9,920,463	30.41%
2013	2,996,776	2,969,877	26,899	9,749,554	30.46%
2014	2,948,599	2,951,135	(2,536)	9,823,321	30.04%
2015	3,038,973	3,371,172	(332,199)	10,117,378	33.32%
2016	3,441,579	3,538,272	(96,693)	10,074,104	35.12%

Notes to the required supplementary information:

Valuation date December 31, 2014
Actuarial cost method Entry-age normal

Assumptions

Amortization method Level percentage of payroll, closed

Remaining amortization period 26 Years

Asset valuation method Market

Inflation 3.00%

Salary increases 4.50%

Investment rate of return 7.50%

Retirement age 62 Years

Mortality RP-2014 Mortality Table (BCHA)

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation	Payroll	Actual Contribution as a % of Covered Valuation	Payroll
2007	\$ 1,066,636	\$ 1,062,061	\$ 4,575	\$ 6,826,186	15.56%		
2008	1,219,549	1,440,275	(220,726)	7,161,378	20.11%		
2009	1,167,796	1,259,881	(92,085)	7,451,465	16.91%		
2010	2,065,574	2,032,916	32,658	7,608,620	26.72%		
2011	2,268,637	2,645,961	(377,324)	7,329,752	36.10%		
2012	2,698,315	2,876,372	(178,057)	7,723,119	37.24%		
2013	2,978,383	2,958,027	20,356	7,812,502	37.86%		
2014	3,091,300	3,098,007	(6,707)	8,000,869	38.72%		
2015	3,238,069	3,620,989	(382,920)	8,408,325	43.06%		
2016	3,254,943	3,660,137	(405,194)	8,746,556	41.85%		

Notes to the required supplementary information:

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

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUNDLast Ten Fiscal Years
(schedule to be built prospectively)

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUNDLast Ten Fiscal Years
(schedule to be built prospectively)

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

	Last Ten Fiscal Years (schedule to be built prospectively)		
Fiscal Year	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 2,045,539	\$ 1,980,545	\$ 2,175,704
Interest	7,740,742	7,087,978	6,540,584
Changes to benefit terms	-	-	-
Differences between expected and actual experience	1,035,715	4,554	(62,429)
Changes of assumptions	328,856	7,553,761	2,775,760
Benefit payments, including refunds of member contributions	(4,513,084)	(4,215,646)	(4,046,416)
Net change in total pension liability	6,637,768	12,411,192	7,383,203
Total pension liability			
Beginning	109,025,391	96,614,199	89,230,996
Ending	\$ 115,663,159	\$ 109,025,391	\$ 96,614,199

PLAN FIDUCIARY NET POSITION

Contributions - employer	\$ 3,660,137	\$ 3,620,989	\$ 3,098,007
Contributions - member	899,896	857,036	836,025
Contributions - other	215	51	-
Net investment income	4,226,592	(1,071,694)	2,470,732
Benefit payments, including refunds of member contributions	(4,513,084)	(4,215,646)	(4,046,416)
Administrative expense	(14,396)	(13,428)	(22,954)
Net change in total pension liability	4,259,360	(822,692)	2,335,394
Plan net position			
Beginning	58,802,718	59,625,410	57,290,016
Ending	\$ 63,062,078	\$ 58,802,718	\$ 59,625,410

EMPLOYER'S NET PENSION LIABILITY

Plan fiduciary net position as a percentage of the total pension liability	54.52%	53.93%	61.71%
Covered-employee payroll	\$ 9,137,439	\$ 8,905,763	\$ 8,744,586
Employer's net pension liability as a percentage of covered-employee payroll	575.67%	563.93%	422.98%

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years
(schedule to be built prospectively)

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

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

(See independent auditor's report.)

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principals. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service, and pension trust funds. All annual appropriations lapse at fiscal year end.

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

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

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

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

c. Changes In Actuarial Assumptions

IMRF

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

PPERS and FPERS

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

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**Combining and Individual Fund
Financial Statements and Schedules**

Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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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.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2016

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

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(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Foreign Fire Tax	Dundee Road TIF	Rand/ Dundee TIF	Rand/ Lake Cook TIF	Special Fire Grant	Special Police Grant	Total
\$	92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ -	\$ -	\$ 8,408,311
	-	-	-	-	-	26,802	198,147
\$	92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ -	\$ 26,802	\$ 8,606,458

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,138
	-	-	-	-	-	7,743	7,743
	-	-	-	35,515	-	17,834	53,349
	-	-	-	-	-	1,225	1,225
	-	-	-	35,515	-	26,802	172,455

92,798	-	-	-	-	-	-	1,091,444
	-	-	-	-	-	-	659,542
	5,962,366	756,166	-	-	-	-	6,718,532
	-	-	-	(35,515)	-	-	(35,515)
92,798	5,962,366	756,166	(35,515)	-	-	-	8,434,003

\$	92,798	\$ 5,962,366	\$ 756,166	\$ -	\$ -	\$ 26,802	\$ 8,606,458
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(See independent auditor's report.)

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 371,311	\$ 738,187	\$ 581,806
Total revenues	371,311	738,187	581,806
EXPENDITURES			
Economic development			
Administrative fees - General Fund	74,260	74,260	74,260
Social service agencies	55,696	55,696	55,696
Capital outlay			
Rights of way improvements	241,355	596,967	451,850
Total expenditures	371,311	726,923	581,805
NET CHANGE IN FUND BALANCE	\$ -	\$ 11,264	-
FUND BALANCE, JANUARY 1	-	-	-
FUND BALANCE, DECEMBER 31	-	-	\$ -

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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Nonmajor Capital Projects Funds

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

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

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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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, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2016

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 182,336	\$ 1,143,754	\$ 60,295	\$ 1,386,385
Receipts from interfund services transactions	1,784,880	5,331,577	1,702,400	8,818,857
Payments to suppliers	(834,017)	(7,485,627)	(1,018,166)	(9,337,801)
Payments to employees	(801,032)	-	-	(801,032)
Net cash from operating activities	332,167	(1,010,296)	744,529	66,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Note	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Note	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,669	31,588	38,426	72,683
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	334,836	(978,708)	782,955	139,083
CASH AND CASH EQUIVALENTS, JANUARY 1	538,548	3,485,629	4,568,119	8,592,296
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 873,384</u>	<u>\$ 2,506,921</u>	<u>\$ 5,351,074</u>	<u>\$ 8,731,379</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 296,611	\$ (1,045,931)	\$ 493,173	\$ (256,147)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
(Increase) decrease in				
Other receivables	(23,395)	-	-	(23,395)
Inventories	2,330	-	-	2,330
Deferred outflows related to pensions	(206,995)	-	-	(206,995)
Increase (decrease) in				
Accounts payable	45,619	(33,159)	17,721	30,181
Accrued payroll	(8,535)	-	-	(8,535)
Claims payable	-	73,433	233,635	307,068
Unearned revenue	-	(4,639)	-	(4,639)
Compensated absences payable	2,595	-	-	2,595
Net pension liability	208,809	-	-	208,809
Deferred inflows related to pensions	15,128	-	-	15,128
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 332,167</u>	<u>\$ (1,010,296)</u>	<u>\$ 744,529</u>	<u>\$ 66,400</u>

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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Fiduciary Funds

Pension Trust Funds

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

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

Agency Funds

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

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

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

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

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(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, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2016

	Balances January 1	Additions	Deletions	Balances December 31
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,592,990	\$ 1,035,104	\$ 1,155,607	\$ 1,472,487
Receivables	626,307	589,500	626,307	589,500
Property taxes	3,000	3,000	3,000	3,000
Prepaid items				
TOTAL ASSETS	\$ 2,222,297	\$ 1,627,604	\$ 1,784,914	\$ 2,064,987
LIABILITIES				
Accounts payable	\$ 17,195	\$ 5,251	\$ 17,195	\$ 5,251
Other liabilities	1,035,182	950,865	1,137,037	849,010
Due to bondholders	1,169,920	671,488	630,682	1,210,726
TOTAL LIABILITIES	\$ 2,222,297	\$ 1,627,604	\$ 1,784,914	\$ 2,064,987
Special Service Areas Fund				
ASSETS				
Cash and cash equivalents	\$ 1,150,105	\$ 668,488	\$ 588,075	\$ 1,230,522
Receivables	626,307	589,500	626,307	589,500
Property taxes	3,000	3,000	3,000	3,000
Prepaid items				
TOTAL ASSETS	\$ 1,779,416	\$ 1,260,988	\$ 1,217,382	\$ 1,823,022
LIABILITIES				
Other liabilities	\$ 609,496	\$ 589,500	\$ 586,700	\$ 612,296
Due to bondholders	1,169,920	671,488	630,682	1,210,726
TOTAL LIABILITIES	\$ 1,779,416	\$ 1,260,988	\$ 1,217,382	\$ 1,823,022

(This schedule is continued on the following page.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

	Balances January 1	Additions	Deletions	Balances December 31
Letter of Credit Escrow Fund				
ASSETS				
Cash and cash equivalents	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078
TOTAL ASSETS	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078
LIABILITIES				
Accounts payable	\$ 17,195	\$ 5,251	\$ 17,195	\$ 5,251
Other liabilities	341,930	43,341	211,444	173,827
TOTAL LIABILITIES	\$ 359,125	\$ 48,592	\$ 228,639	\$ 179,078
Section 125 Fund				
ASSETS				
Cash and cash equivalents	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
TOTAL ASSETS	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
LIABILITIES				
Other liabilities	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887
TOTAL LIABILITIES	\$ 83,756	\$ 318,024	\$ 338,893	\$ 62,887

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(See independent auditor's report.)

Supplementary Information

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

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

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(This schedule is continued on the following page.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
Mayor and council	\$ 196,200	\$ 196,200	\$ 176,032
Personnel	44,475	38,475	33,322
Supplies and services	2,505	935	948
Boards and commissions	59,935	63,436	54,152
Personnel	200,280	200,425	188,899
Supplies and services	20,270	19,670	7,102
Village clerk	834,915	868,401	826,567
Personnel	462,740	471,840	406,774
Supplies and services	676,300	709,401	682,288
Finance and operations	328,870	328,870	267,833
Personnel	81,040	103,921	99,681
Supplies and services	422,250	401,225	350,835
Human resources	662,635	367,995	295,051
Personnel	62,325	48,825	42,294
Supplies and services	522,935	555,031	557,643
Planning and zoning	10,215	7,215	5,453
Personnel	938,645	953,370	945,001
Supplies and services	363,240	384,095	308,426
Liability insurance	1,612,400	1,612,400	1,612,400
Supplies and services	(74,260)	(74,260)	(74,260)
Less administrative fees	(155,000)	(155,000)	(155,000)
CD8G Fund	(392,000)	(392,000)	(392,000)
Waterworks fund	(113,000)	(113,000)	(113,000)
Sewerage fund	(62,000)	(62,000)	(62,000)
Refuse fund	6,705,915	6,535,470	6,064,441
Motor Vehicle Parking System fund			
Total general government			

(This schedule is continued on the following page.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VILLAGE HALL RENOVATION FUND

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(See independent auditor's report.)
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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2016

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

(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.	135 - 144
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	145 - 149
Debt Capacity These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue debt in the future.	150 - 153
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	154 - 155
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	156 - 157

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

VILLAGE OF PALATINE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

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

* Implementation of GASB Statement 68.

Data Source
Audited Financial Statements

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VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2011	2012	2013	2014	2015*	2016
EXPENSES						
Governmental activities						
General government	\$ 129,862,356	\$ 134,215,974	\$ 140,609,666	\$ 144,374,387	\$ 157,741,380	\$ 164,820,305
Public safety	10,854,118	3,233,577	3,600,787	2,236,148	1,838,578	1,750,986
Public works	26,919,088	34,104,500	30,819,755	35,764,493	(51,107,972)	(61,928,571)
Economic development						
Interest and fiscal charges						
Total governmental activities expenses	\$ 167,635,562	\$ 171,554,051	\$ 175,030,208	\$ 182,375,028	\$ 108,471,986	\$ 104,644,720
Business-type activities						
Waterworks	\$ 35,235,617	\$ 43,155,964	\$ 38,430,520	\$ 38,870,993	\$ 32,408,120	\$ 32,913,880
Sewerage						
Parking system						
Refuse collection	17,683,868	12,113,363	20,628,900	20,657,402	24,957,201	22,065,439
Total business-type activities expenses	\$ 52,919,485	\$ 55,269,327	\$ 59,059,420	\$ 59,528,395	\$ 57,365,321	\$ 54,979,319
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 177,371,938	\$ 179,040,186	\$ 183,245,380	\$ 183,245,380	\$ 190,149,500	\$ 197,734,185
PROGRAM REVENUES						
Governmental activities						
Charges for services	3,233,577	3,600,787	2,236,148	2,236,148	1,838,578	1,750,986
General government						
Public safety	46,217,863	51,448,655	56,421,895	56,421,895	(26,150,771)	(39,861,132)
Other activities						
Operating grants						
Capital grants and contributions						
Total governmental activities program revenues	\$ 226,823,378	\$ 234,089,628	\$ 241,903,423	\$ 241,903,423	\$ 165,837,307	\$ 159,624,039

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Fiscal Year	2007	2008	2009
EXPENSES			
Governmental activities			
General government	\$ 9,008,572	\$ 9,191,571	\$ 8,314,739
Public safety	29,416,464	31,825,692	33,898,460
Public works	9,080,835	13,227,490	10,720,807
Economic development	5,943,316	17,188,453	1,539,146
Interest and fiscal charges	4,340,856	3,710,426	3,411,066
Total governmental activities expenses	\$ 57,790,043	\$ 75,143,632	\$ 57,884,218
Business-type activities			
Waterworks	5,876,757	6,354,122	6,188,396
Sewerage	2,468,787	3,904,841	3,391,245
Parking system	1,535,188	1,566,202	1,431,482
Refuse collection	4,178,546	4,279,643	4,227,437
Total business-type activities expenses	\$ 14,059,278	\$ 16,104,808	\$ 15,238,560
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 71,849,321	\$ 91,248,440	\$ 73,122,778
PROGRAM REVENUES			
Governmental activities			
Charges for services	\$ 4,135,624	\$ 4,024,203	\$ 4,192,225
General government	2,810,527	2,864,677	3,750,916
Public safety			
Other activities	252,771	231,618	259,356
Operating grants	2,846,185	2,673,508	2,899,524
Capital grants and contributions	880,338	6,342,160	1,592,266
Total governmental activities program revenues	\$ 10,925,445	\$ 16,136,166	\$ 12,694,287
Business-type activities			
Charges for services	6,471,798	6,161,045	6,417,950
Waterworks	2,681,760	2,823,386	3,128,333
Sewerage	629,866	663,178	630,319
Parking system			
Refuse collection	4,403,667	4,562,852	4,414,604
Operating grants			
Capital grants and contributions			4,271
Total business-type activities program revenues	\$ 14,187,091	\$ 14,310,461	\$ 14,595,477
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 25,112,536	\$ 30,446,627	\$ 27,289,764
NET REVENUE (EXPENSE)			
Governmental activities	\$ (59,007,466)	\$ (45,189,931)	\$ (49,387,554)
Business-type activities	(1,794,347)	(643,083)	838,883
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ (60,801,813)	\$ (45,833,014)	\$ (48,548,671)

* Implementation of GASB-68

Data Source
Audited Financial Statements

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VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2010	2011	2012	2013	2014*	2015	2016
\$	7,911,734	\$ 8,092,022	\$ 5,687,081	\$ 3,618,746	\$ 6,085,713	\$ 5,181,480	\$ 7,411,863
35,204,860	37,174,518	39,154,692	39,226,832	40,893,455	39,766,935	53,993,443	53,993,443
10,000,129	11,346,788	10,978,933	14,290,195	12,001,792	10,574,340	11,764,624	11,764,624
6,828,477	7,618,221	7,785,928	5,914,067	3,400,486	5,187,476	4,080,021	4,080,021
4,190,376	4,965,687	4,782,927	4,334,822	4,214,079	3,685,197	3,466,073	3,466,073
64,135,576	69,197,236	68,389,561	67,384,662	66,595,525	64,395,428	80,716,024	80,716,024
6,121,039	7,199,466	6,851,401	7,511,430	8,235,391	10,988,330	12,485,417	12,485,417
3,103,688	3,063,914	3,688,412	3,335,908	3,041,236	3,641,693	4,580,455	4,580,455
1,405,859	1,344,734	1,355,716	1,269,605	1,323,599	1,226,379	1,526,641	1,526,641
4,218,165	4,388,685	4,430,979	4,426,461	4,553,742	4,553,546	4,594,918	4,594,918
14,848,751	15,996,799	16,326,508	16,543,404	17,153,968	20,409,948	22,987,431	22,987,431
\$ 78,984,327	\$ 85,194,035	\$ 84,716,069	\$ 83,928,066	\$ 83,749,493	\$ 84,805,376	\$ 103,703,455	\$ 103,703,455
\$	4,129,923	\$ 3,988,510	\$ 3,178,125	\$ 2,792,931	\$ 4,002,813	\$ 4,338,815	\$ 4,443,342
3,345,737	4,167,979	4,107,608	4,128,702	4,183,645	4,290,067	4,608,293	4,608,293
242,032	1,001,900	2,150,261	2,107,948	2,099,120	2,079,704	2,273,555	2,273,555
3,564,551	3,166,903	3,133,237	3,645,430	3,555,697	2,766,089	3,277,846	3,277,846
3,465,779	1,726,883	605,618	315,830	31,077	-	1,200,000	1,200,000
14,748,022	14,052,175	13,175,049	12,990,841	13,872,352	13,474,675	15,803,096	15,803,096
7,208,982	9,084,694	9,818,910	9,767,730	10,277,604	10,572,378	11,504,526	11,504,526
3,189,687	3,250,125	3,411,343	3,422,980	3,718,386	3,535,701	3,821,872	3,821,872
654,485	679,455	678,488	683,780	711,723	701,265	631,587	631,587
4,426,123	4,649,761	4,538,425	4,511,043	4,530,632	4,537,427	4,518,775	4,518,775
-	12,320	-	-	-	-	-	-
208,347	90,997	448,825	2,177,900	-	-	-	-
15,687,634	17,767,352	18,875,991	20,563,433	19,238,345	19,350,771	20,476,760	20,476,760
\$ 30,435,656	\$ 31,819,527	\$ 32,051,040	\$ 33,554,274	\$ 33,110,697	\$ 32,825,446	\$ 36,279,796	\$ 36,279,796
\$ (55,145,061)	\$ (55,214,512)	\$ (54,393,821)	\$ (52,723,173)	\$ (52,723,173)	\$ (50,920,753)	\$ (64,912,988)	\$ (64,912,988)
1,770,553	2,549,483	4,020,029	2,084,377	2,084,377	(1,059,177)	(2,510,671)	(2,510,671)
\$ (53,374,508)	\$ (52,665,029)	\$ (50,373,792)	\$ (50,638,796)	\$ (50,638,796)	\$ (51,979,930)	\$ (67,423,659)	\$ (67,423,659)

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Data Source
Audited Financial Statements

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Fiscal Year	2007	2008	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities			
Taxes	\$ 29,490,106	\$ 33,005,614	\$ 33,667,265
Property	4,788,068	4,673,737	3,992,663
Home rule sales tax	2,987,002	2,870,797	2,834,118
Telecommunications	-	-	-
Electric utility use	1,449,746	1,467,906	1,286,211
Other	9,160,426	8,837,777	7,905,175
State shared sales taxes	5,863,302	6,270,922	5,476,622
State shared income tax	180,129	163,719	166,343
Other intergovernmental revenues	2,211,847	1,781,574	400,701
Investment income	214,546	326,910	403,633
Miscellaneous	231,191	171,738	50,333
Gain on sale of capital assets	760,000	-	-
Transfers	-	-	-
Total governmental activities	\$ 57,336,363	\$ 58,870,694	\$ 56,183,064
Business-type activities			
Investment income	291,401	150,061	31,731
Income (loss) from joint venture	221,989	294,123	-
Gain on sale of capital assets	-	-	-
Transfers	(760,000)	-	-
Total business-type activities	(246,610)	444,184	31,731
TOTAL PRIMARY GOVERNMENT	\$ 57,089,753	\$ 59,314,878	\$ 56,214,795
CHANGE IN NET POSITION			
Governmental activities	\$ 12,006,096	\$ (2,824,402)	\$ 10,143,070
Business-type activities	571,997	(1,762,616)	(633,520)
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ 12,578,093	\$ (4,587,018)	\$ 9,509,550

VILLAGE OF PALATINE, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

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

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

Data Source
Audited Financial Statements

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

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VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2011*	2012	2013	2014	2015	2016
	\$	- \$	- \$	- \$	- \$	- \$
	6,267,920	5,772,920	5,277,970	4,782,920	5,022,070	5,261,220
	12,657,972	15,064,951	16,880,750	18,124,529	17,012,432	18,224,006
	\$ 18,925,892	\$ 20,837,871	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226
	\$	- \$	- \$	- \$	- \$	- \$
	36,631,487	32,349,656	23,876,160	17,945,345	14,882,305	14,057,043
	10,844,611	11,900,695	16,305,655	21,284,780	13,536,719	7,451,239
	-	(871,431)	(2,484,768)	(43,615)	(43,615)	(35,515)
	\$ 47,476,098	\$ 43,378,920	\$ 37,697,047	\$ 39,186,510	\$ 28,375,409	\$ 21,472,767

Fiscal Year	2007	2008	2009	2010
REVENUES	\$	\$	\$	\$
Taxes	48,653,181	51,676,949	50,488,804	50,087,153
Licenses and permits	3,061,764	3,088,823	3,081,984	3,112,015
Intergovernmental	9,924,521	9,520,180	9,374,441	12,810,025
Charges for services	2,130,142	1,814,636	1,845,422	1,839,736
Fines and forfeitures	893,496	1,061,999	1,948,079	1,256,149
Investment income	2,721,847	1,081,573	404,698	305,545
Contributions	-	6,165,959	1,000,000	-
Miscellaneous	395,666	425,003	683,590	670,400
Total revenues	67,270,617	74,835,122	68,827,018	70,081,023
EXPENDITURES				
General government	8,838,522	10,747,502	8,507,772	7,713,816
Public safety	28,822,573	31,524,578	31,678,221	33,638,662
Public works	7,563,075	8,652,609	8,370,752	8,250,868
Economic development	2,952,388	17,188,453	1,504,577	6,828,477
Capital outlay	6,125,005	5,495,697	15,945,994	9,139,690
Debt service				
Principal retirement	8,537,919	14,250,146	12,649,263	5,493,745
Interest	4,330,229	3,657,597	3,964,551	4,341,907
Fiscal charges	153,978	-	294,487	-
Total expenditures	67,323,689	91,516,582	82,915,617	75,407,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(53,072)	(16,681,460)	(14,088,599)	(5,326,142)
OTHER FINANCING SOURCES (USES)				
Bonds issued, at par	18,800,000	-	33,340,315	32,158,385
Refunding bonds issued, at par	-	-	-	-
Bond premium	12,490	-	152,558	879,220
Bond discount	(43,459)	-	-	-
Payment to refunded bond escrow agent	-	-	(4,678,260)	(13,950,839)
Proceeds from sale of capital assets	231,191	171,738	88,594	61,483
Transfers in	3,376,733	-	-	65,000
Transfers (out)	(2,616,733)	-	(84,456)	(65,000)
Total other financing sources (uses)	19,760,222	171,738	28,818,751	19,148,249
NET CHANGE IN FUND BALANCES	\$ 19,707,150	\$ (16,509,722)	\$ 14,730,152	\$ 13,822,107
Debt service as a percentage of noncapital expenditures	20.02%	19.86%	23.63%	14.43%

Data Source
Audited Financial Statements

	2011	2012	2013	2014	2015	2016
\$ 42,936,134	\$ 42,673,859	\$ 41,024,128	\$ 40,681,472	\$ 40,681,860	\$ 40,663,272	
2,695,124	2,612,185	2,822,149	3,081,336	3,153,792	3,284,115	
21,894,742	21,449,463	22,102,467	22,735,622	22,291,479	21,845,363	
3,364,812	3,351,983	3,683,470	3,801,523	4,116,301	4,367,516	
944,747	1,395,806	1,376,629	1,394,054	1,394,381	1,582,252	
285,881	321,140	300,305	309,200	305,362	391,626	
291,996	164,057	193,596	297,638	156,573	458,387	
72,413,436	71,968,493	71,502,744	72,300,845	72,099,748	72,592,531	
6,296,980	5,448,017	5,532,910	5,690,050	5,853,988	6,064,441	
36,499,775	36,627,642	37,149,960	38,212,533	40,197,022	40,907,770	
5,870,884	5,857,645	6,228,622	6,769,212	6,419,162	6,227,585	
5,776,274	7,999,863	5,914,067	3,400,486	5,187,476	4,080,021	
24,177,056	7,816,121	10,091,641	8,176,672	15,883,621	11,571,849	
5,708,490	6,403,904	6,346,812	6,089,339	6,988,013	6,138,391	
5,082,194	4,768,086	4,385,759	4,172,391	3,729,681	3,498,783	
160,195	91,906	8,303	122,338	11,611	6,900	
89,571,848	75,013,184	75,658,074	72,633,021	84,270,574	78,495,740	
(17,158,412)	(3,044,691)	(4,155,330)	(332,176)	(12,170,826)	(5,903,209)	
7,000,000	-	-	-	-	-	
850,000	5,025,000	-	10,985,000	-	-	
216,155	-	-	212,225	-	-	
-	-	-	-	-	-	
(865,438)	(4,939,073)	-	(11,076,385)	-	-	
3,172,436	325,429	115,692	211,418	51,778	83,291	
253,000	3,609,447	5,249,753	12,364,540	3,451,125	466,031	
-	(3,269,890)	(4,999,753)	(10,736,130)	(3,016,125)	(98,031)	
10,626,153	750,913	365,692	1,960,668	486,778	451,291	
\$ (6,532,259)	\$ (2,293,778)	\$ (3,789,638)	\$ 1,628,492	\$ (11,684,048)	\$ (5,451,918)	
14.89%	15.56%	15.06%	14.75%	14.88%	13.38%	

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VILLAGE OF PALATINE, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial, Farm and Railroad Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2006	\$ 1,325,694,182	\$ 365,482,373	\$ 150,517,156	NA	\$ 1,841,693,711	\$ 1.075	\$ 5,525,081,133
2007	1,584,575,451	415,869,885	179,266,208	NA	2,179,711,544	0.950	6,539,134,632
2008	1,737,493,759	403,925,657	187,266,934	NA	2,328,686,350	0.914	6,986,059,050
2009	1,900,562,138	367,743,939	163,729,362	NA	2,432,035,439	0.882	7,296,106,317
2010	1,696,347,388	324,004,088	161,853,695	NA	2,182,205,171	1.022	6,546,615,513
2011	1,563,334,770	278,224,339	145,507,673	NA	1,987,066,782	1.121	5,961,200,346
2012	1,448,021,095	266,901,767	134,160,019	NA	1,849,082,881	1.200	5,547,248,643
2013	1,218,389,388	248,664,150	122,708,665	NA	1,589,762,203	1.390	4,769,286,609
2014	1,286,288,306	261,895,895	58,787,142	NA	1,606,971,343	1.368	4,820,914,029
2015	1,251,420,992	255,861,463	56,605,366	NA	1,563,887,821	1.406	4,691,663,463

NA = Not Available

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

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

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

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Levy Year and Nine Levy Years Ago

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

Taxpayer	Tax Year 2015				Tax Year 2006			
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation		Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	
Weber Stephen Products	\$ 14,869,426	1	0.95%		NA	NA	NA	NA
Wal Mart	14,295,909	2	0.91%		NA	NA	NA	NA
Bourbon Square Apartments	10,411,846	3	0.67%		NA	NA	NA	NA
Brookind Corporate Tax Dept	8,959,056	4	0.57%	\$	16,655,220	5	0.90%	
Thomson Pts	7,970,718	5	0.51%		NA	NA	NA	NA
City Club Apartments	7,900,878	6	0.51%		13,521,515	7	0.70%	
Arlington Toyota	7,715,479	7	0.49%		NA	NA	NA	NA
McCaferly Interests	7,186,321	8	0.46%		NA	NA	NA	NA
Highland Mgmt Pp	6,538,705	9	0.42%		NA	NA	NA	NA
Target	5,935,624	10	0.38%		NA	NA	NA	NA
Mild America Park Place	NA	NA	NA		32,743,370	1	1.70%	
PFC Marquette Company	NA	NA	NA		24,914,641	2	1.30%	
AL LH DB LP Apartments	NA	NA	NA		22,843,014	3	1.20%	
Individual Taxpayer	NA	NA	NA		18,525,219	4	1.00%	
Concord Mills Estates	NA	NA	NA		15,058,447	6	0.80%	
Regency Plaza Partners	NA	NA	NA		11,258,307	8	0.60%	
Square D Company	NA	NA	NA		9,671,187	9	0.50%	
Hamilton Partners	NA	NA	NA		8,742,397	10	0.50%	
	\$ 91,783,962		5.87%		\$ 173,973,317		9.20%	

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

Data Source

Office of the County Treasurer

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VILLAGE OF PALATINE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business-Type Activities				Percent of Personal Income*	Per Capita*
	General Obligation Bonds	TIF Revenue Bonds	Tax Incremental Notes	General Obligation Bonds	General Obligation Bonds	Tax Incremental Notes	General Obligation Bonds	Primary Government		
2007	\$ 73,762,343	\$ 14,570,000	\$ 2,482,557	\$ 10,736,104	\$ 101,551,004	4.97%	\$ 1,525			
2008	59,846,334	13,550,000	1,488,420	19,363,370	94,248,124	4.29%	1,315			
2009	83,303,077	5,995,000	148,548	21,349,916	110,796,541	5.19%	1,590			
2010	96,605,992	-	137,983	20,051,477	116,795,452	4.74%	1,704			
2011	98,342,273	-	122,402	18,892,992	117,357,667	4.79%	1,722			
2012	91,969,327	-	116,859	17,526,482	109,612,668	4.45%	1,599			
2013	85,483,105	-	111,664	16,479,732	102,074,501	3.85%	1,382			
2014	80,207,505	-	105,565	14,464,348	94,777,418	3.85%	1,382			
2015	72,530,000	-	97,417	17,310,000	89,937,417	4.42%	1,300			
2016	66,400,000	-	89,026	13,910,000	80,399,026	3.31%	1,162			

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

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

Data Source
Audited Financial Statements

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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				
2007	\$ 73,762,343	\$ 10,736,104	\$ 2,058,307	\$ 82,440,140	1.25%	\$ 1,034
2008	59,846,334	19,363,370	2,340,846	76,868,858	1.49%	1,251
2009	83,303,077	21,349,916	2,190,803	102,462,190	1.18%	1,166
2010	96,605,992	20,051,477	2,685,963	113,971,506	1.47%	1,554
2011	98,342,273	18,892,992	2,584,143	114,651,122	1.56%	1,662
2012	91,969,327	17,526,482	2,122,279	107,373,530	1.74%	1,664
2013	85,483,105	16,479,732	1,865,098	100,097,739	1.80%	1,566
2014	80,207,505	14,464,348	-	94,671,853	1.71%	1,381
2015	72,530,000	17,310,000	-	89,840,000	1.65%	1,335
2016	66,400,000	13,910,000	-	80,310,000	1.68%	1,161

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

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

Data Source
Audited Financial Statements

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VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2016

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

(1) Determined by ratio of assessed valuation of property subject to taxation in the Village to valuation of property subject to taxation in overlapping unit. The 2015 EAV is the most current available.

(2) As of October 3, 2016

Data Source
Office of the County Clerk

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VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2016

The Village is a home rule municipality.

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

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

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

VILLAGE OF PALATINE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC INFORMATION
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	65,920	\$ 2,021,173,120	\$ 30,661	3.8%
2008	65,920	2,021,173,120	30,661	4.9%
2009	65,920	2,021,173,120	30,661	8.3%
2010	68,557	2,463,595,795	35,935	8.5%
2011	68,557	2,463,595,795	35,935	7.9%
2012	68,557	2,463,595,795	35,935	6.6%
2013	68,557	2,463,595,795	35,935	7.1%
2014	68,557	2,463,595,795	35,935	5.2%
2015	69,188	2,421,307,161	34,996	4.8%
2016	69,188	2,431,032,638	35,137	4.2%

Data Source
US Census Bureau
Illinois Department of Employment Security

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

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

Data Source
Village Records

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VILLAGE OF PALATINE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL GOVERNMENT										
Village Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5
Village Manager	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5
Finance and Operations	17.0	17.0	17.0	15.0	13.0	12.0	12.0	12.0	12.0	10.0
Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resources	4.0	4.0	4.0	4.0	4.0	2.5	2.5	2.5	2.5	3.0
Information systems	8.5	8.5	10.0	9.5	7.0	7.0	7.0	7.0	7.0	7.0
Planning and Zoning	5.0	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
PUBLIC SAFETY										
Community services	20.0	21.0	19.5	16.5	14.5	15.5	15.0	15.0	16.0	16.0
Police	110.0	112.0	112.0	111.0	110.0	109.0	109.0	108.0	109.0	109.0
Sworn personnel	31.0	31.0	31.0	31.0	31.5	31.5	31.5	31.0	31.5	27.5
Civilians										
Fire										
Sworn personnel	95.0	95.0	95.0	93.0	92.0	91.0	91.0	91.0	91.0	91.0
Civilians	11.0	11.0	11.0	10.5	9.5	9.5	9.5	9.5	9.5	9.5
PUBLIC WORKS										
Engineering	6.5	7.0	6.5	7.0	6.0	5.0	5.0	5.0	5.0	4.0
Public Works	58.5	60.0	60.0	59.0	58.5	58.5	58.5	58.5	58.5	58.5

Data Source
Village Records

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VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

OPERATING INDICATORS										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Physical arrests	2,417	2,162	2,308	2,224	1,657	1,506	1,475	1,527	1,660	1,832
Parking violations	631	7,388	7,315	6,908	6,264	4,364	4,754	4,756	5,664	5,645
Traffic violations	5,415	2,214	11,473	11,616	10,680	9,928	9,933	9,960	11,229	10,663
Fire										
Emergency responses	7,401	7,257	7,020	7,233	7,510	7,680	7,770	8,009	7,661	7,853
PUBLIC WORKS										
Water										
Number of connections	19,597	19,464	19,658	19,644	19,473	19,481	19,584	19,181	19,181	19,181
Avg daily consumption	7.02M	6.71M	6.44M	6.44M	6.47M	6.93M	6.57M	6.30M	6.49M	6.22M

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CAPITAL ASSET STATISTICS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	32	26	25	25	28	28	28	28	28	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	5	7	7	7	7	7	7	7	7	7
PUBLIC WORKS										
Streets and highways										
Streets (miles)	160	160	160	160	160	160	160	160	160	160
Number of bridges	6	6	6	6	6	6	6	6	6	6
Waterworks										
Water mains (miles)	140	140	156	156	156	156	156	245	245	246
Fire hydrants	2,050	2,050	2,060	2,060	2,060	2,060	2,060	2,513	2,513	2,573
Sewerage										
Sanitary sewers (miles)	145	145	145	145	145	145	145	168	168	169
Storm sewers (miles)	220	221	225	225	225	225	225	260	260	263

Data Source
Village Records

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

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
STATEMENT OF INDEBTEDNESS
December 31, 2016

	As Percent of		Per Capita (2010 Special Census Pop. 68,557)
	Assessed Value	Estimated True Value	
Taxable real property, 2015			
Assessed valuation	\$ 1,563,887,821	100.00%	33.33% \$ 22,811
Estimated true value	4,691,663,463	300.00%	100.00% 68,434
Total general obligation bonded debt (1):	80,310,000	5.14%	1.71% 1,171
Less: Self-Supporting	(45,500,000)	-2.91%	-0.97% (664)
Net general obligation bonded debt	34,810,000	2.23%	0.74% 508
Overlapping bonded debt payable from property taxes (2):			
Schools	25,261,697	1.62%	0.54% 368
Other than schools	85,057,079	5.44%	1.81% 1,241
Total overlapping bonded debt	110,318,776	7.05%	2.35% 1,609
Total net direct and overlapping bonded debt	\$ 145,128,776	9.28%	3.09% \$ 2,117

Notes:

(1) The Village is a home-rule unit under the 1970 Illinois Constitution and as such has no debt limit nor is it required to seek referendum approval for the issuance of general obligation debt. See "Retirement Schedule of Outstanding Village General Obligation Debt" for a listing of the Village's non-general obligation debt and currently outstanding general obligation debt. Of the Village's general obligation debt \$45,500,000 or 56.6% is considered self-supporting.

(2) Overlapping bonded debt as of October 2016.

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
RETIREMENT SCHEDULE OF OUTSTANDING VILLAGE GENERAL OBLIGATION DEBT
December 31, 2016

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

Notes:

(1) The Village is a home rule unit under the 1970 Illinois Constitution and as such has no debt limit, nor is it required to seek referendum approval for the issuance of general obligation debt. This table excludes \$5,705,000 outstanding principal on Special Service Area Bonds (shown as overlapping debt), which are secured by a separate levy on property within the Special Service Area; \$97,417 outstanding principal on Tax Increment Financing bonds and notes secured only by the incremental revenues generated by the district; and various industrial revenue bonds which are fully secured by payments from the benefitting entities. This table also excludes the Village's obligations as a member of the Solid Waste agency of Northern Cook County (SWANCC), a municipal joint action agency created to construct and equip a waste project to dispose of the municipal waste of its members.

(2) The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$89,840,000 outstanding principal at December 31, 2015, the Village estimates that \$53,730,000 (\$59.8%) is self-supporting from non-property tax sources.

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

Data Source
Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
BONDED DEBT RATIOS AND PER CAPITA DEBT - LAST TEN GENERAL OBLIGATION BOND SALES
December 31, 2016

Series 2014 (2 Issues)	Series 2015 (1 Issue)	Total Maturities (2)	
		Amount	%
\$ 1,440,000	\$ 615,000	\$ 6,925,000	8.6%
1,475,000	645,000	7,005,000	8.7%
1,505,000	665,000	7,305,000	9.1%
1,565,000	695,000	7,525,000	9.4%
945,000	725,000	7,940,000	9.9%
975,000	750,000	8,130,000	10.1%
1,015,000	785,000	3,770,000	4.7%
1,050,000	820,000	4,530,000	5.6%
1,090,000	870,000	4,715,000	5.9%
310,000	-	3,185,000	4.0%
325,000	-	2,455,000	3.1%
335,000	-	2,535,000	3.2%
-	-	2,290,000	2.9%
-	-	2,200,000	2.7%
-	-	2,300,000	2.9%
-	-	2,400,000	3.0%
-	-	2,500,000	3.1%
-	-	2,600,000	3.2%
\$ 12,030,000	\$ 6,570,000	\$ 80,310,000	100.0%

Sale Date	Village Issue Amount	Ratio to Estimated Actual Value						Per Capita			
		Direct Debt			Overlapping Debt			Direct and		Overlapping Debt	
		Including		Excluding	Including		Excluding	Including		Excluding	
		Self-Supporting	Supporting (1)	Supporting (1)	Self-Supporting	Supporting (1)	Supporting (1)	Self-Supporting	Supporting (1)	Self-Supporting	Supporting (1)
December 1, 2008	\$ 4,585,000	1.32%	1.32%	0.20%	3.06%	3.06%	1.94%	\$ 3,034	\$ 1,924	\$ 3,034	\$ 1,924
April 13, 2009	9,190,000	1.35%	1.35%	0.26%	3.09%	3.09%	2.00%	3,067	1,984	3,067	1,984
June 15, 2009	9,545,000	1.50%	1.50%	0.41%	3.24%	3.24%	2.15%	3,212	2,129	3,212	2,129
September 15, 2009 (2)	16,600,000	1.65%	1.65%	0.31%	3.52%	3.52%	2.18%	3,496	2,166	3,496	2,166
May 26, 2010 (2)	19,870,000	1.45%	1.45%	0.27%	3.18%	3.18%	2.00%	3,360	2,117	3,360	2,117
August 9, 2010 (2)	19,745,000	1.69%	1.69%	0.52%	3.41%	3.41%	2.24%	3,619	2,375	3,619	2,375
June 20, 2011 (3)	7,850,000	1.64%	1.64%	0.61%	3.47%	3.47%	2.44%	3,844	2,701	3,844	2,701
December 3, 2012 (2)	5,025,000	1.89%	1.89%	0.71%	4.17%	4.17%	2.99%	4,243	2,597	4,243	2,597
December 9, 2014 (2,3)	14,610,000	2.19%	2.19%	0.73%	4.69%	4.69%	3.23%	3,263	2,250	3,263	2,250
December 2, 2015	7,165,000	1.98%	1.98%	0.78%	4.52%	4.52%	3.32%	3,184	2,337	3,184	2,337

Notes:

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

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

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

Data Source
Official Statements

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES
December 31, 2016

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

Notes:

(1) As of October 3, 2016.

(2) Overlapping debt percentages based on 2015 EAV, the most current available.

Data Source
Office of the County Clerk

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VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES
December 31, 2016

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes (1)	Increase Over Prior Year
2006	\$ 1,841,693,711	\$ 129,880,581	\$ 1,971,574,292	1.9%
2007 (2)	2,179,711,544	173,156,610	2,352,868,154	19.3%
2008	2,328,686,350	194,197,517	2,522,883,867	7.2%
2009	2,432,035,439	171,135,223	2,603,170,662	3.2%
2010 (2)	2,182,205,171	155,066,131	2,337,271,302	-10.2%
2011	1,987,066,782	213,010,709	2,200,077,491	-5.9%
2012	1,849,082,881	104,823,912	1,953,906,793	-11.2%
2013 (2)	1,589,762,203	84,767,445	1,674,529,648	-14.3%
2014	1,606,971,343	197,915,722	1,804,887,065	7.8%
2015	1,563,887,821	82,951,271	1,646,839,092	-8.8%

Notes:

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

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

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

Data Source
Office of the County Clerk

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VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION
December 31, 2016

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

Notes:

- (1) As a home rule unit under the 1970 Illinois Constitution, the Village has no statutory tax rate or levy limitations. Totals may not add due to rounding.
- (2) Total rate shown is for the largest tax code which accounted for 78% of the Village's equalized assessed valuation.

Data Source
Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX EXTENSIONS AND COLLECTIONS
December 31, 2016

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

Note:

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

Data Source
Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX BASE DISTRIBUTION BY PROPERTY CLASSIFICATION
December 31, 2016

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

Notes:

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

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

Data Source
Office of the County Clerk

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VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TEN LARGEST TAXPAYERS
December 31, 2016

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Weber Stephen Products	\$ 14,869,426	1	0.95%
Wal Mart	14,295,909	2	0.91%
Bourbon Square Apartments	10,411,846	3	0.67%
Brookkind Corporate Tax Dept	8,959,056	4	0.57%
Thomson Pts	7,970,718	5	0.51%
City Club Apartments	7,900,878	6	0.51%
Arlington Toyota	7,715,479	7	0.49%
McCaffery Interests	7,186,321	8	0.46%
Highland Mgmt Pp	6,538,705	9	0.42%
Target	5,935,624	10	0.38%
	<u>\$ 91,783,962</u>		<u>5.87%</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 2015 is the most current available.

Data Source
Office of the County Treasurer

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VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
GENERAL FUND
December 31, 2016Summary Statement of Revenue, Expenditures and Changes in Fund Balance (1)
(Fiscal Year Ending December 31, 2012 - 2016)

	2012	2013	2014	2015	2016	CY 2017 Budget (2)
REVENUES						
Taxes	\$ 25,588,613	\$ 26,061,334	\$ 25,864,623	\$ 25,505,027	\$ 26,055,992	\$ 26,319,974
Licenses and permits	2,611,185	2,822,149	3,081,336	3,153,792	3,284,115	3,214,800
Intergovernmental	17,742,034	18,176,446	18,899,416	19,484,491	18,532,713	19,109,795
Charges for services	3,075,790	3,380,429	3,494,656	3,855,071	4,092,172	5,041,980
Fines and forfeits	1,361,163	1,336,226	1,365,125	1,367,053	1,552,117	1,734,800
Investment income	260,139	257,429	273,846	266,890	300,885	192,810
Miscellaneous	139,661	157,334	209,354	80,843	427,647	378,500
Sale of capital assets	-	-	-	-	1,142	-
Transfers	-	-	175,410	-	-	-
Total revenues	50,779,585	52,186,347	53,363,766	53,713,167	54,246,783	55,992,659
EXPENDITURES						
General government	5,448,017	5,532,910	5,690,050	5,853,988	6,064,441	7,201,215
Public safety	36,298,800	36,975,266	37,982,977	40,046,839	40,504,033	42,341,855
Public works	5,850,899	6,228,622	6,769,212	6,419,162	6,227,585	6,336,270
Transfers	1,269,890	1,848,000	2,782,498	2,266,125	-	-
Total expenditures	48,867,606	50,584,798	53,224,737	54,586,114	52,796,059	55,879,340
EXCESS (DEFICIENCY) OF REVENUES	1,911,979	1,601,549	139,029	(872,947)	1,450,724	113,319
OVER EXPENDITURES	19,254,892	21,166,871	22,768,420	22,907,419	22,034,502	
FUND BALANCE, JANUARY 1	19,254,892	21,166,871	22,768,420	22,907,419	22,034,502	
FUND BALANCE, DECEMBER 31	\$ 21,166,871	\$ 22,768,420	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226	

Notes:

- (1) See Note 1 to the "Combined Statement-All Funds" table for auditor's basis of accounting, etc.
- (2) Budgets are adopted on a basis consistent with generally accepted accounting principles. The Village Manager prepares a proposed budget which is presented to the Village Council for review and adoption after public hearings. The Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the Village Council. The Manager regularly conducts quarterly reviews and initiates supplemental appropriations as necessary. The adopted Village Budget is based on the use of the budgetary tool known as "Target Budgeting". The target budget is a tool to involve department heads, municipal administrators, finance officers and policy officials in a joint effort to maximize the use of funds. This method of budgeting is a modification of zero based budgeting. It accepts the premise that the Village provides certain basic services and attempts to "target" funds for these basic service levels. Beyond the basic service levels, discretionary expenditures are identified, and then evaluated, prioritized and matched against available revenues. A shifting pattern of services can therefore be created without inadvertent disruption of basic services.

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
GENERAL FUND
December 31, 2016Balance Sheet (1)
(December 31, 2012 - 2016)

	2012	2013	2014	2015	2016
ASSETS					
Cash and investments	\$ 11,790,228	\$ 14,703,048	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309
Receivables					
Property taxes	19,240,191	19,344,267	19,265,543	19,153,128	19,053,174
Other	665,701	670,240	658,730	772,440	808,115
Due from other governments	4,577,491	4,232,818	4,451,668	4,382,548	5,304,769
Accrued interest	4,255	1,105	15,590	5,580	7,990
Due from other funds	23,281	18,532	329,213	722,987	232,959
Advance to other funds	5,772,920	5,277,920	4,782,920	5,022,070	5,261,220
TOTAL ASSETS	\$ 42,074,067	\$ 44,247,930	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 311,396	\$ 408,168	\$ 402,771	\$ 235,896	\$ 422,969
Deferred revenues	-	-	10,000	14,054	-
All other liabilities	1,444,550	1,845,492	1,748,047	1,873,098	1,849,167
TOTAL LIABILITIES	1,755,946	2,253,660	2,160,818	2,123,048	2,272,136
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	19,151,250	19,225,850	19,180,161	19,081,548	19,093,174
Unavailable revenue	-	-	-	-	1,200,000
FUND BALANCES					
Nonspendable	5,772,920	5,277,920	4,782,920	5,022,070	5,261,220
Unassigned	15,393,951	17,490,500	18,124,529	17,012,432	18,224,006
TOTAL FUND BALANCES	21,166,871	22,768,420	22,907,449	22,034,502	23,485,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 42,074,067	\$ 44,247,930	\$ 44,248,428	\$ 43,239,098	\$ 46,010,536

Note:

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

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
COMBINED STATEMENT - ALL FUNDS (1)
December 31, 2016

	Fund Balances/Net Position				
	2012	2013	2014	2015	2016
Governmental Fund Types					
General	\$ 20,837,871	\$ 22,158,670	\$ 22,907,449	\$ 22,034,502	\$ 23,485,226
Special Revenue	26,930,968	19,160,526	17,706,348	14,674,480	13,829,100
Debt Service	2,424,978	2,192,428	195,382	164,210	192,428
Capital Projects	14,022,974	16,344,093	21,284,780	13,536,719	7,451,239
	64,216,791	59,855,717	62,093,959	50,409,911	44,957,993
Proprietary Fund Types					
Enterprise Funds	55,269,327	59,059,420	59,528,395	57,365,321	54,979,319
Internal Service Funds	5,770,827	6,076,586	6,575,101	6,899,091	6,844,394
	61,040,154	65,136,006	66,103,496	64,264,412	61,823,713
Fiduciary Fund Types (2):					
Pension Trust	99,838,988	114,281,101	121,861,769	121,333,691	130,441,483
Total All Funds (Memo Only)	\$ 225,095,933	\$ 239,272,824	\$ 250,059,224	\$ 236,008,014	\$ 237,223,189
	Cash and Investments				
	2012	2013	2014	2015	2016
Fund					
General	\$ 11,790,228	\$ 14,721,580	\$ 14,744,764	\$ 13,180,345	\$ 15,342,309
Special Revenue	8,935,962	7,449,115	5,506,022	7,005,104	8,685,090
Debt Service	2,410,097	2,177,269	184,613	154,219	192,428
Capital Projects	14,463,602	15,966,430	21,019,849	15,203,368	7,522,738
Enterprise Funds	11,671,448	13,381,572	11,827,277	16,632,413	10,910,092
Internal Service Funds	7,402,263	8,081,736	8,723,459	8,592,296	8,731,379
Pension Trust	99,608,926	113,985,629	121,588,332	121,019,158	130,119,926
Total All Funds (Memo Only)	\$ 156,282,526	\$ 175,763,331	\$ 183,594,316	\$ 181,786,903	\$ 181,503,962

Notes:
(1) These condensed financial statements for the years ending December 31, 2012 - 2016, have been prepared from the full Comprehensive Annual Financial Reports (CAFR) of the Village of Palatine and do not purport to be complete audits. The full financial statements, together with the report of the Village's independent accountants, are included herewith. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental funds are accounted for using the modified accrual basis of accounting, with revenues being recorded when they become measurable and available as net current assets and expenditures recognized when the related fund liability is incurred. The accrual basis of accounting is used for proprietary and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Village's CAFR for the fiscal year ended December 31, 2016, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2012 - 2015. The "Report of Independent Auditors" included in the latest audit states, in part: "In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palatine, Illinois, as of December 31, 2016, and the results of operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles."

(2) Excludes the Village's Agency Funds.

Data Source
Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
CAPITAL ASSETS
December 31, 2016

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

Data Source
Village Records

APPENDIX B

DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

APPENDIX C
PROPOSED FORMS OF OPINIONS OF BOND COUNSEL
DATED THE CLOSING DATE
Series 2017A and Series 2017B

July 11, 2017

The Mayor and Village Council
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$7,705,000 principal amount of General Obligation Refunding Bonds, Series 2017A (the “2017A Bonds”) and \$1,465,000 principal amount of General Obligation Refunding Bonds, Series 2017B (the “2017B Bonds”, and together with the 2017A Bonds, the “Bonds”) of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 19, 2017 and entitled: “Ordinance Authorizing the Issuance of General Obligation Refunding Bonds of 2017 of the Village of Palatine, Illinois” (the “Bond Ordinance”).

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July 11, 2017 and bear interest from their date payable on December 1, 2017 and semiannually thereafter on each June 1 and December 1.

The 2017A Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2017A Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$1,135,000	4.00%
2019	1,250,000	4.00
2020	1,265,000	1.50
2021	1,995,000	1.65
2022	2,060,000	1.80

The 2017B Bonds bear interest at the rate of three per centum (3.00%) per annum and mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2023	\$490,000
2024	490,000
2025	485,000

In our opinion, the Bonds are valid and legally binding general obligations of the Village of Palatine and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds, we have relied on the verification report of Dunbar, Breitweiser & Company, LLP, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Pursuant to the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL
DATED THE CLOSING DATE
Series 2017C and Series 2017D**

July 11, 2017

The Mayor and Village Council
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$3,125,000 principal amount of Taxable General Obligation Refunding Bonds, Series 2017C (the “2017C Bonds”) and \$6,060,000 principal amount of Taxable General Obligation Refunding Bonds, Series 2017D (the “2017D Bonds”, and together with the 2017C Bonds, the “Bonds”) of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 19, 2017 and entitled: “Ordinance Authorizing the Issuance of General Obligation Refunding Bonds of 2017 of the Village of Palatine, Illinois” (the “Bond Ordinance”).

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July 11, 2017 and bear interest from their date payable on June 1, 2018 and semiannually thereafter on each June 1 and December 1.

The 2017C Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2017C Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$590,000	1.30%
2019	620,000	1.55
2020	625,000	1.80
2021	640,000	2.00
2022	650,000	2.20

The 2017D Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the 2017D Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$565,000	2.00%
2019	640,000	2.00
2020	650,000	2.00
2021	660,000	2.20
2022	675,000	2.35
2023	690,000	2.50
2024	710,000	2.60
2025	725,000	3.00
2026	745,000	3.00

In our opinion, the Bonds are valid and legally binding general obligations of the Village of Palatine and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

Interest on the Bonds is not exempt from federal or Illinois income taxes.

Very truly yours,

APPENDIX D

**EXCERPTS OF FISCAL YEAR 2016 AUDITED FINANCIAL STATEMENTS
RELATING TO THE VILLAGE'S PENSION PLANS
AND OTHER POSTEMPLOYMENT BENEFITS**

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Village was incorporated on March 19, 1866. The Village is a municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present the Village (the primary government). Management has determined that there are no component units that are required to be included in the financial statements of the Village.

The Village's financial statements include two pension trust funds.

Police Pension Employees Retirement System (PPERS)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System (FPERS)

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

11. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At the date of this report, membership consisted of:

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

d. Funding Policy

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

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

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

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

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

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

a. Illinois Municipal Retirement Fund (IMRF)

Plan Administration

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

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

Plan Membership

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

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

Benefits Provided

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

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

Benefits Provided (Continued)

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

Contributions

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution and required employer contribution for 2016 was 12.79% of covered payroll.

Net Pension Liability

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

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

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

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

Discount Rate

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Changes in the Net Pension Liability

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

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

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

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.47% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47%) or 1 percentage point higher (8.47%) than the current rate:

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized IMRF pension expense of \$1,813,866. At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 93,984	\$ 302,562
Changes in assumptions	1,002,635	-
Net difference between projected and actual earnings on pension plan investments	3,779,355	-
Employer contributions after the measurement date	1,365,908	-
Total	\$ 6,241,882	\$ 302,562

The \$1,365,908 reported as deferred outflows of resources related to pensions resulting from Village contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

Year Ending December 31,	
2017	\$ 1,548,163
2018	1,251,714
2019	947,858
2020	825,677
2021	-
Thereafter	-
Total	\$ 4,573,412

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

- b. Police Pension Employees Retirement System (PPERS)

Plan Administration

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

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

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

Plan Membership

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Benefits Provided

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

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the preceding calendar year.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to PPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has elected to calculate its annual contribution using the entry age normal level percentage of payroll actuarial cost method that will result in the funding of 100% of the past service cost by the year 2040. For the year ended December 31, 2016, the Village's contribution was 35.12% of covered payroll.

Investment Policy

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Large cap core	27.0%	7.7%
Large cap value	8.0%	7.7%
Large cap growth	8.0%	8.0%
Small - Mid	10.0%	8.9%
International	12.0%	7.6%
Fixed income	33.0%	3.5%
Cash and cash equivalents	2.0%	0.1%

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

The long-term expected rate of return on PPERS' investments was determined using an asset allocation study conducted by PPERS' investment management consultant in December 2016, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in PPERS' target asset allocation as of the date of this report are listed in the table above.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31, for debt securities, equity securities, mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

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

Investment Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

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

Interest Rate Risk

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Interest Rate Risk (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 5,778,680	\$ 300,402	\$ 1,369,855	\$ 571,300	\$ 3,537,123
U.S. Agency obligations	1,013,744	200,308	409,756	181,742	221,938
Corporate bonds	14,422,571	757,501	6,871,079	5,570,345	1,223,646
Municipal bonds	598,438	-	343,616	37,143	217,679
TOTAL	\$ 21,813,433	\$ 1,258,211	\$ 8,994,306	\$ 6,360,530	\$ 5,200,386

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

PPERS has the following recurring fair value measurements as of December 31, 2016. The U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations, corporate bonds, and municipal bonds are valued using quoted matrix pricing models (level 2 inputs).

Credit Risk

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

Custodial Credit Risk

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Discount Rate

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

Changes in the Net Pension Liability

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

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

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Police Officers.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized PPERS pension expense of \$4,436,779 and reported deferred outflows of resources and deferred inflows of resources related to PPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,490,549	\$ 4,255,651
Changes in assumptions	6,257,125	1,836,540
Net difference between projected and actual earnings on pension plan investments	2,728,603	-
Total	\$ 10,476,277	\$ 6,092,191

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

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

c. Firefighters' Pension Employees Retirement System (FPERS)

Plan Administration

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Plan Administration (Continued)

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

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

Plan Membership

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

Inactive plan members currently receiving benefits	66
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	91
TOTAL	158

Number of participating employers

Number of participating employers	1
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Benefits Provided

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Benefits Provided (Continued)

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

Contributions

Employees are required by ILCS to contribute 9.455% of their base salary to FPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the Village has elected to calculate its annual contribution using the entry age normal level percentage of payroll actuarial cost method that will result in the funding of 100% of the past service cost by the year 2040. For the year ended December 31, 2016, the Village's contribution was 41.85% of covered payroll.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy

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

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities		
Russell 1000 large cap index	21%	7.31%
US small cap	6%	10.40%
World equity	17%	9.35%
Emerging markets	4%	11.46%
High yield bond fund	5%	6.13%
Emerging markets debt fund	5%	7.45%
Dynamic asset allocation fund	7%	9.81%
Fixed income	33%	4.26%
Cash and cash equivalents	2%	0.10%

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Investment Policy (Continued)

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

The long-term expected rate of return on FPERS' investments was determined using an asset allocation study conducted by FPERS' investment management consultant in December 2016, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in FPERS' target asset allocation as of the date of this report are listed in the table on the previous page.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market process at December 31 for debt securities, equity securities, mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

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

Investment Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Deposits with Financial Institutions

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

Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 10,837,070	\$ -	\$ 5,842,510	\$ 4,994,560	\$ -
U.S. Agency obligations	953,863	94	524,464	429,305	-
Corporate bonds	9,465,488	1,990,545	5,856,361	1,618,582	-
TOTAL	\$ 21,256,421	\$ 1,990,639	\$ 12,223,335	\$ 7,042,447	\$ -

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

FPERS has the following recurring fair value measurements as of December 31, 2016. The U.S. Treasury obligations are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. Agency obligations and the corporate bonds are valued using quoted matrix pricing models (level 2 inputs).

Credit Risk

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Custodial Credit Risk

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

Discount Rate

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

Changes in the Net Pension Liability

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Changes in the Net Pension Liability (Continued)

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

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

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.5%
Salary increases	4.0 - 10.44%
Interest rate	7.25%
Cost of living adjustments	2.5%
Asset valuation method	Market

Mortality rates were based on the RP-2014 Study, with Blue Collar Adjustment. These rates are Improved Generationally using MP-2016 Improvement Rates. The other non-economic actuarial assumptions used in the December 31, 2016, valuation were based on a review of assumptions in the Lauterbach and Amen 2016 study for Illinois Firefighters.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.25%, as well as, what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

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

VILLAGE OF PALATINE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

For the year ended December 31, 2016, the Village recognized FPERS pension expense of \$4,627,794 and reported deferred outflows of resources and deferred inflows of resources related to FPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 914,111	\$ 24,971
Changes in assumptions	5,931,937	-
Net difference between projected and actual earnings on pension plan investments	3,982,893	-
Total	\$ 10,828,941	\$ 24,971

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

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

12. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Funded Status (Continued)

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

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

13. PENSION TRUST FUNDS

a. Schedule of Net Position

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

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

13. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

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

VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

	(1) Actuarial Valuation Date December 31,	(2) Actuarial Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAAL) (2) - (1)	(5) Covered Payroll (4) / (5)	UAAAL as a Percentage of Covered Payroll (4) / (5)
2011 ¹	\$ -	\$ 3,316,449	0.00%	\$ 3,316,449	\$ 23,495,020	14.12%
2012	-	5,329,063	0.00%	5,329,063	25,423,925	20.96%
2013 ¹	-	5,329,063	0.00%	5,329,063	25,423,925	20.96%
2014	-	9,984,783	0.00%	9,984,783	24,864,761	40.16%
2015 ¹	-	9,984,783	0.00%	9,984,783	24,864,761	40.13%
2016	-	15,117,411	0.00%	15,117,411	24,843,777	60.85%

¹ Results from prior year.

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUNDLast Ten Fiscal Years
(schedule to be built prospectively)

Fiscal 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%

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	Level percentage of payroll, closed
Amortization method	28-year closed period until remaining period reaches 15 years
Remaining amortization period	(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.

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

Last Ten Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2007	\$ 1,380,059	\$ 1,368,869	\$ 11,190	\$ 7,384,968	18.54%
2008	1,677,795	1,824,972	(147,177)	8,323,248	21.93%
2009	1,697,492	1,839,264	(141,772)	8,476,022	21.70%
2010	2,685,568	2,685,585	(17)	8,915,083	30.12%
2011	2,971,158	3,489,556	(518,398)	9,332,860	37.39%
2012	2,775,424	3,016,992	(241,568)	9,920,463	30.41%
2013	2,996,776	2,969,877	26,899	9,749,554	30.46%
2014	2,948,599	2,951,135	(2,536)	9,823,321	30.04%
2015	3,038,973	3,371,172	(332,199)	10,117,378	33.32%
2016	3,441,579	3,538,272	(96,693)	10,074,104	35.12%

Notes to the required supplementary information:

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

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

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

Last Ten Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation	Actual Contribution as a % of Covered Valuation
2007	\$ 1,066,636	\$ 1,062,061	\$ 4,575	\$ 6,826,186	15.56%
2008	1,219,549	1,440,275	(220,726)	7,161,378	20.11%
2009	1,167,796	1,259,881	(92,085)	7,451,465	16.91%
2010	2,065,574	2,032,916	32,658	7,608,620	26.72%
2011	2,268,637	2,645,961	(377,324)	7,329,752	36.10%
2012	2,698,315	2,876,372	(178,057)	7,723,119	37.24%
2013	2,978,383	2,958,027	20,356	7,812,502	37.86%
2014	3,091,300	3,098,007	(6,707)	8,000,869	38.72%
2015	3,238,069	3,620,989	(382,920)	8,408,325	43.06%
2016	3,254,943	3,660,137	(405,194)	8,746,556	41.85%

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2016

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

Notes to the required supplementary information:

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

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

VILLAGE OF PALATINE, ILLINOIS

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

Last Ten Fiscal Years
(schedule to be built prospectively)

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

VILLAGE OF PALATINE, ILLINOIS

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

Last Ten Fiscal Years
(schedule to be built prospectively)

Fiscal Year	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 2,107,038	\$ 2,015,249	\$ 2,128,244
Interest	8,334,207	7,633,547	6,641,984
Changes to benefit terms			
Differences between expected and actual experience	(4,910,367)	550,745	2,900,261
Changes of assumptions	(2,119,085)	7,001,248	5,140,944
Benefit payments, including refunds of member contributions	(4,187,653)	(3,866,026)	(3,315,139)
Net change in total pension liability	(775,860)	13,334,763	13,496,294
Total pension liability			
Beginning	117,048,409	103,713,646	90,217,352
Ending	\$ 116,272,549	\$ 117,048,409	\$ 103,713,646
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 3,538,272	\$ 3,371,172	\$ 2,951,135
Contributions - member	1,055,702	1,034,219	1,356,475
Contributions - other	1,122	268	243
Net investment income	4,490,541	(209,305)	4,286,605
Benefit payments, including refunds of member contributions	(4,187,653)	(3,866,026)	(3,315,139)
Administrative expense	(49,552)	(35,714)	(34,045)
Net change in total pension liability	4,848,432	294,614	5,245,274
Plan net position			
Beginning	62,530,973	62,736,359	56,991,085
Ending	\$ 67,379,405	\$ 62,530,973	\$ 62,236,359
EMPLOYER'S NET PENSION LIABILITY			
	\$ 48,893,144	\$ 54,517,436	\$ 41,477,287
Plan fiduciary net position as a percentage of the total pension liability	57.95%	53.42%	60.01%
Covered-employee payroll	\$ 10,358,270	\$ 10,205,207	\$ 10,074,104
Employer's net pension liability as a percentage of covered-employee payroll	472.02%	534.21%	411.72%

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION FUNDLast Ten Fiscal Years
(schedule to be built prospectively)

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

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years
(schedule to be built prospectively)

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

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

Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/01/2017	-	-	-	-
12/01/2018	667,263.89	667,263.89	719,610.00	52,346.11
12/01/2019	667,960.00	667,960.00	720,472.50	52,512.50
12/01/2020	663,350.00	663,350.00	719,760.00	56,410.00
12/01/2021	667,100.00	667,100.00	716,550.00	49,450.00
12/01/2022	664,300.00	664,300.00	716,720.00	52,420.00
Total	\$3,329,973.89	\$3,329,973.89	\$3,593,112.50	\$263,138.61

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	244,294.30
Net PV Cashflow Savings @ 2.429%(AIC)	244,294.30
Contingency or Rounding Amount	4,599.27
Net Present Value Benefit	\$248,893.57
Net PV Benefit / \$3,080,000 Refunded Principal	8.081%

Refunding Bond Information

Refunding Dated Date	7/11/2017
Refunding Delivery Date	7/11/2017

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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Sources & Uses

Dated 07/11/2017 | Delivered 07/11/2017

Sources Of Funds

Par Amount of Bonds	\$3,125,000.00
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Total Sources	\$3,125,000.00
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Uses Of Funds

Deposit to Net Cash Escrow Fund	3,067,029.67
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Costs of Issuance	33,000.00
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Total Underwriter's Discount (0.652%)	20,371.06
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Rounding Amount	4,599.27
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Total Uses	\$3,125,000.00
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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/11/2017	-	-	-	-	-
06/01/2018	-	-	49,448.89	49,448.89	-
12/01/2018	590,000.00	1.300%	27,815.00	617,815.00	667,263.89
06/01/2019	-	-	23,980.00	23,980.00	-
12/01/2019	620,000.00	1.550%	23,980.00	643,980.00	667,960.00
06/01/2020	-	-	19,175.00	19,175.00	-
12/01/2020	625,000.00	1.800%	19,175.00	644,175.00	663,350.00
06/01/2021	-	-	13,550.00	13,550.00	-
12/01/2021	640,000.00	2.000%	13,550.00	653,550.00	667,100.00
06/01/2022	-	-	7,150.00	7,150.00	-
12/01/2022	650,000.00	2.200%	7,150.00	657,150.00	664,300.00
Total	\$3,125,000.00	-	\$204,973.89	\$3,329,973.89	-

Yield Statistics

Bond Year Dollars	\$10,730.28
Average Life	3.434 Years
Average Coupon	1.9102384%
Net Interest Cost (NIC)	2.1000850%
True Interest Cost (TIC)	2.1035573%
Bond Yield for Arbitrage Purposes	1.9051433%
All Inclusive Cost (AIC)	2.4286917%

IRS Form 8038

Net Interest Cost	1.9102384%
Weighted Average Maturity	3.434 Years

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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
12/01/2017	-	-	-	-	-
12/01/2018	590,000.00	1.300%	77,263.89	667,263.89	667,263.89
12/01/2019	620,000.00	1.550%	47,960.00	667,960.00	667,960.00
12/01/2020	625,000.00	1.800%	38,350.00	663,350.00	663,350.00
12/01/2021	640,000.00	2.000%	27,100.00	667,100.00	667,100.00
12/01/2022	650,000.00	2.200%	14,300.00	664,300.00	664,300.00
Total	\$3,125,000.00	-	\$204,973.89	\$3,329,973.89	\$3,329,973.89

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Speer Financial, Inc.

Public Finance Consultants Since 1954

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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
12/01/2018	Serial Coupon	1.300%	1.300%	590,000.00	100.000%	590,000.00
12/01/2019	Serial Coupon	1.550%	1.550%	620,000.00	100.000%	620,000.00
12/01/2020	Serial Coupon	1.800%	1.800%	625,000.00	100.000%	625,000.00
12/01/2021	Serial Coupon	2.000%	2.000%	640,000.00	100.000%	640,000.00
12/01/2022	Serial Coupon	2.200%	2.200%	650,000.00	100.000%	650,000.00
Total	-	-	-	\$3,125,000.00	-	\$3,125,000.00

Bid Information

Par Amount of Bonds	\$3,125,000.00
Gross Production	\$3,125,000.00
Total Underwriter's Discount (0.652%)	\$(20,371.06)
Bid (99.348%)	3,104,628.94
Total Purchase Price	\$3,104,628.94
Bond Year Dollars	\$10,730.28
Average Life	3.434 Years
Average Coupon	1.9102384%
Net Interest Cost (NIC)	2.1000850%
True Interest Cost (TIC)	2.1035573%

2017C Taxable adv ref 07B | SINGLE PURPOSE | 6/19/2017 | 12:17 PM

Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Proof Of Bond Yield @ 1.9051433%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
07/11/2017	-	1.0000000x	-	-
06/01/2018	49,448.89	0.9832868x	48,622.44	48,622.44
12/01/2018	617,815.00	0.9740087x	601,757.16	650,379.60
06/01/2019	23,980.00	0.9648181x	23,136.34	673,515.93
12/01/2019	643,980.00	0.9557142x	615,460.84	1,288,976.77
06/01/2020	19,175.00	0.9466962x	18,152.90	1,307,129.67
12/01/2020	644,175.00	0.9377634x	604,083.73	1,911,213.39
06/01/2021	13,550.00	0.9289148x	12,586.80	1,923,800.19
12/01/2021	653,550.00	0.9201497x	601,363.85	2,525,164.04
06/01/2022	7,150.00	0.9114673x	6,516.99	2,531,681.03
12/01/2022	657,150.00	0.9028669x	593,318.97	3,125,000.00
Total	\$3,329,973.89	-	\$3,125,000.00	-

Derivation Of Target Amount

Par Amount of Bonds	\$3,125,000.00
Original Issue Proceeds	\$3,125,000.00

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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Primary Purpose Fund Proof Of Yield @ 1.0960966%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
07/11/2017	-	1.0000000x	-	-
11/30/2017	3,079,593.75	0.9957883x	3,066,623.42	3,066,623.42
Total	\$3,079,593.75	-	\$3,066,623.42	-

Composition Of Initial Deposit

Cost of Investments Purchased with Bond Proceeds	3,066,623.42
Adjusted Cost of Investments	3,066,623.42

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Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
07/11/2017	-	-	-	406.25	-	406.25
11/30/2017	3,070,000.00	0.625%	9,593.75	3,079,593.75	-	3,080,000.00
12/01/2017	-	-	-	-	3,080,000.00	-
Total	\$3,070,000.00	-	\$9,593.75	\$3,080,000.00	\$3,080,000.00	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted
Cash Deposit	406.25
Cost of Investments Purchased with Bond Proceeds	3,066,623.42
Total Cost of Investments	\$3,067,029.67
Target Cost of Investments at bond yield	\$3,057,372.15
Actual positive or (negative) arbitrage	(9,657.52)
Yield to Receipt	1.0960966%
Yield for Arbitrage Purposes	1.9051433%

Village of Palatine

Taxable General Obligation Refunding Bonds, Series 2017C

Dated: July 11, 2017

Final

Escrow Summary Cost

<u>Maturity</u>	<u>Type</u>	<u>Coupon</u>	<u>Yield</u>	<u>\$ Price</u>	<u>Par Amount</u>	<u>Principal Cost</u>	<u>+Accrued Interest</u>	<u>= Total Cost</u>	<u>Cusip</u>
Escrow									
11/30/2017	T-NOTE	0.625%	1.090%	99.8200000%	3,070,000	3,064,474.00	2,149.42	3,066,623.42	912828UA6
Subtotal		-	-	-	\$3,070,000	\$3,064,474.00	\$2,149.42	\$3,066,623.42	
Total		-	-	-	\$3,070,000	\$3,064,474.00	\$2,149.42	\$3,066,623.42	

Escrow

Cash Deposit	406.25
Cost of Investments Purchased with Bond Proceeds	3,066,623.42
Total Cost of Investments	\$3,067,029.67

Delivery Date	7/11/2017
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Speer Financial, Inc.
Public Finance Consultants Since 1954

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Village of Palatine**General Obligation Bonds, Taxable Series 2007B****Debt Service To Maturity And To Call**

Date	Refunded Bonds	D/S To Call	Principal	Coupon	Interest	Refunded D/S
12/01/2017	3,080,000.00	3,080,000.00	-	-	-	-
06/01/2018	-	-	-	-	82,305.00	82,305.00
12/01/2018	-	-	555,000.00	5.250%	82,305.00	637,305.00
06/01/2019	-	-	-	-	67,736.25	67,736.25
12/01/2019	-	-	585,000.00	5.250%	67,736.25	652,736.25
06/01/2020	-	-	-	-	52,380.00	52,380.00
12/01/2020	-	-	615,000.00	5.400%	52,380.00	667,380.00
06/01/2021	-	-	-	-	35,775.00	35,775.00
12/01/2021	-	-	645,000.00	5.400%	35,775.00	680,775.00
06/01/2022	-	-	-	-	18,360.00	18,360.00
12/01/2022	-	-	680,000.00	5.400%	18,360.00	698,360.00
Total	\$3,080,000.00	\$3,080,000.00	\$3,080,000.00	-	\$513,112.50	\$3,593,112.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	7/11/2017
Average Life	3.490 Years
Average Coupon	5.3697379%
Weighted Average Maturity (Par Basis)	3.490 Years
Weighted Average Maturity (Original Price Basis)	3.490 Years

Refunding Bond Information

Refunding Dated Date	7/11/2017
Refunding Delivery Date	7/11/2017

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the 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, which collectively comprise the basic financial statements of the Village, and have issued our report thereon dated May 16, 2018, which expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. The supplementary financial information (schedule of revenues, expenditures and changes in fund balance and schedule of fund balance by source for the Dundee Road tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, Rand Road Corridor Tax Increment Financing District Fund and the Rand/Lake Cook Tax Increment Financing District Fund) of revenues, expenditures, and changes in fund balance) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary financial information is the responsibility of management and was derived from and relates 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.

SiKich LLP

Naperville, Illinois
May 16, 2018

Supplementary Information

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICT FUNDS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2017

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand/Lake Cook TIF
REVENUES					
Taxes					
Incremental property taxes	\$ 2,700,698	\$ 287,944	\$ 5,552,634	\$ 2,896,082	\$ 150,353
Intergovernmental					
Build america bond interest rebate	-	-	127,262	-	-
Investment income	66,182	8,168	74,487	14,620	596
Total revenues	2,766,880	296,112	5,754,383	2,910,702	150,949
EXPENDITURES					
Economic development					
Supplies and services	-	-	7,353	536	-
Project expenditures	-	-	25,544	426,732	-
Surplus distribution	783,000	81,000	-	-	-
Capital outlay					
Rights of way improvements	-	-	7,643	15,263	-
Street improvements	2,070	-	-	-	-
Debt service					
Principal retirement	-	-	10,519,233	1,200,000	-
Interest	-	-	1,016,718	554,790	-
Fiscal charges	-	-	96,273	72,238	-
Total expenditures	785,070	81,000	11,672,764	2,269,559	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,981,810	215,112	(5,918,381)	641,143	150,949
OTHER FINANCING SOURCES (USES)					
Refunding bonds, issued at par	-	-	10,830,000	6,060,000	-
Bond premium	-	-	131,324	35,615	-
Payment to refunded bond escrow agent	-	-	(3,067,030)	(6,019,541)	-
Transfers (out)	-	-	(6,810)	(3,025)	-
Total other financing sources (uses)	-	-	7,887,484	73,049	-
NET CHANGE IN FUND BALANCE	1,981,810	215,112	1,969,103	714,192	150,949
FUND BALANCE, JANUARY 1	5,962,366	756,166	343,318	5,051,779	(35,515)
FUND BALANCE, DECEMBER 31	\$ 7,944,176	\$ 971,278	\$ 2,312,421	\$ 5,765,971	\$ 115,434

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICT FUNDS

SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended December 31, 2017

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand/Lake Cook TIF
BEGINNING BALANCES, JANUARY 1, 2017	\$ 5,962,366	\$ 756,166	\$ 343,318	\$ 5,051,779	\$ (35,515)
ADDITIONS					
Taxes					
Incremental property taxes	2,700,698	287,944	5,552,634	2,896,082	150,353
Intergovernmental					
Build america bond interest rebate	-	-	127,262	-	-
Investment income	66,182	8,168	74,487	14,620	596
Refunding bonds, issued at par	-	-	10,830,000	6,060,000	-
Bond premium	-	-	131,324	35,615	-
Total additions	2,766,880	296,112	16,715,707	9,006,317	150,949
BEGINNING BALANCES PLUS ADDITIONS	8,729,246	1,052,278	17,059,025	14,058,096	115,434
DEDUCTIONS					
Economic development					
Supplies and services	-	-	7,353	536	-
Project expenditures	-	-	25,544	426,732	-
Surplus distribution	783,000	81,000	-	-	-
Capital outlay					
Rights of way improvements	-	-	7,643	15,263	-
Street improvements	2,070	-	-	-	-
Debt service					
Principal retirement	-	-	10,519,233	1,200,000	-
Interest	-	-	1,016,718	554,790	-
Fiscal charges	-	-	96,273	72,238	-
Payment to refunded bond escrow agent	-	-	3,067,030	6,019,541	-
Transfers (out)	-	-	6,810	3,025	-
Total deductions	785,070	81,000	14,746,604	8,292,125	-
ENDING BALANCES, DECEMBER 31, 2017	\$ 7,944,176	\$ 971,278	\$ 2,312,421	\$ 5,765,971	\$ 115,434
ENDING BALANCES BY SOURCE					
Incremental property taxes	\$ 7,944,176	\$ 971,278	\$ -	\$ 990,971	\$ 115,434
Investment in land held for resale	-	-	2,312,421	4,775,000	-
Subtotal	7,944,176	971,278	2,312,421	5,765,971	115,434
Less Surplus Funds	-	-	-	-	-
ENDING BALANCES, DECEMBER 31, 2017	\$ 7,944,176	\$ 971,278	\$ 2,312,421	\$ 5,765,971	\$ 115,434

(See independent auditor's report.)

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined management's assertion, included in its representation letter dated May 16, 2018 that the Village of Palatine, Illinois (the Village) complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended December 31, 2017. Management is responsible for the Village's assertion and for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village's compliance based on our examination.

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

In our opinion, management's assertion that the Village of Palatine, Illinois complied with the aforementioned requirements for the year ended December 31, 2017 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Mayor, the Village Council, management of the Village, the Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
May 16, 2018