

VILLAGE OF PALATINE, ILLINOIS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
DECEMBER 31, 2011**

VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
December 31, 2011

Prepared by the Finance Department

Paul D. Mehring, CPA
Director of Finance and Operations

Susan D. Conn
Assistant Finance Director

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Principal Officials	i
Organization Chart.....	ii
Certificate of Achievement for Excellence in Financial Reporting.....	iii
Letter of Transmittal	iv-viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1-2
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis.....	MD&A1-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities	4-5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6-7
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9-10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	11

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

FINANCIAL SECTION (Continued)

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS (Continued)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Statement of Net Assets	12-13
Statement of Revenues, Expenses and Changes in Net Assets	14-15
Statement of Cash Flows.....	16-17

Fiduciary Funds

Statement of Fiduciary Net Assets	18
Statement of Changes in Fiduciary Net Assets	19

Notes to Financial Statements	20-60
-------------------------------------	-------

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	61
Downtown TIF Fund	62
Rand Road Corridor TIF Fund	63
Schedule of Funding Progress and Employer Contributions	
Illinois Municipal Retirement Fund	64
Police Pension Fund	65
Firefighters' Pension Fund	66
Other Postemployment Benefits Plan	67
Notes to Required Supplementary Information.....	68

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	70

Nonmajor Special Revenue Funds

Combining Balance Sheet	71-72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73-74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Community Development Block Grant Fund	75
Motor Fuel Tax Fund	76
Federal Equitable Sharing Fund	77
State Equitable Sharing Fund	78
DUI Fines Fund	79
Foreign Fire Tax Fund	80
Dundee Road TIF Fund	81
Rand/Dundee TIF Fund	82
Community Development Block Recovery Grant Fund.....	83
Energy Efficiency and Conservation Block Recovery Grant Fund	84
Special Fire Grant Fund.....	85
Special Police Grant Fund	86

Nonmajor Capital Projects Funds

Combining Balance Sheet	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Capital Improvement Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	89

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES (Continued)

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Nonmajor Capital Projects Funds (Continued)

Capital Equipment Acquisition Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	90
Special Service Area #5 Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	91
Fire Facility Construction Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	92

INTERNAL SERVICE FUNDS

Combining Statement of Net Assets	93
Combining Statement of Revenues, Expenses and Changes in Net Assets	94
Combining Statement of Cash Flows	95
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual	
Fleet Services Fund	96
Health Insurance Fund	97
Casualty and Liability Insurance Fund	98

FIDUCIARY FUNDS

Combining Balance Sheet	99
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds	100
Schedule of Changes in Plan Net Assets - Budget and Actual	
Police Pension Fund	101
Firefighters' Pension Fund	102
Schedule of Changes in Assets and Liabilities - Agency Funds	103-104

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES (Continued)

SUPPLEMENTAL SECTION

General Fund	
Schedule of Revenues - Budget and Actual	105-106
Schedule of Expenditures - Budget and Actual	107-108
Downtown TIF Fund	
Schedule of Expenditures - Budget and Actual	109
General Obligation Bond Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	110
Schedule of Expenditures - Budget and Actual	111-112
Police Facility Construction Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	113
Enterprise Funds	
Waterworks Fund	
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual	114
Schedule of Operating Revenues - Budget and Actual	115
Schedule of Operating Expenses - Budget and Actual	116
Sewerage Fund	
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual	117
Schedule of Operating Revenues - Budget and Actual	118
Schedule of Operating Expenses - Budget and Actual	119
Motor Vehicle Parking System Fund	
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual	120
Schedule of Operating Expenses - Budget and Actual	121

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES (Continued)

SUPPLEMENTAL SECTION (Continued)

Enterprise Funds (Continued)

Refuse Collection Fund

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual	122
---	-----

STATISTICAL SECTION

Financial Trends

Net Assets by Component	123
Changes in Net Assets	124-127
Fund Balances of Governmental Funds	128
Changes in Fund Balances of Governmental Funds	129-130

Revenue Capacity

Assessed Value and Actual Value of Taxable Property	131
Property Tax Rates - Direct and Overlapping Governments	132-133
Principal Property Taxpayers	134
Property Tax Levies and Collections	135

Debt Capacity

Ratios of Outstanding Debt by Type	136
Ratios of General Bonded Debt Outstanding	137
Direct and Overlapping Governmental Activities Debt	138
Schedule of Legal Debt Margin	139

Demographic and Economic Information

Demographic and Economic Information	140
Principal Employers	141

Operating Information

Full-Time Equivalent Employees	142
Operating Indicators	143
Capital Asset Statistics	144

VILLAGE OF PALATINE, ILLINOIS
TABLE OF CONTENTS (Continued)

Page(s)

STATISTICAL SECTION (Continued)

Additional Disclosures Required by SEC Rule 15c2-12

Statement of Indebtedness.....	145
Retirement Schedule of Outstanding Village General Obligation Debt	146-147
Bonded Debt Ratios and Per Capita Debt -	
Last Ten General Obligation Bond Sales	148
Detailed Overlapping Bonded Indebtedness Payable from Property Taxes.....	149
Equalized Assessed Valuation for Taxing Purposes	150
Tax Rates Per \$100 Equalized Assessed Valuation	151
Tax Extensions and Collections	152
Tax Base Distribution by Property Classification	153
Ten Largest Taxpayers	154
General Fund	
Summary Statement of Revenues, Expenditures and Changes in	
Fund Balance (Fiscal Years Ending December 31, 2006 - 2010)	
and 2011 Budget.....	155
Balance Sheet (December 31, 2006 - 2010).....	156
Combined Statement - All Funds Fund Balances December 31, 2006 - 2010.....	157
Cash and Investments	157
Capital Assets.....	158

INTRODUCTORY SECTION

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2011

MAYOR

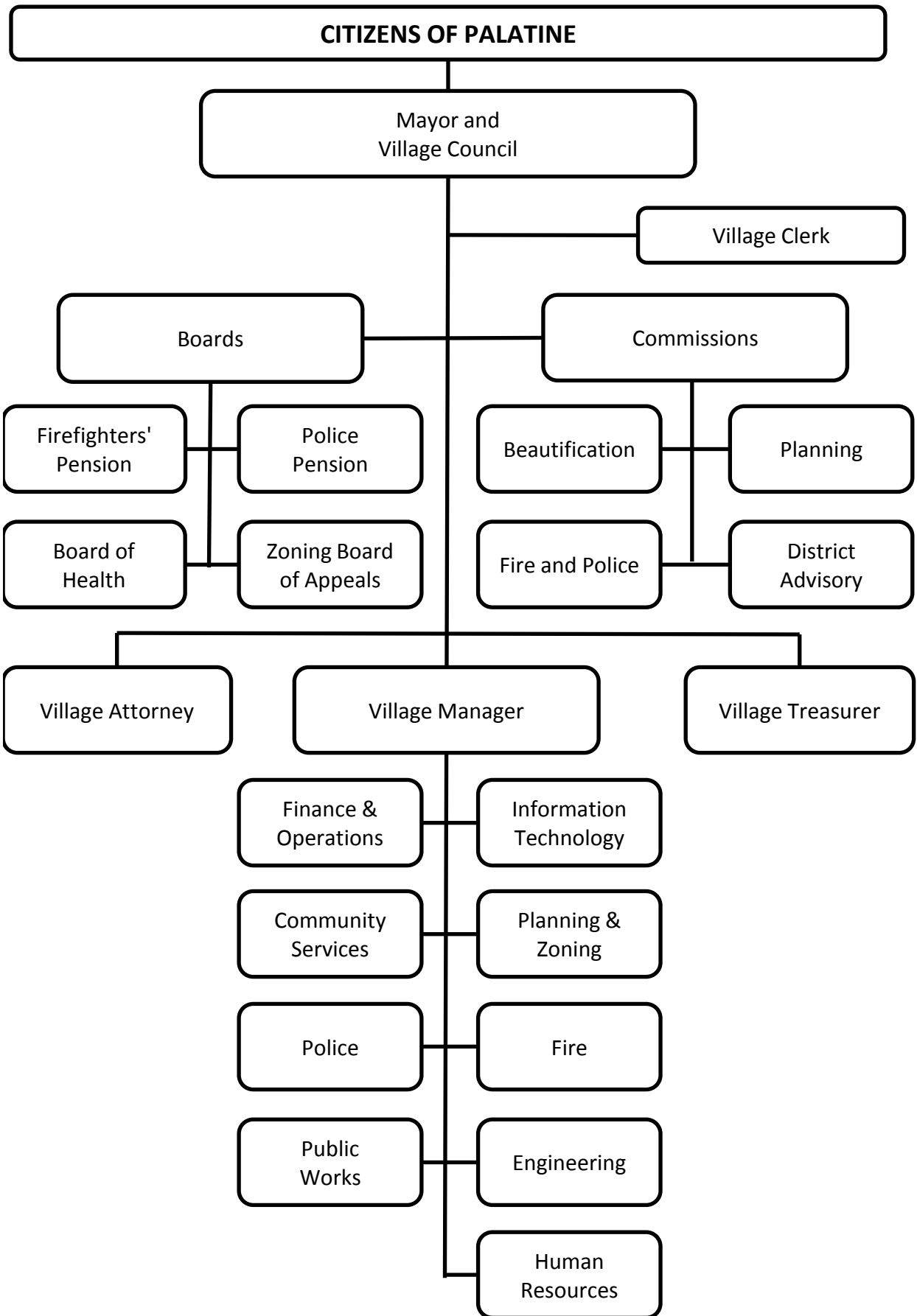
Jim Schwantz

VILLAGE COUNCIL

Aaron B. Del Mar	District 1
Scott Lamerand	District 2
Jim Clegg	District 3
Gregory J. Solberg	District 4
Kollin Kozlowski	District 5
Brad Helms	District 6

ADMINISTRATIVE

Reid T. Ottesen	Village Manager
Margaret Duer	Village Clerk
Jeffrey T. Boundy	Village Treasurer
Robert C. Kenny	Village Attorney
Paul D. Mehring	Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Palatine
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director



DEPARTMENT OF FINANCE & OPERATIONS

200 E. Wood Street, Palatine, IL 60067-5339

Telephone (847) 359-9088; Fax (847) 202-6672

www.palatine.il.us

May 2, 2012

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, 2011.

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, 2011, 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 unqualified opinion that the Village's financial statements for the calendar year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

The Village of Palatine has adopted sections 5/8-2-9.1, through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes providing for an annual municipal budget in lieu of the passage of an annual appropriation ordinance. The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit requests for appropriation to the Village Manager each year. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Mayor and Village Council for review. The Mayor and Council are required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, the Downtown TIF and the Rand Road Corridor Fund, this comparison is presented on pages 61-63 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 74.

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 receipts for calendar year 2011 increased by approximately \$172,000 (1.5%) from the prior year. This slight increase is a positive sign that the local economy is still experiencing some growth. It is an example of how the Village's diversified sales tax base cushions economic downturns by not being overly dependent on any one segment.

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 both increased residential and commercial/industrial construction and through carefully planned annexations of surrounding unincorporated properties.

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 "Golden Corridor" which extends along Interstate 90 from O'Hare Airport to Elgin, a stretch of approximately 25 miles. Over the past twenty years, this particular area has been one of the fastest growing areas in the entire Midwest. Economic development in the area directly Southwest of Palatine is expected to continue at a strong pace. This particular area with some 2,000 acres of prime land available for office and commercial use is expected to be the focal point of continued expansion for many years to come. 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.

The Village actively encourages economic development as demonstrated by the growth during the past ten years. Following is a discussion of some of the major development projects recently completed or planned for the future:

Mariano's Fresh Market – Mariano's is a new grocery store chain within the Chicago and suburban market. Following the recent opening of Mariano's Fresh Market stores in Chicago, Arlington Heights, and Vernon Hills, Mariano's opened their location in Palatine in January, 2012. The site on which Mariano's is located was originally acquired by the Village in conjunction with the development of a new Palatine Police Headquarters. Once the design of the Police Headquarters was finalized, the Village completed a Request for Proposal to identify interested parties/uses for the remaining property. The Mariano's proposal was ultimately selected. In conjunction with the

Mariano's store, two out lots were also approved. One out lot will contain a new PNC bank (currently under construction) and the remaining out lot will contain a multi-tenant commercial building.

City Limits Harley-Davidson – In August 2011, City Limits Harley-Davidson relocated from their former location in Palatine to their new dealership (containing approximately 40,000 square feet). In conjunction with the Harley-Davidson dealership a motorcycle themed restaurant, Alley 64, recently opened on an adjacent property under the same ownership as the dealership.

Arlington Toyota – In November, 2009, Arlington Toyota opened their new, state of the art, auto dealership within Palatine. The dealership, approximately 125,000 square feet, is located on what was mainly vacant land at the intersection of Rand Road and Hicks Road.

Downtown Façade Program - To help facilitate reinvestment in the Village's downtown commercial properties, the Village established a façade improvement program. The program utilizes TIF funds for eligible exterior building improvements. The Village's 2012 budget included \$150,000 for the program, all of which has already been dedicated to the planned improvements to five separate buildings.

Rand/Lake Cook TIF District – The Village has begun the process of creating a new TIF district for the area generally located south of Lake Cook Road and on the east and west sides of Rand Road. It is likely that the Village Council will be considering the final TIF approval documents this summer. This area was developed within unincorporated Cook County and has experienced little reinvestment/redevelopment in recent years. The Village hopes that the creation of a new TIF district will help to spur development activity in a manner similar to what has occurred within the existing TIF districts along the Rand Road and Dundee Road corridors.

Long-term financial planning

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2011, 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. Additionally, a major improvement to the intersection of Palatine and Plum Grove Roads was recently completed. This is a critically important intersection in the Village's downtown area. This improvement is designed to dramatically increase the traffic flow at this intersection.

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

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This was the eleventh 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
Finance and Operations

FINANCIAL SECTION



1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village's, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Village adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended December 31, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the any of the Village's governmental funds' assets or liabilities, nor was there any effect to the total amount of any of the Village's governmental fund balances as of and for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2012 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

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 nonmajor 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 financial statements. The combining and individual nonmajor fund financial statements and schedules and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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.

A handwritten signature in black ink, appearing to read "Deborah C. P.", is positioned above the date and location text.

Aurora, Illinois
April 26, 2012

General Purpose External Financial Statements

**VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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 assets increased by \$5.0 million (2.3%) during the current year. The governmental net assets increased by \$3.5 million and the business-type activities net assets increased by \$1.5 million.
- The Village's combined Governmental Funds ending fund balance decreased \$6.5 million (9.0%).
- At the end of the current year, fund balance for the General Fund was \$18.9 million or 39.0% of General Fund expenditures.
- The Village issued \$7.0 million in General Obligation Bonds to fund Phase 2 of the construction of the Police Department Headquarters.
- The Village issued \$850,000 in General Obligation Refunding Bonds to achieve an economic gain of \$27,476 and reduced future debt service payments by \$29,251.

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 Assets ("the Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources)

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

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

Proprietary Funds

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

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

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. 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 - 60 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61 - 68 of this report. The combining and individual fund statements for non-major governmental,

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

enterprise, and internal service funds are presented on pages 69 - 98 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 Net Assets

The Village's combined net assets increased by \$5.0 million (2.3%) from the prior year. The following analysis will look at net assets of the governmental and business-type activities separately. The total net assets for governmental activities were \$168.0 million, a \$3.5 million (2.1%) increase. The business-type activities net assets were \$52.9 million, a \$1.5 million (2.9%) increase from the prior year. The following table reflects the condensed statement of net assets for the current and prior years (presented in millions):

	<i>Current Year</i>			<i>Prior Year</i>		
	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
Current and other assets	102.6	23.4	126.0	107.6	20.7	128.3
Capital assets	195.9	49.9	245.8	185.6	52.3	237.9
Total Assets	298.5	73.3	371.8	293.2	73.0	366.2
Noncurrent liabilities	101.8	19.0	120.8	100.8	20.3	121.1
Other liabilities	28.7	1.4	30.1	27.9	1.3	29.2
Total liabilities	130.5	20.4	150.9	128.7	21.6	150.3
Net assets						
Invested in capital assets, net of related debt	129.9	35.2	165.1	133.6	35.9	169.5
Restricted	10.8	-	10.8	40.6	-	40.6
Unrestricted	27.3	17.7	45.0	(9.7)	15.5	5.8
Total net assets	168.0	52.9	220.9	164.5	51.4	215.9

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

Normal Impacts on Net Assets

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

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

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

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 invested capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

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

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

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

Current Year Impacts

The Village's \$5.0 million increase of combined net assets (which is the Village's bottom line) was the result of the governmental activities net assets increasing by \$3.5 million and the business-type activities net assets increasing by \$1.5 million.

The governmental activities total assets increased by \$5.3 million and the governmental activities total liabilities increase by \$1.8 million. The increase in total assets is mainly due to: 1) an increase of \$10.3 million in capital assets due to a number of large construction projects occurring in calendar 2011 - a new Fire Station, a new Police Headquarters, and the Palatine Road Reconstruction; and 2) a decrease of \$5.0 million in current and other assets as a result of the disbursement of bond proceeds held in cash from prior years' debt issuances and the reduction of property taxes receivable due to the impact of the prior year's delay in property tax remittances by Cook County. The increase in total liabilities is due to: 1) a \$1.0 million net increase in noncurrent liabilities mainly as a result of \$7.85 million in new debt issuances and \$6.6 million in principal retirements; and 2) a slight \$0.8 million increase in other liabilities as a result of various non-material changes occurring from the net results of activities.

The business-type activities total assets increased by \$0.3 million and total liabilities of the business-type activities decreased by \$1.2 million. The increase in total assets is due mainly to the combination of an increase of \$2.7 in current and other assets, which resulted mainly from increased cash balances in the Waterworks Fund due to rate increases adopted in calendar 2011, and a decrease in capital assets of \$2.4 million due to depreciation exceeding capitalizations. The \$1.2 million decrease in total liabilities is mainly a result of regular bond principal retirements.

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

Changes in Net Assets

The Village's combined change in net assets of \$5.0 million represents a decrease of \$1.8 million from the prior year. The Village's total revenues increased by \$4.7 million, while the cost of all programs increased by \$6.5 million. The following chart shows the revenue and expenses of the Village's activities (presented in millions):

	<i>Current Year</i>			<i>Prior Year</i>		
	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
Revenues						
Program revenues						
Charges for services	9.2	17.6	26.8	8.4	15.5	23.9
Operating grants	18.0	-	18.0	18.1	-	18.1
Capital grants and contributions	1.7	0.1	1.8	2.4	0.2	2.6
General revenues						
Property taxes	33.6	-	33.6	32.2	-	32.2
Other taxes	9.4	-	9.4	8.2	-	8.2
Other revenues	0.6	-	0.6	0.7	-	0.7
Total revenues	72.5	17.7	90.2	70.0	15.7	85.7
Expenses						
Governmental activities						
General government	8.1	-	8.1	6.1	-	6.1
Public safety	37.2	-	37.2	37.0	-	37.0
Public works	11.3	-	11.3	10.0	-	10.0
Economic development	7.6	-	7.6	6.8	-	6.8
Interest & fiscal charges	5.0	-	5.0	4.2	-	4.2
Business-type activities						
Waterworks	-	7.2	7.2	-	6.1	6.1
Sewerage	-	3.1	3.1	-	3.1	3.1
Refuse collection	-	1.3	1.3	-	1.4	1.4
Motor vehicle parking	-	4.4	4.4	-	4.2	4.2
Total expenses	69.2	16.0	85.2	64.1	14.8	78.9
Change in net assets before transfers	3.3	1.7	5.0	5.9	0.9	6.8
Transfers	0.2	(0.2)	-	-	-	-
Change in net assets	3.5	1.5	5.0	5.9	0.9	6.8
Net assets, beginning	164.5	51.4	215.9	158.6	50.5	209.1
Net assets, ending	168.0	52.9	220.9	164.5	51.4	215.9

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

Normal Impacts

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

Revenues:

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

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

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

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

Expenses:

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

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

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

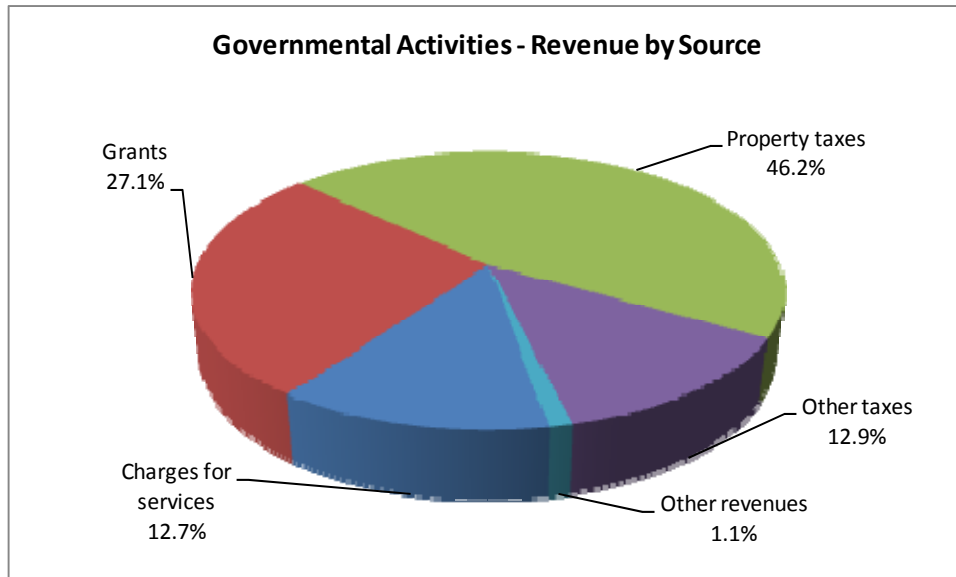
Inflation - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

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

Current Year Impacts

Governmental Activities

Revenues:



For the current year, revenues from Governmental Activities totaled \$72.7 million. Property taxes continue to be the Village's largest revenue source coming in at \$33.6 million and representing 46.2% of total Governmental Activity revenue. Grants, representing support from other governmental agencies (mainly shared revenue from the State of Illinois), provide 27.1% of total governmental revenues.

Property tax receipts increased slightly by \$1.4 million due to an increased levy and the positive impact improving economic conditions had on tax collections.

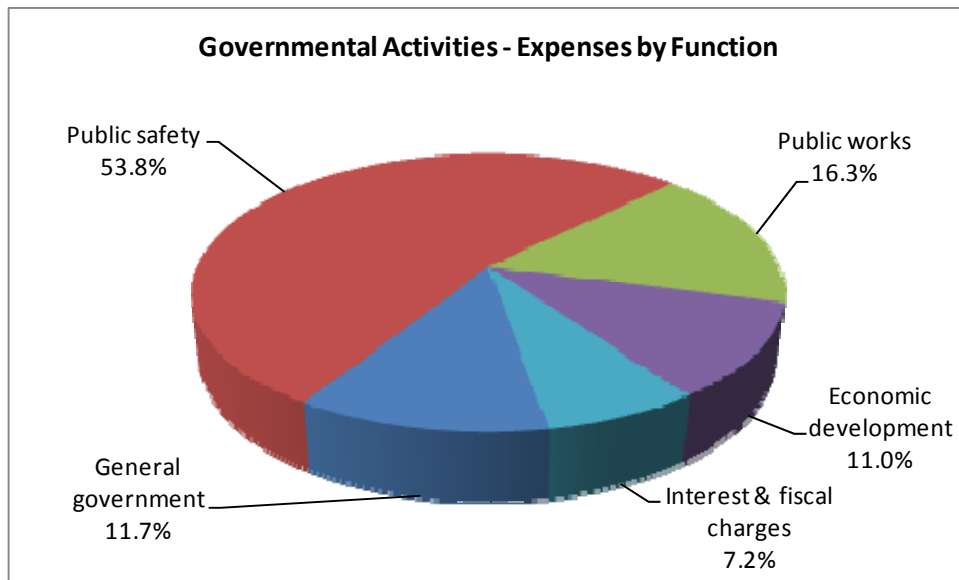
Grants decreased by \$0.8 million based on the reduced expenses related to the Palatine Road Reconstruction Project, which is funded primarily from intergovernmental grants.

The \$1.2 million increase in other taxes is a direct result of the Village adopting a new electric utility use tax for 2011.

The charges for services category increase of \$0.8 million results from an increase in discretionary services that relate directly to improving economic conditions.

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

Expenses



For the current year, expenses from Governmental Activities totaled \$69.2 million, which represents a \$5.1 million (8.0%) increase from the prior year.

Public safety expenses showed a slight \$0.2 million (0.5%) increase over the prior year mainly due to inflationary factors on the budgeted items.

General government expenses experienced an increase of \$2.0 (32.8%) as a result of the recognition of a loss on the sale land.

Public works expenses show an increase of \$1.3 million (13.0%) mainly due to inflationary impacts on the costs of materials utilized in the public works operation, most notably, petroleum and petroleum based products.

Economic development activities show an increase of \$0.8 million (19.0%), which is largely due to a \$0.9 million increase in Tax Increment Financing District Surplus Rebates.

Business-Type Activities

Revenues

Total revenue for the business-type activities experienced a \$2.0 million (12.7%) increase in the current year. The combined water and sewer rate was increased by \$0.78 (26.5%) and there were no increases in either the refuse collection rate or commuter parking lot fees.

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

Expenses

Business-type activity total expenses increased by a slight \$1.4 million (9.5%) as a result of a planned increase in spending in the Waterworks Fund that was the basis for the rate increase noted above.

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 \$66.4 million, which is a \$6.5 million decrease from the prior year balance of \$72.9 million. This decrease is mainly attributable to \$9.0 million in construction expenses for the new Police Headquarters that was funded by an \$18.8 million bond issuance in the prior year and one-time revenue of \$3.2 million from the sale of land. The total fund balance of \$66.4 million is comprised of the following components:

Nonspendable Fund Balance of \$30.9 million represents the portion of fund balance that is not available to be spent, either short-term or long-term, in form: \$6.3 million for advances; and \$24.6 million in land held for resale.

Restricted Fund Balance totaling \$12.0 million represents the portion of fund balance that is subject to external enforceable legal restrictions: \$0.8 million for highways and streets; \$2.6 million for debt service; \$3.0 million for capital projects; \$0.3 million for public safety; and \$5.3 million for economic development.

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

Unassigned Fund Balance of \$12.7 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 \$3.2 million (20.0%) from the prior year; the fund balance for the prior year showed a decrease of \$0.7 million. The net change in fund balance for the current year represents a \$1.8 million increase in operations. Revenues increased by \$3.6 million and expenditures increased by \$1.0 million, resulting in a \$1.8 million positive outcome from operations compared to the \$0.8 million negative outcome in

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

the prior year, both before other financing uses (transfers). Net financing sources (uses) increased by \$1.3 million, which had a positive effect on fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS
(presented in millions)

	<i>Current Year</i>			<i>Prior Year</i>	
	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Actual</i>	
Revenues	\$ 47.6	\$ 47.9	\$ 50.2	\$ 46.6	
Expenditures	48.4	49.4	48.4	47.4	
Excess (deficiency) of revenues over expenditures	(0.8)	(1.5)	1.8	(0.8)	
Other financing sources (uses)	0.3	1.3	1.4	0.1	
Net change in fund balance	\$ (0.5)	\$ (0.2)	\$ 3.2	\$ (0.7)	

The General Fund's "key" revenues were fairly static from the prior year and include:

	<i>Current Year</i>		<i>Prior Year</i>	<i>Inncrease/(Decrease)</i>
Property tax	\$ 19.1	\$ 19.3	\$ (0.2)	
State sales tax	7.6	7.6	-	
Home rule sales tax	4.2	4.1	0.1	
State income tax	5.3	5.3	-	

The General Fund expenditure budget was amended during the fiscal year to reflect encumbrance items from the prior year and projects deemed necessary during the year. The revenue budget was amended to recognize grants and donations received that were not budgeted.

General Fund actual revenues and actual expenditures were \$2.3 million higher and \$1.0 million lower than the final budgeted amounts, respectively. A majority of the expenditure budget variance was due to decreased actual spending from vacant positions.

The Downtown TIF Fund experienced a negative net change in fund balance in the amount of \$0.7 mainly as a result of project expenditures intended to be funded by prior year revenues carrying over from the prior year. The Rand Road Corridor TIF Fund experienced a positive net change in fund balance of \$0.7 million due to planned expenditures coming in lower than expected. The Police Facility Construction Fund experienced a negative \$9.0 net change in fund balance based mainly on construction activities funded from prior year bond issues.

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

Proprietary Funds

The Enterprise Funds' (as presented on pages 12-17) total net assets increased by \$1.5 million (3.0%). This increase is primarily a result of the net income in the Waterworks Fund, which is due to the sizeable water rate increase implemented to begin to fortify the working capital of this fund.

CAPITAL ASSETS

The Village's investment in capital assets for its governmental and business-type activities amounts to \$245.7 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 net increase (including additions and deductions) of \$7.8 million. 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 37 – 38.

The governmental activities net capital assets increased from last year by \$10.3 million. This is primarily attributable to the construction activities for public safety facilities (new Police Headquarters). The business-type activities net capital assets decreased by \$2.5 million as a result of depreciation totaling \$2.7 million outpacing additions totaling \$0.2 million.

DEBT OUTSTANDING

In calendar year 2011, the Village issued General Obligation Bonds Series 2011A and B in the total amount of \$7.85 million.

The Village currently has twenty-six general obligation bond series, one general obligation capital appreciation bond series, and one tax increment revenue limited obligation redevelopment notes series outstanding. \$111.4 million of general obligation bonds, \$5.3 million of general obligation capital appreciation bonds and \$0.1 million of tax increment revenue limited obligation redevelopment notes are currently outstanding.

\$26.7 million (23.9%) of the \$111.7 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 assets 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 2011, Moody's Investors Service reaffirmed the Village's AA1 and Standard and Poor's reaffirmed the Village's AA+ rating. Both companies cited the Village's well-managed financial operations, moderate direct debt burden, and aggressive retirement of its general obligation bonds.

Additional information of the Village's long-term debt can be found in the Notes to the Financial Statements on pages 39-44.

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

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 2012 budget includes a slight decrease in property tax revenues. Sales taxes are projected to increase due to the assumption that the economy will begin to moderately grow; however, this decrease also takes into account known economic development activities that will produce sales tax. Building permit revenues and planning and inspection fees are projected to continue to decrease due to the continued depressed state of the housing market. State income tax revenue is expected to stabilize and experience a slight increase. A combined \$0.18 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.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 44,490,923	\$ 9,730,991	\$ 54,221,914
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	22,421,878	-	22,421,878
Accounts	-	1,798,119	1,798,119
Other	681,205	280,070	961,275
Due from other governments	8,775,151	89,557	8,864,708
Accrued interest	27,426	8,700	36,126
Prepaid expenses	56,645	-	56,645
Deferred charges	1,401,380	158,720	1,560,100
Inventories	168,865	-	168,865
Land held for resale	24,636,780	-	24,636,780
Advance to fiduciary fund	2,289	-	2,289
Investment in joint venture			
Northwest Water Commission	-	11,384,001	11,384,001
Capital assets not being depreciated	148,498,551	2,906,138	151,404,689
Capital assets being depreciated (net of accumulated depreciation)	47,358,869	46,954,974	94,313,843
Total assets	298,519,962	73,311,270	371,831,232
LIABILITIES			
Accounts payable	4,497,647	699,279	5,196,926
Accrued payroll	781,435	71,289	852,724
Accrued interest payable	377,325	41,880	419,205
Due to fiduciary fund	126,380	-	126,380
Deposits payable	361,021	146,038	507,059
Claims payable	489,984	-	489,984
Unearned property tax revenue	21,975,387	-	21,975,387
Other deferred revenues	143,099	416,630	559,729
Noncurrent liabilities			
Due within one year	6,775,865	1,752,655	8,528,520
Due in more than one year	94,993,697	17,264,014	112,257,711
Total liabilities	130,521,840	20,391,785	150,913,625
NET ASSETS			
Invested in capital assets, net of related debt	129,862,356	35,235,617	165,097,973
Restricted for			
Streets and highways	767,930	-	767,930
Debt service	3,608,198	-	3,608,198
Capital projects	2,959,481	-	2,959,481
Public safety	358,814	-	358,814
Economic development	3,159,695	-	3,159,695
Unrestricted	27,281,648	17,683,868	44,965,516
TOTAL NET ASSETS	\$ 167,998,122	\$ 52,919,485	\$ 220,917,607

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 8,092,022	\$ 3,988,510	\$ 14,603,571	\$ 469,184
Public safety	37,174,518	4,167,979	476,033	500,000
Public works	11,346,788	1,001,900	1,997,019	-
Economic development	7,618,221	-	175,617	757,699
Interest and fiscal charges	4,965,687	-	768,650	-
Total governmental activities	69,197,236	9,158,389	18,020,890	1,726,883
Business-Type Activities				
Waterworks	7,199,466	9,084,694	-	-
Sewerage	3,063,914	3,250,125	-	-
Motor vehicle parking system	1,344,734	679,455	12,320	90,997
Refuse collection	4,388,685	4,649,761	-	-
Total business-type activities	15,996,799	17,664,035	12,320	90,997
TOTAL PRIMARY GOVERNMENT	\$ 85,194,035	\$ 26,822,424	\$ 18,033,210	\$ 1,817,880

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
	Governmental Activities	Business-Type Activities	Total
	\$ 10,969,243	\$ -	\$ 10,969,243
	(32,030,506)	-	(32,030,506)
	(8,347,869)	-	(8,347,869)
	(6,684,905)	-	(6,684,905)
	(4,197,037)	-	(4,197,037)
	(40,291,074)	-	(40,291,074)
	-	1,885,228	1,885,228
	-	186,211	186,211
	-	(561,962)	(561,962)
	-	261,076	261,076
	-	1,770,553	1,770,553
	(40,291,074)	1,770,553	(38,520,521)
General Revenues			
Taxes			
Property	33,563,321	-	33,563,321
Home rule sales tax	4,232,849	-	4,232,849
Telecommunications	2,462,499	-	2,462,499
Other	2,677,464	-	2,677,464
Investment income	285,881	13,714	299,595
Miscellaneous	285,260	-	285,260
Transfers	253,000	(253,000)	-
Total	43,760,274	(239,286)	43,520,988
CHANGE IN NET ASSETS	3,469,200	1,531,267	5,000,467
NET ASSETS, JANUARY 1	164,528,922	51,388,218	215,917,140
NET ASSETS, DECEMBER 31	\$ 167,998,122	\$ 52,919,485	\$ 220,917,607

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 8,086,602	\$ 3,789,047	\$ 2,464,529	\$ 2,534,147	\$ 4,734,250	\$ 15,626,657	\$ 37,235,232
Receivables (net, where applicable, of allowances for uncollectibles)							
Property taxes	18,680,223	128,932	6,935	3,605,788	-	-	22,421,878
Other	642,072	-	-	-	-	9,919	651,991
Due from other governments	5,098,543	2,768,489	-	-	-	908,119	8,775,151
Accrued interest	-	-	-	-	-	14,613	14,613
Due from other funds	42,586	-	-	-	-	-	42,586
Land held for resale	-	14,496,982	10,139,798	-	-	-	24,636,780
Advance to other funds	6,267,920	-	-	-	-	-	6,267,920
Advance to fiduciary fund	-	-	-	-	-	2,289	2,289
TOTAL ASSETS	\$ 38,817,946	\$ 21,183,450	\$ 12,611,262	\$ 6,139,935	\$ 4,734,250	\$ 16,561,597	\$ 100,048,440

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 230,321	\$ 386,300	\$ 263,407	\$ -	\$ 2,482,554	\$ 611,498	\$ 3,974,080
Accrued payroll	753,061	-	-	-	-	5,669	758,730
Due to other funds	1,676	-	-	-	-	42,586	44,262
Due to fiduciary funds	126,380	-	-	-	-	-	126,380
Deposits payable	361,021	-	-	-	-	-	361,021
Deferred property taxes	18,419,595	-	-	3,555,792	-	-	21,975,387
Other deferred revenue	-	-	-	-	-	138,670	138,670
Advance from other funds	-	6,267,920	-	-	-	-	6,267,920
Total liabilities	19,892,054	6,654,220	263,407	3,555,792	2,482,554	798,423	33,646,450
FUND BALANCES							
Nonspendable in form - advances	6,267,920	-	-	-	-	2,289	6,270,209
Nonspendable in form - land held for resale	-	14,496,982	10,139,798	-	-	-	24,636,780
Restricted							
Streets and highways	-	-	-	-	-	767,930	767,930
Debt service	-	-	-	2,584,143	-	-	2,584,143
Capital projects	-	-	-	-	2,251,696	707,785	2,959,481
Public safety	-	-	-	-	-	358,814	358,814
Economic development	-	32,248	2,208,057	-	-	3,081,745	5,322,050
Unrestricted							
Assigned for capital projects	-	-	-	-	-	10,844,611	10,844,611
Unassigned	12,657,972	-	-	-	-	-	12,657,972
Total fund balances	18,925,892	14,529,230	12,347,855	2,584,143	2,251,696	15,763,174	66,401,990
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,817,946	\$ 21,183,450	\$ 12,611,262	\$ 6,139,935	\$ 4,734,250	\$ 16,561,597	\$ 100,048,440

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 ASSETS

December 31, 2011

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 66,401,990
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	195,857,420
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(98,035,485)
Issuance costs (deferred charges) are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	1,401,380
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 assets	63,905
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 assets	(1,048,735)
Loss on refundings are reported as reduction of long-term debt on the statement of net assets	555,640
Accrued interest on long-term debt is reported as a liability on the statement of net assets	(377,325)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,887,522)
Less compensated absences payable reported in internal service funds	60,879
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	6,423,340
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(723,860)
The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(693,505)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 167,998,122</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 26,009,684	\$ 5,904,383	\$ 3,052,617	\$ 2,702,466	\$ -	\$ 5,266,984	\$ 42,936,134
Licenses and permits	2,695,124	-	-	-	-	-	2,695,124
Intergovernmental	16,891,419	894,173	-	632,176	-	3,476,974	21,894,742
Charges for services	3,106,138	-	-	-	-	258,674	3,364,812
Fines and forfeits	922,119	-	-	-	-	22,628	944,747
Investment income	250,177	2,885	956	2,203	5,162	24,498	285,881
Miscellaneous	285,258	-	-	-	-	6,738	291,996
Total revenues	50,159,919	6,801,441	3,053,573	3,336,845	5,162	9,056,496	72,413,436
EXPENDITURES							
Current							
General government	6,296,980	-	-	-	-	-	6,296,980
Public safety	36,211,371	-	-	-	-	288,404	36,499,775
Public works	5,865,054	-	-	-	-	5,830	5,870,884
Economic development	-	715,859	897,874	-	-	4,162,541	5,776,274
Capital outlay	-	1,773,611	55,261	-	15,559,384	6,788,800	24,177,056
Debt service							
Principal retirement	-	3,027,830	485,000	2,195,660	-	-	5,708,490
Interest	-	1,941,678	929,418	2,211,098	-	-	5,082,194
Fiscal charges	-	33,506	1,000	125,689	-	-	160,195
Total expenditures	48,373,405	7,492,484	2,368,553	4,532,447	15,559,384	11,245,575	89,571,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,786,514	(691,043)	685,020	(1,195,602)	(15,554,222)	(2,189,079)	(17,158,412)

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Bonds issued, at par	\$ -	\$ -	\$ -	\$ 455,802	\$ 6,544,198	\$ -	\$ 7,000,000
Refunding bonds issued, at par	-	850,000	-	-	-	-	850,000
Bond premium	-	42,495	-	173,660	-	-	216,155
Payment to refunded bond escrow agent	-	(865,438)	-	-	-	-	(865,438)
Proceeds from sale of capital assets	1,115,680	-	-	464,320	-	1,592,436	3,172,436
Transfers in	253,000	-	-	-	-	-	253,000
Total other financing sources (uses)	1,368,680	27,057	-	1,093,782	6,544,198	1,592,436	10,626,153
NET CHANGE IN FUND BALANCES	3,155,194	(663,986)	685,020	(101,820)	(9,010,024)	(596,643)	(6,532,259)
FUND BALANCES, JANUARY 1	15,770,698	15,193,216	11,662,835	2,685,963	11,261,720	16,359,817	72,934,249
FUND BALANCES, DECEMBER 31	\$ 18,925,892	\$ 14,529,230	\$ 12,347,855	\$ 2,584,143	\$ 2,251,696	\$ 15,763,174	\$ 66,401,990

See accompanying notes to financial statements.

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (6,532,259)
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	17,098,789
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(1,776,245)
Cost of capital assets disposed	(5,037,471)
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(7,850,000)
The repayment of principal on long-term debt is reported as an expenditure in governmental funds but as a reduction of principal outstanding in the statement of activities	
Principal repayment	5,708,490
Refunding of bonds	850,000
Bond issuance costs are reported as expenditures in the governmental funds and are deferred in the statement of activities	147,175
The amortization of issuance costs on long-term debt is reported as an expense on the statement of activities	(162,090)
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,480)
The premium on long-term debt issued is reported as an other financing source in the governmental funds and are deferred in the statement of activities	(216,155)
The amortization of premium on long-term debt is reported as revenue on the statement of activities	163,200
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(113,450)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	262,785
The change in compensated absences payable is shown as an expense on the statement of activities	106,541
The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities	430,093
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(149,443)
The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	544,720
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,469,200</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2011

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	\$ 2,154,415	\$ 4,179,309	\$ 1,117,786	\$ 2,279,481	\$ 9,730,991	\$ 7,255,691
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,223,755	469,520	-	104,844	1,798,119	-
Other	16,658	57,788	-	205,624	280,070	29,214
Due from other governments	-	-	89,557	-	89,557	-
Accrued interest	-	5,955	-	2,745	8,700	12,813
Due from other funds	-	-	-	-	-	2,259
Prepaid expenses	-	-	-	-	-	56,645
Deferred charges	32,780	125,940	-	-	158,720	-
Inventories	-	-	-	-	-	168,865
Total current assets	3,427,608	4,838,512	1,207,343	2,592,694	12,066,157	7,525,487
NONCURRENT ASSETS						
Capital assets						
Land	740,200	-	2,165,938	-	2,906,138	-
Buildings and improvements	6,739,405	259,610	-	-	6,999,015	-
Systems and improvements	16,975,062	56,824,785	15,881,477	-	89,681,324	-
Machinery and equipment	1,967,489	286,078	-	-	2,253,567	-
Accumulated depreciation	(13,099,696)	(31,723,666)	(7,155,570)	-	(51,978,932)	-
Net capital assets	13,322,460	25,646,807	10,891,845	-	49,861,112	-
Other assets						
Investment in joint venture Northwest Water Commission	11,384,001	-	-	-	11,384,001	-
Total noncurrent assets	24,706,461	25,646,807	10,891,845	-	61,245,113	-
Total assets	28,134,069	30,485,319	12,099,188	2,592,694	73,311,270	7,525,487

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT LIABILITIES						
Accounts payable	\$ 92,030	\$ 118,939	\$ 6,485	\$ 481,825	\$ 699,279	\$ 523,567
Accrued payroll	51,840	19,449	-	-	71,289	22,705
Accrued interest payable	7,555	34,325	-	-	41,880	-
Due to other funds	-	-	-	-	-	583
Deposits payable	146,038	-	-	-	146,038	-
Claims payable	-	-	-	-	-	489,984
Unearned revenues	-	273,220	-	143,410	416,630	4,429
Compensated absences payable	22,081	2,654	-	-	24,735	12,176
General obligation bonds payable	921,280	806,640	-	-	1,727,920	-
Total current liabilities	1,240,824	1,255,227	6,485	625,235	3,127,771	1,053,444
LONG-TERM LIABILITIES						
Compensated absences payable	88,324	10,618	-	-	98,942	48,703
General obligation bonds payable	6,760,739	10,404,333	-	-	17,165,072	-
Total long-term liabilities	6,849,063	10,414,951	-	-	17,264,014	48,703
Total liabilities	8,089,887	11,670,178	6,485	625,235	20,391,785	1,102,147
NET ASSETS						
Invested in capital assets, net of related debt	9,644,282	14,699,490	10,891,845	-	35,235,617	-
Unrestricted	10,399,900	4,115,651	1,200,858	1,967,459	17,683,868	6,423,340
TOTAL NET ASSETS	<u>\$ 20,044,182</u>	<u>\$ 18,815,141</u>	<u>\$ 12,092,703</u>	<u>\$ 1,967,459</u>	<u>\$ 52,919,485</u>	<u>\$ 6,423,340</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-Type Activities				Governmental
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Internal Service
OPERATING REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 14,095
Charges for services	9,032,285	3,243,296	679,455	4,649,761	9,025,497
Miscellaneous	52,409	6,829	-	-	34,029
Total operating revenues	9,084,694	3,250,125	679,455	4,649,761	9,073,621
OPERATING EXPENSES EXCLUDING DEPRECIATION					
Costs of sales and services	5,980,761	1,403,185	560,654	4,388,685	8,674,930
Total operating expenses excluding depreciation	5,980,761	1,403,185	560,654	4,388,685	8,674,930
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	3,103,933	1,846,940	118,801	261,076	398,691
DEPRECIATION AND AMORTIZATION	686,740	1,201,238	784,080	-	-
OPERATING INCOME (LOSS)	2,417,193	645,702	(665,279)	261,076	398,691
NONOPERATING REVENUES (EXPENSES)					
Investment income	258	9,215	549	3,692	31,402
Grants	-	-	101,877	-	-
Interest expense	(455,415)	(459,491)	-	-	-
Joint venture	(76,550)	-	-	-	-
Total nonoperating revenues (expenses)	(531,707)	(450,276)	102,426	3,692	31,402

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 1,885,486	\$ 195,426	\$ (562,853)	\$ 264,768	\$ 1,782,827	\$ 430,093
Contributions	-	1,440	-	-	1,440	-
Transfers (out)	(126,500)	(126,500)	-	-	(253,000)	-
Total contributions and transfers	(126,500)	(125,060)	-	-	(251,560)	-
CHANGE IN NET ASSETS	1,758,986	70,366	(562,853)	264,768	1,531,267	430,093
NET ASSETS, JANUARY 1	18,285,196	18,744,775	12,655,556	1,702,691	51,388,218	5,993,247
NET ASSETS, DECEMBER 31	\$ 20,044,182	\$ 18,815,141	\$ 12,092,703	\$ 1,967,459	\$ 52,919,485	\$ 6,423,340

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 8,950,312	\$ 3,250,049	\$ 679,455	\$ 4,609,003	\$ 17,488,819	\$ 260,881
Receipts/payments from interfund services transactions	-	-	-	-	-	8,807,175
Payments to suppliers	(4,423,087)	(697,613)	(602,086)	(4,250,929)	(9,973,715)	(7,996,575)
Payments to employees	(1,495,843)	(614,382)	-	-	(2,110,225)	(701,640)
Net cash from operating activities	3,031,382	1,938,054	77,369	358,074	5,404,879	369,841
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out	(126,500)	(126,500)	-	-	(253,000)	-
Net cash from noncapital financing activities	(126,500)	(126,500)	-	-	(253,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	-	(211,072)	-	-	(211,072)	-
Grants received	-	-	12,320	-	12,320	-
Principal payments on long-term debt	(902,695)	(741,645)	-	-	(1,644,340)	-
Interest and fiscal charges paid on long-term debt	(115,810)	(445,001)	-	-	(560,811)	-
Net cash from capital and related financing activities	(1,018,505)	(1,397,718)	12,320	-	(2,403,903)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	258	3,260	549	947	5,014	21,604
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,886,635	417,096	90,238	359,021	2,752,990	391,445
CASH AND CASH EQUIVALENTS, JANUARY 1	267,780	3,762,213	1,027,548	1,920,460	6,978,001	6,864,246
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,154,415</u>	<u>\$ 4,179,309</u>	<u>\$ 1,117,786</u>	<u>\$ 2,279,481</u>	<u>\$ 9,730,991</u>	<u>\$ 7,255,691</u>

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,417,193	\$ 645,702	\$ (665,279)	\$ 261,076	\$ 2,658,692	\$ 398,691
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	686,740	1,201,238	784,080	-	2,672,058	-
(Increase) decrease in						
Accounts receivables	(101,584)	(5,208)	-	(10,922)	(117,714)	-
Other receivables	(142)	4,228	-	(29,576)	(25,490)	(3,984)
Due from other funds	-	-	-	-	-	(2,259)
Prepaid expenses	-	-	-	123,067	123,067	40,371
Inventories	-	-	-	-	-	32,040
Increase (decrease) in						
Accounts payable	18,672	82,993	(41,432)	14,689	74,922	38,118
Accrued payroll	23,600	9,379	-	-	32,979	10,195
Deposits payable	(32,656)	-	-	-	(32,656)	-
Due to other funds	-	-	-	-	-	583
Claims payable	-	-	-	-	-	(143,992)
Unearned revenues	-	904	-	(260)	644	679
Compensated absences payable	19,559	(1,182)	-	-	18,377	(601)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 3,031,382</u>	<u>\$ 1,938,054</u>	<u>\$ 77,369</u>	<u>\$ 358,074</u>	<u>\$ 5,404,879</u>	<u>\$ 369,841</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Capital contributions	\$ -	\$ 1,440	\$ -	\$ -	\$ 1,440	\$ -
Change in investment in joint venture	(76,550)	-	-	-	(76,550)	-

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2011

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 1,909	\$ 1,526,669
Investments		
U.S. Treasury securities	18,563,178	-
U.S. agency securities	7,911,541	-
Corporate and international bonds	16,826,547	-
Municipal bonds	394,580	-
Money market mutual funds	6,814,248	-
Equities	39,416,456	-
Receivables		
Property taxes	-	590,550
Accrued interest	252,820	-
Due from general fund	126,380	-
	<hr/>	
Total assets	90,307,659	\$ 2,117,219
	<hr/>	
LIABILITIES		
Accounts payable	-	\$ 40,825
Other liabilities	-	1,200,840
Due to bondholders	-	873,265
Advances from other funds	-	2,289
	<hr/>	
Total liabilities	-	\$ 2,117,219
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 90,307,659</u>	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2011

ADDITIONS

Contributions

Employer	\$ 6,135,517
Employee	<u>1,873,783</u>

Total contributions	<u>8,009,300</u>
---------------------	------------------

Investment income

Net appreciation in fair value of investments	1,211,438
Interest	<u>1,839,169</u>

Total investment income	3,050,607
-------------------------	-----------

Less investment expense	<u>(420,371)</u>
-------------------------	------------------

Net investment income	<u>2,630,236</u>
-----------------------	------------------

Total additions	<u>10,639,536</u>
-----------------	-------------------

DEDUCTIONS

Administration	40,130
----------------	--------

Benefits and refunds

Benefits	5,328,870
Refunds of benefits	<u>40,418</u>

Total deductions	<u>5,409,418</u>
------------------	------------------

NET INCREASE	5,230,118
--------------	-----------

NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS

January 1	<u>85,077,541</u>
-----------	-------------------

December 31	<u><u>\$ 90,307,659</u></u>
-------------	-----------------------------

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

The Village's police employees participate in the Police Pension Employees Retirement System (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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (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 nonequity proprietary joint venture.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

The Village uses fund accounting funds 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 are 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). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Village has chosen to apply all GASB pronouncements as well as those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989.

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) which are generally used to account for assets that the Village holds in a fiduciary capacity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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 required to be 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Police Facility Construction Fund accounts for the acquisition and construction of the police facility.

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 garage 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 Funds, Section 125 Fund and ERT Hazmat 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/deferred revenue on its financial statements. Unearned/deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned/deferred revenues also arise 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 for unearned/deferred revenue is removed from the financial statements and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

Investments with a maturity of one year or greater at the time of purchase and all investments of the pension funds are stated at fair value except for nonnegotiable certificates of deposit which are recorded at cost. Fair value has been based on quoted market prices at December 31 for debt and equity securities and contract values for insurance contracts. Investments in Illinois Funds, a money market pool created by the Illinois State Legislature under the control of the Illinois State Treasurer, are reported at \$1 per share value, which equals the Village's fair value of the pool.

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 to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account 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 Charges

Deferred charges in the governmental activities in the government-wide financial statements represents bond issuance costs 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.

j. Land Held for Resale

Land held for resale is valued at the lower of cost or market. Reported land held for resale is equally offset by a nonspendable fund balance, which indicates that it does not constitute available spendable resources. 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
Building improvements, 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 estimated fair market 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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:

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

l. Compensated Absences

Vested or accumulated vacation leave that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation leave of proprietary funds at both levels and governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

m. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2011, 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, as well as issuance costs and refunding losses, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium, discount or refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Long-Term Obligations (Continued)

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.

o. Fund Balance/Net Assets

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's Board of Trustees, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board of Trustees. 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 Board of Trustees. Any residual fund balance is reported as unassigned.

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 assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

None of the net assets or fund balances are 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 3-4 months (25%-33%) of budget operating expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. 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.

2. DEPOSITS AND INVESTMENTS

a. Village 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 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.

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

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. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

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 December 31, 2011, the Village had greater than 5% of its overall portfolio invested in money market mutual funds and U.S. Treasury obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments

The Police Pension Fund's investment policy authorizes the Police Pension Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock 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 participant's fair value).

It is the policy of the Police Pension Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the Police Pension Fund 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, rate of return, public trust and liquidity.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Police Pension Fund's deposits may not be returned to it.

The Police Pension Fund policy does not require collateralization. However, all deposits at December 31, 2011 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2011:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 9,231,260	\$ 176,538	\$ 1,219,272	\$ 1,593,979	\$ 6,241,471
U.S. agency obligations	5,896,176	401,613	988,870	510,164	3,995,529
Corporate bonds	5,304,245	301,380	1,854,128	2,654,639	494,098
International bonds	622,482		353,094	201,566	67,822
Municipal bonds	394,580			157,616	236,964
TOTAL	\$ 21,448,743	\$ 879,531	\$ 4,415,364	\$ 5,117,964	\$ 11,035,884

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

Investments (Continued)

In accordance with its investment policy, the Police Pension Fund 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.

The Police Pension Fund 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 U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. The U.S. agency obligations, for those rated, range in rating from AAA to AA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund'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 Police Pension Fund has a high percentage of their investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 35%-45% and 0%-10% ranges, respectively. Fixed income securities should comprise 54%-65% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2011. At December 31, 2011, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Police Pension Fund's investment policy.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments

The Firefighters' Pension Fund's investment policy authorizes the Firefighters' Pension Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock 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 participant's fair value).

It is the policy of the Firefighters' Pension Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the Firefighters' Pension Fund 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, rate of return, public trust and liquidity.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Firefighters' Pension Fund's deposits may not be returned to it.

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at December 31, 2011 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of December 31, 2011:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 9,331,918	\$ 723,443	\$ 8,608,475	\$ -	\$ -
U.S. agency obligations	2,015,365	-	1,994,750	8,378	12,237
Corporate bonds	10,899,820	3,469,731	7,430,089	-	-
TOTAL	\$ 22,247,103	\$ 4,193,174	\$ 18,033,314	\$ 8,378	\$ 12,237

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments (Continued)

Investments (Continued)

In accordance with its investment policy, the Firefighters' Pension Fund 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.

The Firefighters' Pension Fund 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 U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. The U.S. agency obligations, for those rated, range in rating from AAA to AA-.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Firefighters' Pension Fund'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 Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25%-35% and 0%-5% ranges, respectively. Fixed income securities should comprise 60%-75% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2011. At December 31, 2011, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Firefighters' Pension Fund's investment policy.

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

3. RECEIVABLES

a. Taxes

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, 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, 2012 and August 1, 2012 and are payable in two installments, on or about March 1, 2012 and September 1, 2012. 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 2011 tax levy has been recorded as unearned revenue on the financial statements.

b. Other Receivables

At December 31, 2011, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES

Hotel occupancy tax	\$ 11,223
Ambulance service and fees	127,555
Cable franchise fees	181,700
Food and beverage tax	113,510
Billed receivables	78,080
RedSpeed red light	21,025
Electric utility tax	148,112
	<hr/>
Total governmental activities	681,205

BUSINESS-TYPE ACTIVITIES

Disposal fees	205,624
Sewer loan program	57,788
Other	16,658
	<hr/>
Total business-type activities	280,070

TOTAL OTHER RECEIVABLES	<u>\$ 961,275</u>
-------------------------	-------------------

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

3. RECEIVABLES (Continued)

c. Due from Other Governments

At December 31, 2011, the Village had amounts due from other governments as follows:

GOVERNMENTAL ACTIVITIES

State sales tax	\$ 2,253,245
Home rule sales tax	715,420
Grants	2,961,551
Local use tax	274,250
Court fines	63,635
Other state sources	98,125
Motor fuel tax allotments	144,200
Telecommunications tax	585,910
Rural fire district payments	80,690
Income tax	<u>1,598,125</u>

Total government activities	8,775,151
-----------------------------	-----------

BUSINESS-TYPE ACTIVITIES

89,557

TOTAL DUE FROM OTHER GOVERNMENTS

\$ 8,864,708

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 13,718,096	\$ 11,000	\$ 5,037,471	\$ 8,691,625
Construction in progress	7,245,729	16,192,676	23,438,405	-
Land right of way	139,806,926	-	-	139,806,926
Total capital assets not being depreciated	<u>160,770,751</u>	<u>16,203,676</u>	<u>28,475,876</u>	<u>148,498,551</u>
Capital assets being depreciated				
Buildings and improvements	15,750,295	22,757,431	-	38,507,726
Machinery and equipment	8,855,224	1,576,087	230,045	10,201,266
Streets	24,724,892	-	-	24,724,892
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	<u>50,927,146</u>	<u>24,333,518</u>	<u>230,045</u>	<u>75,030,619</u>

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

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
(Continued)				
Less accumulated depreciation for				
Buildings and improvements	\$ 7,248,245	\$ 652,900	\$ -	\$ 7,901,145
Machinery and equipment	5,648,080	581,820	230,045	5,999,855
Streets	12,534,600	509,515	-	13,044,115
Bridges	694,625	32,010	-	726,635
Total accumulated depreciation	26,125,550	1,776,245	230,045	27,671,750
Total capital assets being depreciated, net	24,801,596	22,557,273	-	47,358,869
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 185,572,347</u>	<u>\$ 38,760,949</u>	<u>\$ 28,475,876</u>	<u>\$ 195,857,420</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,906,138	\$ -	\$ -	\$ 2,906,138
Total capital assets not being depreciated	2,906,138	-	-	2,906,138
Capital assets being depreciated				
Equipment	2,253,567	-	-	2,253,567
Buildings and improvements	6,999,015	-	-	6,999,015
Water system	16,975,062	-	-	16,975,062
Sewer system	56,612,273	212,512	-	56,824,785
Parking improvements	15,881,477	-	-	15,881,477
Total capital assets being depreciated	98,721,394	212,512	-	98,933,906
Less accumulated depreciation for				
Equipment	826,580	195,160	-	1,021,740
Buildings and improvements	3,366,485	168,720	-	3,535,205
Water system	8,357,016	357,960	-	8,714,976
Sewer system	30,385,303	1,166,138	-	31,551,441
Parking improvements	6,371,490	784,080	-	7,155,570
Total accumulated depreciation	49,306,874	2,672,058	-	51,978,932
Total capital assets being depreciated, net	49,414,520	(2,459,546)	-	46,954,974
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 52,320,658</u>	<u>\$ (2,459,546)</u>	<u>\$ -</u>	<u>\$ 49,861,112</u>

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 104,030
Public works	998,930
Public safety	673,285
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,776,245</u></u>

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

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued is \$132,390,000. During the year, general obligation bonds totaling \$850,000 were issued to refund other general obligation bonds and \$7,000,000 of bonds were issued for capital purposes.

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	Interest Rates	Amount
Governmental activities	2.000% - 5.950%	\$ 76,431,733
Governmental activities - refunding	1.160% - 5.250%	21,481,350
Business-type activities	3.375% - 5.500%	5,140,000
Business-type activities - refunding	1.160% - 5.250%	8,313,650
Business-type activities - capital appreciation ⁽¹⁾	7.100%	<u>5,310,287</u>
TOTAL		<u>\$ 116,677,020</u>

⁽¹⁾ The face value of bonds issued was \$6,545,000. The carrying value of the accreted bonds is \$5,310,287.

Annual debt service requirements to maturity for general obligation bonds (excluding capital appreciation bonds) are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 6,398,361	\$ 4,523,094	\$ 1,727,920	\$ 502,113
2013	6,246,617	4,300,161	1,348,835	444,219
2014	6,003,240	4,083,179	986,760	402,323
2015	6,814,865	3,870,767	1,220,135	370,301
2016	6,000,000	3,597,949	915,000	330,494
2017	5,245,000	3,353,445	950,000	299,638
2018	5,470,000	3,134,763	805,000	261,894
2019	5,760,000	2,900,622	840,000	229,694
2020	5,945,000	2,643,584	885,000	196,094
2021	6,285,000	2,371,136	925,000	160,400

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 6,445,000	\$ 2,072,171	\$ 965,000	\$ 123,088
2023	3,455,000	1,759,368	275,000	83,838
2024	3,475,000	1,578,054	290,000	72,150
2025	4,150,000	1,389,515	305,000	59,462
2026	2,925,000	1,163,792	320,000	46,118
2027	2,145,000	1,000,447	340,000	31,718
2028	2,260,000	878,525	355,000	16,418
2029	3,090,000	747,876	-	-
2030	2,300,000	568,400	-	-
2031	2,400,000	435,000	-	-
2032	2,500,000	295,800	-	-
2033	2,600,000	150,800	-	-
TOTAL	\$ 97,913,083	\$ 46,818,448	\$ 13,453,650	\$ 3,629,962

The annual requirements to amortize to maturity for capital appreciation general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest
2012	\$ -	\$ 382,500
2013	-	410,050
2014	1,695,000	317,511
2015	2,995,000	124,652
2016	1,855,000	-
TOTAL	\$ 6,545,000	\$ 1,234,713

b. Tax Increment Financing Revenue Bonds and Notes

The Village also issues bonds where the Village pledges incremental property tax income derived from a separately created tax increment financing district. The original amount of tax increment financing bonds and notes in prior years was \$1,374,983.

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

5. LONG-TERM DEBT (Continued)

b. Tax Increment Financing Revenue Bonds and Notes (Continued)

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

Purpose	Interest Rates	Amount
Governmental activities	0%	\$ 122,402

Annual debt service requirements to maturity for tax increment financing bonds and notes are as follows:

Year Ending December 31,	Redevelopment Notes	
	Principal	Interest
2012	\$ -	\$ -
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	122,402	-
TOTAL	\$ 122,402	\$ -

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.

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

5. LONG-TERM DEBT (Continued)

d. Advance and Current Refundings

On June 20, 2011, the Village issued \$850,000 General Obligation Refunding Bond Series 2011B to currently refund \$850,000 of the General Obligation Bond Series 2000B due on December 1, 2013 through 2017. The transaction resulted in an economic gain of \$27,476 and a reduction of \$29,251 in future debt service payments. The refunded bonds have been fully called and redeemed as of the date of this report.

e. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled \$5,950,000. 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.

f. 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. As such, there is no established principal and interest schedule.

g. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 96,605,992	\$ 7,850,000	\$ 6,542,909	\$ 97,913,083	\$ 6,398,361
TIF notes	137,983	-	15,581	122,402	-
Net pension obligation*	1,238,225	-	544,720	693,505	-
Net OPEB obligation*	574,417	149,443	-	723,860	-
Compensated absences*	1,994,664	291,791	398,933	1,887,522	377,504
Total	100,551,281	8,291,234	7,502,143	101,340,372	6,775,865

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

5. LONG-TERM DEBT (Continued)

g. Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES (Continued)					
Less deferred amounts					
Unamortized bond discount	\$ (69,385)	\$ -	\$ (5,480)	\$ (63,905)	\$ -
Unamortized bond premium	995,780	216,155	163,200	1,048,735	-
Unamortized loss on refunding	(669,090)	-	(113,450)	(555,640)	-
Total deferred amounts	257,305	216,155	44,270	429,190	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 100,808,586	\$ 8,507,389	\$ 7,546,413	\$101,769,562	\$ 6,775,865

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

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
General obligation bonds					
Water Fund	\$ 3,428,455	\$ -	\$ 902,695	\$ 2,525,760	\$ 921,280
Sewer Fund	11,669,535	-	741,645	10,927,890	806,640
General obligation capital appreciation bonds					
Water Fund	4,758,184	342,735	-	5,100,919	-
Sewer Fund	195,303	14,065	-	209,368	-
Compensated absences					
Water Fund	90,846	37,749	18,190	110,405	22,081
Sewer Fund	14,454	1,728	2,910	13,272	2,654
Total	20,156,777	396,277	1,665,440	18,887,614	1,752,655
Less deferred amounts					
Unamortized bond discount	(22,540)	-	(1,260)	(21,280)	-
Unamortized bond premium	315,195	-	33,470	281,725	-
Unamortized loss on refunding	(144,575)	-	(13,185)	(131,390)	-
Total deferred amounts	148,080	-	19,025	129,055	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 20,304,857	\$ 396,277	\$ 1,684,465	\$ 19,016,669	\$ 1,752,655

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 \$100,000 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.

As of January 1, 2008, the Village became 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, 2009	\$ 250,000	\$ 255,894	\$ 175,165	\$ 681,059
Claims incurred - 2010	3,093,676	688,781	87,602	3,870,059
Claims payments - 2010	(3,088,676)	(623,155)	(205,311)	(3,917,142)
UNPAID CLAIMS,				
DECEMBER 31, 2010	255,000	321,520	57,456	633,976
Claims incurred - 2011	4,466,699	331,287	147,573	4,945,559
Claims payments - 2011	(4,444,199)	(466,201)	(179,151)	(5,089,551)
UNPAID CLAIMS,				
DECEMBER 31, 2011	\$ 277,500	\$ 186,606	\$ 25,878	\$ 489,984

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 \$2,759,375 through December 31, 2012. This amount has been calculated using the Village's current allocation percentage of 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 2011 is \$1,308,675. This is based on an estimated tipping fee of \$53.00 per ton for 24,692 tons.

The Village's estimated payment of fixed costs for 2011 is \$111,945. This amount has been estimated using the Village's current allocation percentage of 10.07%. In future years this allocation percentage will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

8. 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 the mayor or president 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 Solid Waste Agency of Northern Cook County administrative office at 2700 Patriot Boulevard, Suite 110, Glenview, Illinois 60026.

SWANCC's outstanding bonds are revenue obligations. They are limited obligations of SWANCC with a claim for payment solely from and secured by a pledge of the revenues of the system and amounts in various funds and accounts established by SWANCC resolutions. The bonds are not the debt of any member. SWANCC has no power to levy taxes.

Revenues of the system consist of (1) all receipts derived from solid waste disposal contracts or any other contracts for the disposal of waste; (2) all income derived from the investment of monies; and (3) 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 \$1,284,240 to SWANCC in 2011. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2011.

8. JOINT VENTURES (Continued)

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.

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

Revenues of the system consist of (1) all receipts derived from the Water Supply Agreements or any other contract for the supply of water; (2) all income derived from the investment of monies; and (3) 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 2020.

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 \$2,795,260 to NWWC for 2011. The Village's equity interest in NWWC was \$11,384,001 at December 31, 2011. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2011 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 42,586
Fiduciary		
Police Pension	General	63,189
Firefighters' Pension	General	63,191
TOTAL		<u>\$ 168,966</u>

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

- \$42,586 is payable by the nonmajor governmental funds to the General Fund for cost reimbursement and short-term cash loans at year end. The amounts will be repaid within one year.
- \$126,380 is payable by the General Fund to the Pension Funds for taxes received after year end.

b. Advances From/To Other Funds

Advances from/to other funds at December 31, 2011 consisted of the following:

Receivable Fund	Payable Fund	Amount
Major Governmental		
General	Downtown TIF	\$ 6,267,920
Nonmajor Governmental	Fiduciary	
Capital Improvement	Special Service Area #4	2,289
TOTAL		<u>\$ 6,270,209</u>

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

- \$6,267,920 advanced to the Downtown TIF Fund from the General Fund. This balance relates to financing various redevelopment projects. Repayment is not expected within one year.
- \$2,289 advanced to other funds from a Nonmajor Governmental Fund. This balance relates to the construction of sanitary sewer improvements. Repayment is not expected within one year.

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Transfers

During the year ended December 31, 2011 there was a transfer of \$253,000 to the General Fund from the Waterworks Fund (\$126,500) and Sewerage Fund (\$126,500) for reimbursement of certain costs. These amounts will not be repaid.

10. 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 and business-type 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 December 31, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	31
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>294</u>
TOTAL	<u>325</u>
Participating employers	<u>1</u>

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Village first had an actuarial valuation performed for the Plan as of January 1, 2008 to determine the funded status of the Plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2008. The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 192,149	\$ 67,622	35.20%	\$ 449,820
December 31, 2010	259,823	135,226	52.05%	574,417
December 31, 2011	284,669	135,226	47.50%	723,860

The net OPEB obligation as of December 31, 2011 was calculated as follows:

Annual required contribution	\$ 275,095
Interest on net OPEB obligation	28,721
Adjustment to annual required contribution	<u>(19,147)</u>
Annual OPEB cost	284,669
Contributions made	<u>135,226</u>
Increase in net OPEB obligation	149,443
Net OPEB obligation, beginning of year	<u>574,417</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 723,860</u>

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Funded Status and Funding Progress: The funded status and funding progress of the Plan as of December 31, 2010, the most recent information available, was as follows:

Actuarial accrued liability (AAL)	\$	3,316,449
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		3,316,449
Funded ratio (actuarial value of plan assets/AAL)		0.0%
Covered payroll (active plan members)	\$	12,966,463
UAAL as a percentage of covered payroll		25.28%

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

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

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

In the December 31, 2010 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% 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, 2010 was 30 years.

11. 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 Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by 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 on-line at www.imrf.org.

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. 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. Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. 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 contributions for 2011 was 13.21% of covered payroll.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. 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 plan as a pension trust fund. At January 1, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	46
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	
Vested	88
Nonvested	22
	<hr/>
TOTAL	157
	<hr/>

The Police Pension Plan 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.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. 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, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended December 31, 2011, the Village's contribution was 35.39% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. 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 the plan as a pension trust fund. At January 1, 2011, the Firefighters' Pension Plan membership consisted of:

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Retirees and beneficiaries currently receiving benefits	56
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	58
Nonvested	28
	<hr/>
TOTAL	<u>142</u>

The Firefighters' Pension Plan 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.

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., ½% 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 ½ of the change in the Consumer Price Index for the proceeding calendar year.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. 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 finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2011, the Village's contribution was 33.67% of covered payroll.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the plans.

Method Used to Value Investments

Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date.

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets for either the Police or the Firefighters' Pension Plans. Information for IMRF is not available.

Administrative Costs

Administrative costs for both the Police Pension Plan and the Firefighters' Pension Plan are financed primarily through investment earnings.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2009	January 1, 2011	January 1, 2011
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	Market	Market
Amortization method	Level Percentage of Payroll	Level Dollar	Level Dollar
Amortization period	30 Years, Open	29 Years, Closed	29 Years, Closed
Significant actuarial assumptions			
a) Inflation rate	4.00%	3.00%	3.00%
b) Rate of return on investments	7.50% Compounded Annually	7.75% Compounded Annually	7.75% Compounded Annually
c) Projected salary increases	.40% to 10.00%	4.50%	4.50%
d) Postretirement benefit increases	3.00%	3.00%	3.00%

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

The Village's annual pension cost and net pension obligation to the Police Pension and Firefighters' Pension Plans for the year ended December 31, 2011 were as follows:

	Police Pension	Firefighters' Pension
Annual required contribution	\$ 2,775,424	\$ 2,698,315
Interest on net pension obligation	76,243	19,720
Adjustment to annual required contributions	(50,908)	(13,167)
Annual pension cost	2,800,759	2,704,868
Contributions made	3,450,128	2,600,219
Increase (decrease) in net pension obligation	(649,369)	104,649
Net pension obligation, beginning of year	983,777	254,448
NET PENSION OBLIGATION, END OF YEAR	\$ 334,408	\$ 359,097

e. Trend Information

Employer annual pension costs (APC), actual contributions and the net pension obligation (asset) (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

	For Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2009	\$ 1,279,291	\$ 1,725,916	\$ 1,175,761
	2010	1,535,559	2,680,311	2,062,563
	2011	1,410,209	2,800,759	2,704,868
Actual contribution	2009	\$ 1,279,291	\$ 1,839,264	\$ 1,259,881
	2010	1,535,559	2,685,585	2,032,916
	2011	1,410,209	3,450,128	2,600,219
Percentage of APC contributed	2009	100.00%	106.57%	107.15%
	2010	100.00%	100.20%	98.56%
	2011	100.00%	123.19%	96.13%
NPO (asset)	2009	\$ -	\$ 989,051	\$ 224,801
	2010	-	983,777	254,448
	2011	-	334,408	359,097

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2009	January 1, 2011	January 1, 2011
Actuarial accrued liability (AAL)	\$ 32,533,315	\$ 77,719,305	\$ 75,335,332
Actuarial value of plan assets	23,396,632	44,863,853	48,069,713
Unfunded actuarial accrued liability (UAAL)	9,136,683	33,085,452	27,265,619
Funded ratio (actuarial value of plan assets/AAL)	71.92%	57.4%	63.8%
Covered payroll (active plan members)	\$ 10,078,945	\$ 9,749,554	\$ 7,723,119
UAAL as a percentage of covered payroll	90.65%	339.4%	353.0%

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.

12. PENSION TRUST FUNDS

a. Schedule of Net Assets as of December 31, 2011

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and short-term investments	\$ 923	\$ 986	\$ 1,909
Investments			
U.S. Treasury securities	9,231,260	9,331,918	18,563,178
U.S. agency securities	5,896,176	2,015,365	7,911,541
Corporate and international bonds	5,926,727	10,899,820	16,826,547
Municipal bonds	394,580	-	394,580
Money market mutual funds	5,055,870	1,758,378	6,814,248
Equities	17,734,278	21,682,178	39,416,456
Receivables			
Accrued interest	138,924	113,896	252,820
Due from general fund	63,189	63,191	126,380
Total assets	44,441,927	45,865,732	90,307,659
LIABILITIES			
None	-	-	-
Total liabilities	-	-	-
NET ASSETS	\$ 44,441,927	\$ 45,865,732	\$ 90,307,659

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

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Assets for the year ended December 31, 2011.

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 3,489,556	\$ 2,645,961	\$ 6,135,517
Employee	1,102,965	770,818	1,873,783
Total contributions	4,592,521	3,416,779	8,009,300
Investment income			
Net appreciation in fair value of investments	1,500,228	(288,790)	1,211,438
Interest income	977,194	861,975	1,839,169
Less investment expense	(242,384)	(177,987)	(420,371)
Net investment income	2,235,038	395,198	2,630,236
Total additions	6,827,559	3,811,977	10,639,536
DEDUCTIONS			
Administrative	21,493	18,637	40,130
Pension benefits and refunds	2,412,864	2,956,424	5,369,288
Total deductions	2,434,357	2,975,061	5,409,418
NET INCREASE	4,393,202	836,916	5,230,118
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	40,048,725	45,028,816	85,077,541
December 31	\$ 44,441,927	\$ 45,865,732	\$ 90,307,659

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, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 25,458,380	\$ 25,458,380	\$ 26,009,684
Licenses and permits	2,579,680	2,579,680	2,695,124
Intergovernmental	15,047,440	15,155,750	16,891,419
Charges for services	3,007,080	3,007,080	3,106,138
Fines and forfeits	1,373,145	1,373,145	922,119
Investment income	33,250	33,250	250,177
Miscellaneous	105,600	257,545	285,258
Total revenues	47,604,575	47,864,830	50,159,919
EXPENDITURES			
General government	6,201,880	6,761,736	6,296,980
Public safety	36,078,155	36,577,332	36,211,371
Public works	6,082,750	6,065,786	5,865,054
Total expenditures	48,362,785	49,404,854	48,373,405
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(758,210)	(1,540,024)	1,786,514
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	1,115,680	1,115,680
Transfers in	253,000	253,000	253,000
Total other financing sources (uses)	253,000	1,368,680	1,368,680
NET CHANGE IN FUND BALANCE	\$ (505,210)	\$ (171,344)	3,155,194
FUND BALANCE, JANUARY 1			15,770,698
FUND BALANCE, DECEMBER 31			\$ 18,925,892

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 6,200,000	\$ 6,200,000	\$ 5,904,383
Intergovernmental			
Grants	-	1,284,875	757,699
Build america bond interest rebate	136,475	136,475	136,474
Investment income	10,000	10,000	2,885
Total revenues	6,346,475	7,631,350	6,801,441
EXPENDITURES			
Economic development			
Supplies and services	50,000	44,415	31,223
Project expenditures	35,000	721,525	684,636
Capital outlay			
Buildings and facilities	250,000	286,195	236,088
Right of way improvements	114,500	66,328	66,326
Street improvements	500,000	2,001,516	1,471,197
Debt service			
Principal retirement	3,022,250	3,027,835	3,027,830
Interest	1,701,920	1,946,920	1,941,678
Fiscal charges	9,000	36,055	33,506
Total expenditures	5,682,670	8,130,789	7,492,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	663,805	(499,439)	(691,043)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued, at par	-	892,495	850,000
Bond premium	-	-	42,495
Payment to refunded bond escrow agent	-	(865,440)	(865,438)
Total other financing sources (uses)	-	27,055	27,057
NET CHANGE IN FUND BALANCE	\$ 663,805	\$ (472,384)	(663,986)
FUND BALANCE, JANUARY 1			15,193,216
FUND BALANCE, DECEMBER 31			\$ 14,529,230

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
<hr/>			
REVENUES			
Taxes			
Incremental property taxes	\$ 3,400,000	\$ 3,400,000	\$ 3,052,617
Investment income	10,000	10,000	956
	<hr/>		
Total revenues	3,410,000	3,410,000	3,053,573
	<hr/>		
EXPENDITURES			
Economic development			
Supplies and services	50,000	50,000	20,941
Project expenses	750,000	877,345	876,933
Capital outlay			
Right of way improvements	75,000	99,799	55,261
Debt service			
Principal	485,000	485,000	485,000
Interest	929,425	929,425	929,418
Fiscal charges	3,000	3,000	1,000
	<hr/>		
Total expenditures	2,292,425	2,444,569	2,368,553
	<hr/>		
NET CHANGE IN FUND BALANCE	\$ 1,117,575	\$ 965,431	685,020
	<hr/>		
FUND BALANCE, JANUARY 1			11,662,835
	<hr/>		
FUND BALANCE, DECEMBER 31			\$ 12,347,855
	<hr/>		

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ 19,185,330	\$ 23,455,108	81.80%	\$ 4,269,778	\$ 9,018,214	47.35%
2007	20,679,984	24,877,019	83.13%	4,197,035	9,741,621	43.08%
2008	18,211,574	27,169,988	67.03%	8,958,414	10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 1,128,178	\$ 1,128,178	100.00%
2007	1,192,374	1,192,374	100.00%
2008	1,268,107	1,268,107	100.00%
2009	1,279,291	1,279,291	100.00%
2010	1,535,559	1,535,559	100.00%
2011	1,410,209	1,410,209	100.00%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION FUND

December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ 35,125,250	\$ 43,228,479	81.25%	\$ 8,103,229	\$ 7,384,968	109.73%
2007	37,456,208	47,754,200	78.44%	10,297,992	8,322,977	123.73%
2008	40,507,394	50,689,201	79.91%	10,181,807	8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 1,094,984	\$ 1,044,267	104.86%
2007	1,368,869	1,380,059	99.19%
2008	1,792,538	1,677,795	106.84%
2009	1,839,264	1,697,492	108.35%
2010	2,685,585	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' PENSION FUND

December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ 40,150,008	\$ 43,894,062	91.47%	\$ 3,744,054	\$ 6,826,186	54.85%
2007	43,611,423	47,818,154	91.20%	4,206,731	7,161,378	58.74%
2008	47,172,964	50,944,617	92.60%	3,771,653	7,451,465	50.62%
2009	46,673,485	58,973,596	79.14%	12,300,111	7,608,618	161.66%
2010	48,069,222	63,937,038	75.18%	15,867,816	7,280,109	217.96%
2011	48,069,713	75,335,332	63.81%	27,265,619	7,723,119	353.04%

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 986,399	\$ 1,066,636	92.48%
2007	1,062,061	1,165,413	91.13%
2008	1,417,414	1,167,796	121.38%
2009	1,259,881	1,175,761	107.15%
2010	2,032,916	2,065,574	98.42%
2011	2,600,219	2,698,315	96.36%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Underfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 2,461,467	0.00%	\$ 2,461,467	\$ 21,727,560	11.33%
2009	-	2,159,444	0.00%	2,159,444	22,550,270	9.58%
2010	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2011	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 49,644	\$ 214,542	23.14%
2009	67,622	219,257	30.84%
2010	135,226	219,256	61.67%
2011	135,226	275,095	49.16%

Information for prior years is not available as the Village's first actuarial valuation was performed January 1, 2008.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

Departments of the Village submit requests for appropriation to the Village's manager so that a budget may be prepared. The budget is prepared by fund, department and organization and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. A budget is not prepared for the Federal Equitable Sharing Fund.

The proposed budget is presented to the governing body for review. The governing body holds public hearings 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.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Material encumbrances outstanding at year end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

b. Expenditures/expenses exceeded budget in the following funds:

	Final Budget	Actual
Special Police Grant Fund	\$ 193,256	\$ 196,141
Special Service Area #5 Fund	844,873	849,170
Health Insurance Fund	5,716,145	5,773,535
Community Development Block Grant Recovery Fund	-	7,196

Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<hr/>			
ASSETS			
Cash and investments	\$ 4,220,142	\$ 11,406,515	\$ 15,626,657
Receivables (net, where applicable, of allowances for uncollectibles)			
Other receivables	-	9,919	9,919
Due from other governments	322,209	585,910	908,119
Accrued interest	-	14,613	14,613
Advance to fiduciary fund	-	2,289	2,289
	<hr/>		
TOTAL ASSETS	\$ 4,542,351	\$ 12,019,246	\$ 16,561,597
<hr/>			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 277,252	\$ 334,246	\$ 611,498
Accrued payroll	5,669	-	5,669
Due to other funds	42,586	-	42,586
Deferred revenue	8,355	130,315	138,670
	<hr/>		
Total liabilities	333,862	464,561	798,423
<hr/>			
FUND BALANCES			
Nonspendable in form - advances	-	2,289	2,289
Restricted			
Streets and highways	767,930	-	767,930
Capital projects	-	707,785	707,785
Public safety	358,814	-	358,814
Economic development	3,081,745	-	3,081,745
Unrestricted			
Assigned for capital projects	-	10,844,611	10,844,611
	<hr/>		
Total fund balances	4,208,489	11,554,685	15,763,174
<hr/>			
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,542,351	\$ 12,019,246	\$ 16,561,597
<hr/>			

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 2,804,485	\$ 2,462,499	\$ 5,266,984
Intergovernmental	2,966,966	510,008	3,476,974
Charges for services	-	258,674	258,674
Fines and forfeits	22,628	-	22,628
Investment income	3,374	21,124	24,498
Miscellaneous	-	6,738	6,738
Total revenues	5,797,453	3,259,043	9,056,496
EXPENDITURES			
Current			
Public safety	288,404	-	288,404
Public works	5,830	-	5,830
Economic development	4,162,541	-	4,162,541
Capital outlay	2,090,034	4,698,766	6,788,800
Total expenditures	6,546,809	4,698,766	11,245,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(749,356)	(1,439,723)	(2,189,079)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	1,592,436	1,592,436
Total other financing sources (uses)	-	1,592,436	1,592,436
NET CHANGE IN FUND BALANCES	(749,356)	152,713	(596,643)
FUND BALANCES, JANUARY 1	4,957,845	11,401,972	16,359,817
FUND BALANCES, DECEMBER 31	\$ 4,208,489	\$ 11,554,685	\$ 15,763,174

See accompanying notes to financial statements.

Nonmajor Special Revenue Funds

Community Development Block Grant Fund - to account for the expenditure of Community Development Block Grant funds received from the Federal government.

Motor Fuel Tax Fund - to account for the operation of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided by the Village's share of state motor fuel taxes.

Federal Equitable Sharing Fund - to account for the expenditure of Federal Equitable Sharing funds received from the Federal government. These funds must be used to supplement law enforcement purposes only, such as law enforcement investigations, training, equipment, drug and gang education and awareness programs and support of community based programs.

State Equitable Sharing Fund - to account for the expenditure of State Equitable Sharing funds received from the state government. These funds must be used to support law enforcement.

DUI Fines Fund - to account for the collection and expenditure of fines collected in relation to DUI violations.

Foreign Fire Tax Fund - to account for the collection and expenditure of Foreign Fire Tax revenues received from the state and governed by the Foreign Fire Tax Board.

Dundee Road TIF - to account for the development and debt service costs associated with a tax increment financing redevelopment project on Dundee Road. Financing is provided by incremental property taxes.

Rand/Dundee TIF - to account for the development and debt service costs associated with a tax increment financing redevelopment project at the corner of Rand and Dundee Roads. Financing is provided by incremental property taxes.

Community Development Block Recovery Grant Fund - to account for the expenditure of Community Development Block Grant funds received from the Federal government in relation to the American Recovery and Reinvestment Act.

Energy Efficiency and Conservation Block Recovery Grant Fund - to account for the expenditure of Energy Efficiency and Conservation Block Grant funds received from the Federal government in relation to the American Recovery and Reinvestment Act.

Special Fire Grant Fund - to account for the expenditure of EOC Grant funds received from the federal government in relation to public safety operations.

Special Police Grant Fund - to account for various police related grant revenues and expenditures.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2011

	Community Development Block Grant	Motor Fuel Tax	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
ASSETS					
Cash and investments	\$ -	\$ 623,730	\$ 166,635	\$ 62,075	\$ 97,465
Receivables					
Due from other governments	4,283	144,200	-	-	-
TOTAL ASSETS	\$ 4,283	\$ 767,930	\$ 166,635	\$ 62,075	\$ 97,465
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 4,283	\$ -	\$ 64,788	\$ 100	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	4,283	-	64,788	100	-
FUND BALANCES					
Restricted					
Streets and highways	-	767,930	-	-	-
Public safety	-	-	101,847	61,975	97,465
Economic development	-	-	-	-	-
Total fund balances	-	767,930	101,847	61,975	97,465
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,283	\$ 767,930	\$ 166,635	\$ 62,075	\$ 97,465

Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Community Development Block Recovery Grant	Energy Efficiency and Conservation Block Recovery Grant	Special Fire Grant	Special Police Grant	Total
\$ 97,527	\$ 2,638,526	\$ 443,219	\$ 7,196	\$ 83,101	\$ -	\$ 668	\$ 4,220,142
-	-	-	-	131,105	3,982	38,639	322,209
\$ 97,527	\$ 2,638,526	\$ 443,219	\$ 7,196	\$ 214,206	\$ 3,982	\$ 39,307	\$ 4,542,351
\$ -	\$ -	\$ -	\$ -	\$ 208,081	\$ -	\$ -	\$ 277,252
-	-	-	-	-	-	5,669	5,669
-	-	-	7,196	-	1,752	33,638	42,586
-	-	-	-	6,125	2,230	-	8,355
-	-	-	7,196	214,206	3,982	39,307	333,862
-	-	-	-	-	-	-	767,930
97,527	-	-	-	-	-	-	358,814
-	2,638,526	443,219	-	-	-	-	3,081,745
97,527	2,638,526	443,219	-	-	-	-	4,208,489
\$ 97,527	\$ 2,638,526	\$ 443,219	\$ 7,196	\$ 214,206	\$ 3,982	\$ 39,307	\$ 4,542,351

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Community Development Block Grant	Motor Fuel Tax	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	168,421	1,997,019	42,035	14,341	-
Fines and forfeits	-	-	-	-	22,628
Investment income	-	207	43	6	27
Total revenues	168,421	1,997,226	42,078	14,347	22,655
EXPENDITURES					
Current					
Public safety	-	-	92,809	2,686	961
Public works	-	-	-	-	-
Economic development	155,345	-	-	-	-
Capital outlay	13,076	1,516,576	-	-	-
Total expenditures	168,421	1,516,576	92,809	2,686	961
NET CHANGE IN FUND BALANCE	-	480,650	(50,731)	11,661	21,694
FUND BALANCES, JANUARY 1	-	287,280	152,578	50,314	75,771
FUND BALANCES, DECEMBER 31	\$ -	\$ 767,930	\$ 101,847	\$ 61,975	\$ 97,465

Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Community Development Block Recovery Grant	Energy Efficiency and Conservation Block Recovery Grant	Special Fire Grant	Special Police Grant	Total
\$ -	\$ 2,528,847	\$ 275,638	\$ -	\$ -	\$ -	\$ -	\$ 2,804,485
65,748	-	-	7,196	462,446	44,024	165,736	2,966,966
-	-	-	-	-	-	-	22,628
323	2,370	392	-	6	-	-	3,374
66,071	2,531,217	276,030	7,196	462,452	44,024	165,736	5,797,453
53,943	-	-	-	-	8,269	129,736	288,404
-	-	-	-	5,830	-	-	5,830
-	3,700,000	300,000	7,196	-	-	-	4,162,541
-	-	-	-	458,222	35,755	66,405	2,090,034
53,943	3,700,000	300,000	7,196	464,052	44,024	196,141	6,546,809
12,128	(1,168,783)	(23,970)	-	(1,600)	-	(30,405)	(749,356)
85,399	3,807,309	467,189	-	1,600	-	30,405	4,957,845
\$ 97,527	\$ 2,638,526	\$ 443,219	\$ -	\$ -	\$ -	\$ -	\$ 4,208,489

See accompanying notes to financial statements.

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, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 443,850	\$ 448,876	\$ 168,421
Total revenues	443,850	448,876	168,421
EXPENDITURES			
Economic development			
Administrative services	88,770	88,770	88,770
Social service agencies	66,575	66,575	66,575
Capital outlay			
Flood control	288,505	16,189	13,076
Total expenditures	443,850	171,534	168,421
NET CHANGE IN FUND BALANCE	\$ -	\$ 277,342	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Motor fuel tax allotment	\$ 1,637,900	\$ 1,637,900	\$ 1,997,019
Investment income	-	-	207
Total revenues	1,637,900	1,637,900	1,997,226
EXPENDITURES			
Capital Outlay			
Street improvements	1,522,135	1,560,881	1,516,576
Total expenditures	1,522,135	1,560,881	1,516,576
NET CHANGE IN FUND BALANCE	\$ 115,765	\$ 77,019	480,650
FUND BALANCE, JANUARY 1			287,280
FUND BALANCE, DECEMBER 31			\$ 767,930

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 2,000	\$ 20,540	\$ 42,035
Investment income	100	100	43
Total revenues	2,100	20,640	42,078
EXPENDITURES			
Public safety			
Police			
Supplies and services	2,100	99,103	92,809
Total expenditures	2,100	99,103	92,809
NET CHANGE IN FUND BALANCE	\$ -	\$ (78,463)	(50,731)
FUND BALANCE, JANUARY 1			152,578
FUND BALANCE, DECEMBER 31			\$ 101,847

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Intergovernmental		
Grants	\$ 15,000	\$ 14,341
Investment income	50	6
Total revenues	15,050	14,347
EXPENDITURES		
Public safety		
Police		
Supplies and services	15,050	2,686
Total expenditures	15,050	2,686
NET CHANGE IN FUND BALANCE	\$ -	11,661
FUND BALANCE, JANUARY 1		50,314
FUND BALANCE, DECEMBER 31		\$ 61,975

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Fines and forfeits		
DUI fines	\$ 16,000	\$ 22,628
Investment income	75	27
Total revenues	16,075	22,655
EXPENDITURES		
Public safety		
Police		
Supplies and services	16,075	961
Total expenditures	16,075	961
NET CHANGE IN FUND BALANCE	\$ -	21,694
FUND BALANCE, JANUARY 1		75,771
FUND BALANCE, DECEMBER 31		\$ 97,465

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Intergovernmental		
Foreign fire tax	\$ 61,500	\$ 65,748
Investment income	-	323
Total revenues	61,500	66,071
EXPENDITURES		
Public safety		
Fire		
Supplies and services	61,500	53,943
Total expenditures	61,500	53,943
NET CHANGE IN FUND BALANCE	\$ -	12,128
FUND BALANCE, JANUARY 1		85,399
FUND BALANCE, DECEMBER 31		\$ 97,527

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Taxes		
Incremental property taxes	\$ 3,359,640	\$ 2,528,847
Investment income	3,500	2,370
Total revenues	3,363,140	2,531,217
EXPENDITURES		
Current		
Economic development		
Surplus distribution	3,700,000	3,700,000
Total expenditures	3,700,000	3,700,000
NET CHANGE IN FUND BALANCE	\$ (336,860)	(1,168,783)
FUND BALANCE, JANUARY 1		3,807,309
FUND BALANCE, DECEMBER 31		\$ 2,638,526

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Taxes		
Incremental property taxes	\$ 418,755	\$ 275,638
Investment income	400	392
Total revenues	419,155	276,030
EXPENDITURES		
Current		
Economic development		
Surplus distribution	300,000	300,000
Total expenditures	300,000	300,000
NET CHANGE IN FUND BALANCE	\$ 119,155	(23,970)
FUND BALANCE, JANUARY 1		467,189
FUND BALANCE, DECEMBER 31		\$ 443,219

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
REVENUES		
Intergovernmental Grants	\$ -	\$ 7,196
Total revenues	-	7,196
EXPENDITURES		
Current		
Economic development		
Administrative services	-	7,196
Total expenditures	-	7,196
NET CHANGE IN FUND BALANCE	\$ -	-
FUND BALANCE, JANUARY 1		-
FUND BALANCE, DECEMBER 31		\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENERGY EFFICIENCY AND CONSERVATION BLOCK RECOVERY GRANT FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ -	\$ 601,201	\$ 462,446
Investment income	-	-	6
Total revenues	-	601,201	462,452
EXPENDITURES			
Current			
Public works			
Supplies and services	-	5,830	5,830
Capital outlay			
Buildings and facilities	-	254,871	249,474
Right of way improvements	-	208,747	208,748
Total expenditures	-	469,448	464,052
NET CHANGE IN FUND BALANCE	\$ -	\$ 131,753	(1,600)
FUND BALANCE, JANUARY 1			1,600
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 46,255	\$ 44,024
Total revenues	-	46,255	44,024
EXPENDITURES			
Public safety			
Fire			
Supplies and services	-	8,270	8,269
Capital outlay			
Technology	-	35,755	35,755
Total expenditures	-	44,025	44,024
NET CHANGE IN FUND BALANCE	\$ -	\$ 2,230	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 162,853	\$ 165,736
Total revenues	-	162,853	165,736
EXPENDITURES			
Public safety			
Police			
Personnel	-	122,753	127,736
Supplies and services	-	4,100	2,000
Capital outlay			
Technology	-	66,403	66,405
Total expenditures	-	193,256	196,141
NET CHANGE IN FUND BALANCE	\$ -	\$ (30,403)	(30,405)
FUND BALANCE, JANUARY 1			30,405
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

Nonmajor Capital Projects Funds

Capital Improvement Fund - to account for the acquisition and construction of capital facilities or equipment other than those financed by special designated assessment funds or enterprise funds.

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

Special Services Area #5 Fund - to account for the cost of construction of certain improvements within the special service area.

Fire Facility Construction Fund - to account for the acquisition and construction of the fire facility.

VILLAGE OF PALATINE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2011

	Capital Improvement	Capital Equipment Acquisition	Special Service Area #5	Fire Facility Construction	Total
ASSETS					
Cash and investments	\$ 5,262,926	\$ 5,435,804	\$ -	\$ 707,785	\$ 11,406,515
Receivables					
Other receivables	9,919	-	-	-	9,919
Due from other governments	390,610	195,300	-	-	585,910
Accrued interest	7,268	7,345	-	-	14,613
Advances to fiduciary funds	2,289	-	-	-	2,289
TOTAL ASSETS	\$ 5,673,012	\$ 5,638,449	\$ -	\$ 707,785	\$ 12,019,246
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 295,443	\$ 38,803	\$ -	\$ -	\$ 334,246
Other deferred revenue	108,579	21,736	-	-	130,315
Total liabilities	404,022	60,539	-	-	464,561
FUND BALANCES					
Nonspendable in form - advances	2,289	-	-	-	2,289
Restricted for capital projects	-	-	-	707,785	707,785
Unrestricted					
Assigned for capital projects	5,266,701	5,577,910	-	-	10,844,611
Total fund balances	5,268,990	5,577,910	-	707,785	11,554,685
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,673,012	\$ 5,638,449	\$ -	\$ 707,785	\$ 12,019,246

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Capital Improvement	Capital Equipment Acquisition	Special Service Area #5	Fire Facility Construction	Total
REVENUES					
Taxes	\$ 1,141,669	\$ 1,320,830	\$ -	\$ -	\$ 2,462,499
Intergovernmental	10,008	-	-	500,000	510,008
Charges for services	35,615	223,059	-	-	258,674
Investment income	10,290	10,293	23	518	21,124
Miscellaneous	-	6,738	-	-	6,738
Total revenues	1,197,582	1,560,920	23	500,518	3,259,043
EXPENDITURES					
Capital outlay	1,059,878	1,414,866	849,170	1,374,852	4,698,766
Total expenditures	1,059,878	1,414,866	849,170	1,374,852	4,698,766
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	137,704	146,054	(849,147)	(874,334)	(1,439,723)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	550,000	1,042,436	-	-	1,592,436
Total other financing sources (uses)	550,000	1,042,436	-	-	1,592,436
NET CHANGE IN FUND BALANCES	687,704	1,188,490	(849,147)	(874,334)	152,713
FUND BALANCES, JANUARY 1	4,581,286	4,389,420	849,147	1,582,119	11,401,972
FUND BALANCES, DECEMBER 31	\$ 5,268,990	\$ 5,577,910	\$ -	\$ 707,785	\$ 11,554,685

See accompanying notes to financial statements.

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, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunications	\$ 1,422,500	\$ 1,422,500	\$ 1,141,669
Charges for services			
50/50 cost sharing programs	-	-	35,615
Intergovernmental			
Park district reimbursement	-	-	10,008
Grants	-	89,557	-
Investment income	20,000	20,000	10,290
Total revenues	1,442,500	1,532,057	1,197,582
EXPENDITURES			
Capital outlay			
Buildings and facilities	135,000	181,557	89,557
Flood control	-	28,000	27,998
Right of way improvements	180,000	210,019	201,612
Street improvements	799,330	927,042	740,711
Total expenditures	1,114,330	1,346,618	1,059,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	328,170	185,439	137,704
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	550,000	550,000
Total other financing sources (uses)	-	550,000	550,000
NET CHANGE IN FUND BALANCE			
	\$ 328,170	\$ 735,439	687,704
FUND BALANCE, JANUARY 1			
			4,581,286
FUND BALANCE, DECEMBER 31			
			\$ 5,268,990

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunications	\$ 1,477,500	\$ 1,477,500	\$ 1,320,830
Charges for service			
Rental income	220,000	220,000	223,059
Investment income	7,500	7,500	10,293
Miscellaneous			
Reimbursements	-	-	6,738
Total revenues	1,705,000	1,705,000	1,560,920
EXPENDITURES			
Capital outlay			
Technology	417,000	304,866	278,303
Vehicles and equipment	1,338,000	1,352,810	1,136,563
Total expenditures	1,755,000	1,657,676	1,414,866
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	47,324	146,054
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	50,000	970,000	1,042,436
Total other financing sources (uses)	50,000	970,000	1,042,436
NET CHANGE IN FUND BALANCE	\$ -	\$ 1,017,324	1,188,490
FUND BALANCE, JANUARY 1			4,389,420
FUND BALANCE, DECEMBER 31			\$ 5,577,910

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL SERVICE AREA #5 FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 23
Total revenues	-	-	23
EXPENDITURES			
Capital outlay			
Right of way improvements	-	-	849,170
Total expenditures	-	-	849,170
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(849,147)
FUND BALANCE, JANUARY 1			849,147
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE FACILITY CONSTRUCTION FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ -	\$ -	\$ 500,000
Investment income	-	-	518
Total revenues	-	-	500,518
EXPENDITURES			
Capital outlay			
Building and facilities	-	1,571,675	1,374,852
Total expenditures	-	1,571,675	1,374,852
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,571,675)	(874,334)
FUND BALANCE, JANUARY 1			1,582,119
FUND BALANCE, DECEMBER 31			\$ 707,785

(See independent auditor's report.)

Internal Service Funds

Internal Service Funds

Fleet Services Fund - to account for the provision of garage services to the various departments of the Village. Financing is provided through a vehicle maintenance fee charged to the using departments.

Health Insurance Fund - to account for the Village's self-insurance program for health insurance. Financing is provided through a fee charged to various village departments.

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

VILLAGE OF PALATINE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

December 31, 2011

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CURRENT ASSETS				
Cash and investments	\$ 251,539	\$ 3,855,651	\$ 3,148,501	\$ 7,255,691
Receivables				
Other	27,763	-	1,451	29,214
Accrued interest	-	6,855	5,958	12,813
Due from other funds	583	-	1,676	2,259
Prepaid items	-	56,645	-	56,645
Inventories	168,865	-	-	168,865
Total current assets	448,750	3,919,151	3,157,586	7,525,487
CURRENT LIABILITIES				
Accounts payable	82,539	437,434	3,594	523,567
Accrued payroll	22,705	-	-	22,705
Due to other funds	-	-	583	583
Claims payable	-	277,500	212,484	489,984
Unearned revenue	-	4,429	-	4,429
Compensated absences payable	12,176	-	-	12,176
Total current liabilities	117,420	719,363	216,661	1,053,444
LONG-TERM LIABILITIES				
Compensated absences payable	48,703	-	-	48,703
Total liabilities	166,123	719,363	216,661	1,102,147
NET ASSETS				
Unrestricted	282,627	3,199,788	2,940,925	6,423,340
TOTAL NET ASSETS	\$ 282,627	\$ 3,199,788	\$ 2,940,925	\$ 6,423,340

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
OPERATING REVENUES				
Intergovernmental	\$ 14,095	\$ -	\$ -	\$ 14,095
Charges for services	1,999,410	5,688,962	1,337,125	9,025,497
Miscellaneous	23,495	-	10,534	34,029
Total operating revenues	2,037,000	5,688,962	1,347,659	9,073,621
OPERATING EXPENSES EXCLUDING DEPRECIATION				
Costs of sales and services	1,921,087	5,773,535	980,308	8,674,930
Total operating expenses	1,921,087	5,773,535	980,308	8,674,930
OPERATING INCOME	115,913	(84,573)	367,351	398,691
NONOPERATING REVENUES (EXPENSES)				
Investment income	111	17,015	14,276	31,402
CHANGE IN NET ASSETS	116,024	(67,558)	381,627	430,093
NET ASSETS, JANUARY 1	166,603	3,267,346	2,559,298	5,993,247
NET ASSETS, DECEMBER 31	\$ 282,627	\$ 3,199,788	\$ 2,940,925	\$ 6,423,340

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 260,881	\$ -	\$ -	\$ 260,881
Receipts from interfund services transactions	1,760,715	5,689,640	1,356,820	8,807,175
Payments to suppliers	(1,155,662)	(5,687,722)	(1,153,191)	(7,996,575)
Payments to employees	(701,640)	-	-	(701,640)
Net cash from operating activities	164,294	1,918	203,629	369,841
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
None	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
None	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	111	11,835	9,658	21,604
Net cash from investing activities	111	11,835	9,658	21,604
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,405	13,753	213,287	391,445
CASH AND CASH EQUIVALENTS, JANUARY 1	87,134	3,841,898	2,935,214	6,864,246
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 251,539</u>	<u>\$ 3,855,651</u>	<u>\$ 3,148,501</u>	<u>\$ 7,255,691</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 115,913	\$ (84,573)	\$ 367,351	\$ 398,691
Adjustments to reconcile operating income (loss) to net cash from operating activities				
(Increase) decrease in				
Other receivables	(14,821)	-	10,837	(3,984)
Due from other funds	(583)	-	(1,676)	(2,259)
Prepaid items	-	40,371	-	40,371
Inventories	32,040	-	-	32,040
Increase (decrease) in				
Accounts payable	22,151	22,941	(6,974)	38,118
Accrued payroll	10,195	-	-	10,195
Due to other funds	-	-	583	583
Claims payable	-	22,500	(166,492)	(143,992)
Unearned revenue	-	679	-	679
Compensated absences payable	(601)	-	-	(601)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 164,294</u>	<u>\$ 1,918</u>	<u>\$ 203,629</u>	<u>\$ 369,841</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Intergovernmental			
Gasoline tax rebate	\$ 13,000	\$ 13,000	\$ 14,095
Charges for services			
Vehicle maintenance	1,908,085	2,019,400	1,999,410
Miscellaneous			
Insurance and property damage	35,000	35,000	20,710
Other	-	-	2,785
Total operating revenues	1,956,085	2,067,400	2,037,000
OPERATING EXPENSES			
Costs of sales and services			
Public works			
Personnel	720,005	720,920	711,235
Supplies and services	1,078,040	1,260,600	1,209,852
Total operating expenses	1,798,045	1,981,520	1,921,087
OPERATING INCOME	158,040	85,880	115,913
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	111
CHANGE IN NET ASSETS	\$ 158,040	\$ 85,880	116,024
NET ASSETS, JANUARY 1			166,603
NET ASSETS, DECEMBER 31			\$ 282,627

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Insurance fees and premiums		
Retiree	\$ 325,000	\$ 422,854
COBRA	-	24,485
Employee	457,640	463,991
Employer	4,679,555	4,777,632
Total operating revenues	5,462,195	5,688,962
OPERATING EXPENSES		
Costs of sales and services		
Administration	324,710	320,600
Insurance claims	5,391,435	5,452,935
Total operating expenses	5,716,145	5,773,535
OPERATING INCOME (LOSS)	(253,950)	(84,573)
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,000	17,015
CHANGE IN NET ASSETS	<u>\$ (247,950)</u>	(67,558)
NET ASSETS, JANUARY 1		<u>3,267,346</u>
NET ASSETS, DECEMBER 31		<u>\$ 3,199,788</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Insurance fees and premiums	\$ 1,337,125	\$ 1,337,125
Miscellaneous		
Reimbursements	-	10,534
Total operating revenues	1,337,125	1,347,659
OPERATING EXPENSES		
Costs of sales and services		
Administration	104,660	92,688
Insurance claims	1,232,650	887,620
Total operating expenses	1,337,310	980,308
OPERATING INCOME (LOSS)	(185)	367,351
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,500	14,276
CHANGE IN NET ASSETS	\$ 7,315	381,627
NET ASSETS, JANUARY 1		2,559,298
NET ASSETS, DECEMBER 31		\$ 2,940,925

(See independent auditor's report.)

Fiduciary Funds

Fiduciary Funds

Pension Trust Funds

Police Pension Fund - to account for the accumulation of resources for pension benefit payments to qualified police officers. Financing is provided by an actuarially determined contribution from the Village.

Firefighters' Pension Fund - to account for the accumulation of resources for pension benefit payments to qualified firefighters. Financing is provided by an actuarially determined contribution from the Village.

Agency Funds

Special Service Areas Fund - to account for the collection of taxes levied to retire special service area bonds for which the Village has no obligation.

Letters of Credit Escrow Funds - to account for the Letter of Credit Escrow funds to complete certain projects for which the Village has no obligation.

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

ERT Hazmat Fund - to account for funds held by the Village from surrounding fire departments for special hazardous materials emergency responses.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
FIDUCIARY FUNDS

December 31, 2011

	Pension Trust		Total	
	Police	Firefighters'	Pension	Agency
	Pension	Pension	Trust	Funds
ASSETS				
Cash and cash equivalents	\$ 923	\$ 986	\$ 1,909	\$ 1,526,669
Investments				
U.S. Treasury securities	9,231,260	9,331,918	18,563,178	-
U.S. agency securities	5,896,176	2,015,365	7,911,541	-
Corporate and international bonds	5,926,727	10,899,820	16,826,547	
Municipal bonds	394,580	-	394,580	
Money market mutual funds	5,055,870	1,758,378	6,814,248	-
Equities	17,734,278	21,682,178	39,416,456	-
Receivables				
Property taxes	-	-	-	590,550
Accrued interest	138,924	113,896	252,820	-
Due from general fund	63,189	63,191	126,380	-
TOTAL ASSETS	\$ 44,441,927	\$ 45,865,732	\$ 90,307,659	\$ 2,117,219
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 40,825
Other liabilities	-	-	-	1,200,840
Due to bondholders	-	-	-	873,265
Advances from other funds	-	-	-	2,289
Total liabilities	-	-	-	\$ 2,117,219
FUND BALANCES				
Reserved for employees' retirement system	44,441,927	45,865,732	90,307,659	
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,441,927	\$ 45,865,732	\$ 90,307,659	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Year Ended December 31, 2011

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 3,489,556	\$ 2,645,961	\$ 6,135,517
Employee	1,102,965	770,818	1,873,783
Total contributions	4,592,521	3,416,779	8,009,300
Investment income			
Net appreciation in fair value of investments	1,500,228	(288,790)	1,211,438
Interest	977,194	861,975	1,839,169
Total investment income	2,477,422	573,185	3,050,607
Less investment expense	(242,384)	(177,987)	(420,371)
Net investment income	2,235,038	395,198	2,630,236
Total additions	6,827,559	3,811,977	10,639,536
DEDUCTIONS			
Administration	21,493	18,637	40,130
Benefits and refunds			
Retirement benefits	2,372,446	2,956,424	5,328,870
Refunds of contributions	40,418	-	40,418
Total deductions	2,434,357	2,975,061	5,409,418
NET INCREASE	4,393,202	836,916	5,230,118
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	40,048,725	45,028,816	85,077,541
December 31	\$ 44,441,927	\$ 45,865,732	\$ 90,307,659

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 3,223,880	\$ 3,489,556
Employee	945,000	1,102,965
Total contributions	4,168,880	4,592,521
Investment income		
Net appreciation in fair value of investments	-	1,500,228
Interest	750,000	977,194
Total investment income	750,000	2,477,422
Less investment expense	(189,800)	(242,384)
Net investment income	560,200	2,235,038
Total additions	4,729,080	6,827,559
DEDUCTIONS		
Administration	24,100	21,493
Benefits and refunds		
Retirement benefits	2,411,100	2,372,446
Refunds of contributions	75,000	40,418
Total deductions	2,510,200	2,434,357
NET INCREASE	\$ 2,218,880	4,393,202
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		40,048,725
December 31		\$ 44,441,927

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 2,378,480	\$ 2,645,961
Employee	950,000	770,818
Total contributions	3,328,480	3,416,779
Investment income		
Net appreciation in fair value of investments	-	(288,790)
Interest	750,000	861,975
Total investment income	750,000	573,185
Less investment expense	(194,500)	(177,987)
Net investment income	555,500	395,198
Total additions	3,883,980	3,811,977
DEDUCTIONS		
Administration	12,400	18,637
Benefits and refunds		
Retirement benefits	3,405,100	2,956,424
Refunds of contributions	75,000	-
Total deductions	3,492,500	2,975,061
NET INCREASE	\$ 391,480	836,916
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		45,028,816
December 31		\$ 45,865,732

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2011

	Balances January 1	Additions	Deletions	Balances December 31
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 858,119	\$ 1,693,380	\$ 1,024,830	\$ 1,526,669
Receivables				
Property taxes	714,822	-	124,272	590,550
Due from residents	12,208	-	12,208	-
TOTAL ASSETS	\$ 1,585,149	\$ 654,975	\$ 739,712	\$ 2,117,219
LIABILITIES				
Accounts payable	\$ 18,428	\$ 40,825	\$ 18,428.00	\$ 40,825
Other liabilities	610,179	1,652,185	1,061,524	1,200,840
Due to Cook County	23,230	-	23,230	-
Due to bondholders	921,104	542,911	590,750	873,265
Advances from other funds	12,208	-	9,919	2,289
TOTAL LIABILITIES	\$ 1,585,149	\$ 2,235,921	\$ 1,703,851	\$ 2,117,219
Special Service Areas Fund				
ASSETS				
Cash and cash equivalents	\$ 847,041	\$ 654,975	\$ 603,232	\$ 898,784
Receivables				
Property taxes	714,822	-	124,272	590,550
Due from residents	12,208	-	12,208	-
TOTAL ASSETS	\$ 1,574,071	\$ 654,975	\$ 739,712	\$ 1,489,334
LIABILITIES				
Accounts payable	\$ 14,821	\$ -	\$ 14,821	\$ -
Other liabilities	602,708	613,780	602,708	613,780
Due to Cook County	23,230	-	23,230	-
Due to bondholders	921,104	542,911	590,750	873,265
Advances from other funds	12,208	-	9,919	2,289
TOTAL LIABILITIES	\$ 1,574,071	\$ 1,156,691	\$ 1,241,428	\$ 1,489,334
Letters of Credit Escrow Funds				
ASSETS				
Cash and cash equivalents	\$ 11,078	\$ 535,609	\$ 40,295	\$ 506,392
TOTAL ASSETS	\$ 11,078	\$ 535,609	\$ 40,295	\$ 506,392
LIABILITIES				
Accounts payable	\$ 3,607	\$ 40,825	\$ 3,607	\$ 40,825
Other liabilities	7,471	535,609	77,513	465,567
TOTAL LIABILITIES	\$ 11,078	\$ 576,434	\$ 81,120	\$ 506,392

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (Continued)
AGENCY FUNDS

For the Year Ended December 31, 2011

	Balances January 1	Additions	Deletions	Balances December 31
Section 125 Fund				
ASSETS				
Cash and cash equivalents	\$ -	\$ 476,090	\$ 381,303	\$ 94,787
TOTAL ASSETS	\$ -	\$ 476,090	\$ 381,303	\$ 94,787
LIABILITIES				
Other liabilities	\$ -	\$ 476,090	\$ 381,303	\$ 94,787
TOTAL LIABILITIES	\$ -	\$ 476,090	\$ 381,303	\$ 94,787
ERT Hazmat Fund				
ASSETS				
Cash and cash equivalents	\$ -	\$ 26,706	\$ -	\$ 26,706
TOTAL ASSETS	\$ -	\$ 26,706	\$ -	\$ 26,706
LIABILITIES				
Other liabilities	\$ -	\$ 26,706	\$ -	\$ 26,706
TOTAL LIABILITIES	\$ -	\$ 26,706	\$ -	\$ 26,706

(See independent auditor's report.)

SUPPLEMENTAL SECTION

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
TAXES			
Property tax			
Police protection	\$ 5,168,360	\$ 5,168,360	\$ 5,092,647
Fire protection	5,168,360	5,168,360	5,091,043
FICA	2,100,000	2,100,000	2,071,855
IMRF	1,300,000	1,300,000	1,281,546
Police pension	3,223,880	3,223,880	3,208,907
Fire pension	2,378,480	2,378,480	2,353,373
Home rule sales tax	3,945,000	3,945,000	4,232,849
Food and beverage	1,058,000	1,058,000	1,050,717
Motel occupancy tax	216,300	216,300	197,893
Electric utility use tax	900,000	900,000	1,428,854
Total taxes	25,458,380	25,458,380	26,009,684
LICENSES AND PERMITS			
Professional and occupational licenses	245,980	245,980	254,305
Liquor licenses	335,000	335,000	322,543
Rental and dwelling licenses	190,400	190,400	284,615
Building permits and fees	434,000	434,000	491,109
Vehicle licenses	1,226,500	1,226,500	1,200,128
Other licenses and permits	147,800	147,800	142,424
Total licenses and permits	2,579,680	2,579,680	2,695,124
INTERGOVERNMENTAL			
State sales tax	6,913,000	6,913,000	7,623,337
State income tax	4,740,100	4,740,100	5,341,577
Local use tax	708,200	708,200	1,005,052
Township road and bridge tax	708,400	708,400	746,346
Fire protection district reimbursement	571,500	571,500	615,856
Police consultant - schools	545,060	545,060	545,060
TIF rebate	530,000	538,650	533,646
State highway maintenance	129,480	129,480	130,170
Personal property replacement tax	74,800	74,800	94,504
Other intergovernmental	126,900	226,560	255,871
Total intergovernmental	15,047,440	15,155,750	16,891,419

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
CHARGES FOR SERVICES			
Cable TV franchise fees	\$ 605,000	\$ 605,000	\$ 721,799
Plan review fees	170,500	170,500	178,478
Inspection fees	219,490	219,490	230,986
Special police service	131,300	131,300	100,453
Special fire service	30,000	30,000	22,217
Ambulance fees	1,100,000	1,100,000	1,175,009
Vehicle impound fees	320,000	320,000	304,000
Street fest revenue	120,000	120,000	120,000
Rental income	210,000	210,000	173,021
Other charges for services	100,790	100,790	80,175
Total charges for services	3,007,080	3,007,080	3,106,138
FINES AND FORFEITS			
Circuit court fines	480,000	480,000	374,693
Parking fines	185,670	185,670	128,677
Compliance fines	192,475	192,475	211,853
Red light violation fines	450,000	450,000	178,252
Adjudication and other fines	65,000	65,000	28,644
Total fines and forfeits	1,373,145	1,373,145	922,119
INVESTMENT INCOME	33,250	33,250	250,177
MISCELLANEOUS			
Recoveries and refunds	70,000	75,000	107,181
Reimbursements	35,000	174,825	156,257
Donations	-	7,120	7,576
Other	600	600	14,244
Total miscellaneous	105,600	257,545	285,258
TOTAL REVENUES	\$ 47,604,575	\$ 47,864,830	\$ 50,159,919

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
Mayor and council			
Personnel	\$ 207,845	\$ 207,760	\$ 174,865
Supplies and services	40,095	40,095	35,247
Boards and commissions			
Personnel	3,520	3,520	1,535
Supplies and services	49,440	38,459	33,387
Village clerk			
Personnel	177,225	177,453	173,124
Supplies and services	23,800	23,800	8,941
Village manager			
Personnel	778,755	788,175	764,529
Supplies and services	333,945	350,856	303,643
Finance and operations			
Personnel	771,390	772,525	655,708
Supplies and services	401,115	396,115	301,110
Legal			
Personnel	68,895	68,660	68,106
Supplies and services	477,250	437,565	384,512
Human resources			
Personnel	459,885	1,033,882	1,030,325
Supplies and services	40,425	40,242	21,523
Planning and zoning			
Personnel	470,060	470,431	466,265
Supplies and services	7,700	14,164	10,407
Information technology			
Personnel	838,130	839,199	831,411
Supplies and services	344,050	350,480	331,183
Liability insurance			
Supplies and services	1,337,125	1,337,125	1,337,125
Less administrative fees			
CDBG	(88,770)	(88,770)	(95,966)
Water Fund	(55,000)	(55,000)	(55,000)
Sewerage Fund	(335,000)	(335,000)	(335,000)
Refuse Fund	(100,000)	(100,000)	(100,000)
Motor Vehicle Parking System Fund	(50,000)	(50,000)	(50,000)
Total general government	6,201,880	6,761,736	6,296,980

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
PUBLIC SAFETY			
Community services			
Personnel	\$ 1,649,265	\$ 1,664,026	\$ 1,669,833
Supplies and services	114,505	105,515	97,855
Police			
Personnel	18,044,185	18,350,069	18,076,173
Supplies and services	1,441,415	1,453,095	1,381,954
Fire			
Personnel	14,031,320	14,204,359	14,218,303
Supplies and services	797,465	800,268	767,253
Total public safety	36,078,155	36,577,332	36,211,371
PUBLIC WORKS			
Engineering			
Personnel	413,610	414,062	402,879
Supplies and services	26,005	26,005	16,745
Public works			
Personnel	3,347,235	3,286,121	3,234,632
Supplies and services	2,295,900	2,339,598	2,210,798
Total public works	6,082,750	6,065,786	5,865,054
TOTAL EXPENDITURES	\$ 48,362,785	\$ 49,404,854	\$ 48,373,405

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN TIF FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
ECONOMIC DEVELOPMENT			
Supplies and services	\$ 50,000	\$ 44,415	\$ 31,223
Project expenditures	35,000	721,525	684,636
Capital outlay			
Building and facilities	250,000	286,195	236,088
Right of way improvements	114,500	66,328	66,326
Streets	500,000	2,001,516	1,471,197
Total capital outlay	864,500	2,354,039	1,773,611
Total economic development	949,500	3,119,979	2,489,470
DEBT SERVICE			
General obligation bond			
Taxable refunding series 2003			
Principal retirement	410,000	410,000	410,000
Interest	40,995	40,995	40,995
Fiscal charges	1,000	1,000	600
Taxable increment series 2003			
Principal retirement	117,250	117,250	117,249
Interest	11,420	11,420	11,420
Fiscal charges	1,000	1,000	-
Series 2004			
Principal retirement	150,000	150,000	150,000
Interest	40,065	29,865	24,625
Fiscal charges	1,000	1,000	900
Taxable series 2004A			
Principal retirement	365,000	365,000	365,000
Interest	283,395	283,395	283,395
Fiscal charges	1,000	1,000	600
Refunding series 2004D			
Principal retirement	35,000	35,000	35,000
Interest	194,600	194,600	194,600
Fiscal charges	1,000	1,000	500
Series 2007A			
Interest	14,600	14,600	14,600
Fiscal charges	1,000	1,000	300
Taxable series 2007B			
Principal retirement	390,000	390,000	390,000
Interest	330,495	330,495	330,493
Fiscal charges	1,000	1,000	300
Series 2009E			
Interest	389,925	389,925	389,925
Fiscal charges	1,000	1,000	500

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
DOWNTOWN TIF FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
DEBT SERVICE (Continued)			
Refunding series 2010B			
Principal retirement	\$ 1,545,000	\$ 1,545,000	\$ 1,545,000
Interest	396,425	396,425	396,425
Fiscal charges	1,000	1,000	500
Refunding series 2011B			
Interest	-	10,200	10,200
Bond issuance costs	-	27,055	29,306
Limited obligation TIF notes			
Series 2006B			
Principal retirement	10,000	15,585	15,581
Interfund loan			
Interest	-	245,000	245,000
Total debt service	4,733,170	5,010,810	5,003,014
TOTAL EXPENDITURES	\$ 5,682,670	\$ 8,130,789	\$ 7,492,484

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property taxes	\$ 2,841,495	\$ 2,841,495	\$ 2,702,466
Intergovernmental			
Build America bond interest rebate	167,220	167,220	632,176
Investment income	10,000	10,000	2,203
Total revenues	3,018,715	3,018,715	3,336,845
EXPENDITURES			
Debt service			
Principal retirement	2,195,660	2,195,660	2,195,660
Interest	2,127,500	2,211,100	2,211,098
Fiscal charges	10,000	137,860	125,689
Total expenditures	4,333,160	4,544,620	4,532,447
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES			
	(1,314,445)	(1,525,905)	(1,195,602)
OTHER FINANCING SOURCES (USES)			
Bonds issued, at par	-	629,460	455,802
Bond premium	-	-	173,660
Proceeds from sale of capital assets	-	464,320	464,320
Total other financing sources (uses)	-	1,093,780	1,093,782
NET CHANGE IN FUND BALANCE			
	<u>\$ (1,314,445)</u>	<u>\$ (432,125)</u>	(101,820)
FUND BALANCE, JANUARY 1			
			<u>2,685,963</u>
FUND BALANCE, DECEMBER 31			
			<u><u>\$ 2,584,143</u></u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL OBLIGATION BOND FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
DEBT SERVICE			
General obligation bond			
Refunding series 2003			
Principal retirement	\$ 406,840	\$ 406,840	\$ 406,840
Interest	30,910	30,910	30,910
Fiscal charges	1,000	1,000	600
Refunding series 2004C			
Principal retirement	3,130	3,130	3,130
Interest	46,095	46,095	46,093
Fiscal charges	1,000	1,000	500
Refunding series 2005			
Principal retirement	2,350	2,350	2,350
Interest	15,790	15,790	15,790
Fiscal charges	1,000	1,000	500
Series 2009A			
Principal retirement	45,000	45,000	45,000
Interest	51,125	51,125	51,125
Fiscal charges	1,000	1,000	400
Series 2009C			
Interest	400,275	400,275	400,275
Fiscal charges	1,000	1,000	500
Series 2009D			
Interest	88,425	88,425	88,425
Fiscal charges	1,000	1,000	500
Series 2009F			
Interest	77,500	77,500	77,500
Fiscal charges	1,000	1,000	500
Refunding series 2009G			
Principal retirement	1,658,345	1,658,345	1,658,345
Interest	72,980	72,980	72,978
Fiscal charges	1,000	1,000	500
Refunding Series 2010A			
Principal retirement	7,275	7,275	7,275
Interest	4,425	4,425	4,425
Fiscal charges	1,000	1,000	800
Series 2010C			
Interest	1,328,440	1,328,440	1,328,441
Fiscal charges	500	500	250
Refunding Series 2010D			
Principal retirement	72,720	72,720	72,720
Interest	11,535	11,535	11,536
Fiscal charges	500	500	250
Series 2011A			
Interest	-	83,600	83,600
Bond issuance costs	-	127,860	120,389
TOTAL EXPENDITURES	\$ 4,333,160	\$ 4,544,620	\$ 4,532,447

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POLICE FACILITY CONSTRUCTION FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 5,162
Total revenues	-	-	5,162
EXPENDITURES			
Capital outlay			
Building and structures	-	15,559,384	15,559,384
Total expenditures	-	15,559,384	15,559,384
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(15,559,384)	(15,554,222)
OTHER FINANCING SOURCES (USES)			
Bonds issued, at par	-	6,544,200	6,544,198
Total other financing sources (uses)	-	6,544,200	6,544,198
NET CHANGE IN FUND BALANCE	\$ -	\$ (9,015,184)	(9,010,024)
FUND BALANCE, JANUARY 1			11,261,720
FUND BALANCE, DECEMBER 31			\$ 2,251,696

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 8,657,500	\$ 8,657,500	\$ 9,032,285
Miscellaneous	35,000	35,000	52,409
Total operating revenues	8,692,500	8,692,500	9,084,694
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	6,543,925	6,187,033	5,925,761
Administrative fees - General Fund	55,000	55,000	55,000
Total operating expenses excluding depreciation	6,598,925	6,242,033	5,980,761
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	2,093,575	2,450,467	3,103,933
DEPRECIATION AND AMORTIZATION	-	-	686,740
OPERATING INCOME	2,093,575	2,450,467	2,417,193
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	258
Interest expense	(1,019,280)	(1,019,280)	(455,415)
Expense from joint venture	-	-	(76,550)
Total nonoperating revenues (expenses)	(1,014,280)	(1,014,280)	(531,707)
NET INCOME BEFORE TRANSFERS	1,079,295	1,436,187	1,885,486
Transfers (out)	(126,500)	(126,500)	(126,500)
CHANGE IN NET ASSETS	\$ 952,795	\$ 1,309,687	1,758,986
NET ASSETS, JANUARY 1			18,285,196
NET ASSETS, DECEMBER 31			\$ 20,044,182

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Water use fees			
Resident	\$ 6,492,000	\$ 6,492,000	\$ 6,794,937
Nonresident	1,589,000	1,589,000	1,568,946
Other	15,000	15,000	30,783
Water penalties			
Resident	50,000	50,000	66,249
Nonresident	9,000	9,000	16,199
User charge			
Resident	415,000	415,000	418,246
Nonresident	25,000	25,000	24,415
System development surcharge	15,000	15,000	16,562
Water extension fee	15,000	15,000	29,795
Water connection fees	10,000	10,000	8,700
Water meter sales	15,000	15,000	44,452
Water turn-on/service fees	7,500	7,500	13,001
Total charges for services	8,657,500	8,657,500	9,032,285
Miscellaneous - reimbursements	35,000	35,000	52,409
TOTAL OPERATING REVENUES	\$ 8,692,500	\$ 8,692,500	\$ 9,084,694

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Personnel	\$ 354,070	\$ 371,210	\$ 386,805
Supplies and services	141,250	141,250	151,977
Engineering			
Personnel	102,435	102,130	101,263
Public works			
Personnel	1,031,210	1,032,610	1,050,934
Supplies and services	801,815	833,260	660,588
Water purchase - Northwest Water	2,651,000	2,795,260	2,795,260
Capital projects			
Water system	1,462,145	911,313	778,934
Total costs of sales and services	6,543,925	6,187,033	5,925,761
Administrative fees - General Fund	55,000	55,000	55,000
TOTAL OPERATING EXPENSES	\$ 6,598,925	\$ 6,242,033	\$ 5,980,761

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 3,310,600	\$ 3,310,600	\$ 3,243,296
Miscellaneous	500	500	6,829
Total operating revenues	3,311,100	3,311,100	3,250,125
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,825,305	1,859,295	1,068,185
Administrative fees - General Fund	335,000	335,000	335,000
Total operating expenses	2,160,305	2,194,295	1,403,185
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	1,150,795	1,116,805	1,846,940
DEPRECIATION AND AMORTIZATION	-	-	1,201,238
OPERATING INCOME	1,150,795	1,116,805	645,702
NONOPERATING REVENUES (EXPENSES)			
Investment income	6,000	6,000	9,215
Interest and fiscal charges	(1,187,225)	(1,187,225)	(459,491)
Total nonoperating revenues (expenses)	(1,181,225)	(1,181,225)	(450,276)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(30,430)	(64,420)	195,426
Contributions	-	-	1,440
Transfers (out)	(126,500)	(126,500)	(126,500)
CHANGE IN NET ASSETS	\$ (156,930)	\$ (190,920)	70,366
NET ASSETS, JANUARY 1			18,744,775
NET ASSETS, DECEMBER 31			\$ 18,815,141

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
<hr/>			
OPERATING REVENUES			
Charges for services			
Sewer use fees			
Incorporated	\$ 1,692,000	\$ 1,692,000	\$ 1,645,088
Unincorporated	304,500	304,500	290,135
Sewer penalties			
Incorporated	27,500	27,500	29,912
Unincorporated	2,000	2,000	2,675
Sewer connection fees	6,000	6,000	5,547
Surcharges			
Sewer separation surcharge	131,000	131,000	143,222
Fair Meadows surcharge	1,600	1,600	1,753
Flood control surcharge	1,146,000	1,146,000	1,120,415
50/50 sewer extension	-	-	4,549
	<hr/>		
Total charges for services	3,310,600	3,310,600	3,243,296
Miscellaneous - reimbursements	500	500	6,829
	<hr/>		
TOTAL OPERATING REVENUES	\$ 3,311,100	\$ 3,311,100	\$ 3,250,125
	<hr/>		

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Supplies and services	\$ -	\$ -	\$ 4,103
Engineering			
Personnel	119,055	118,690	119,080
Public works			
Personnel	491,160	493,050	503,499
Supplies and services	180,090	180,090	133,381
Capital Projects			
Flood Control	385,000	999,577	494,124
Less: Fixed assets capitalized	-	(197,737)	(197,737)
Sanitary sewer	650,000	280,400	26,510
Less: Fixed assets capitalized	-	(14,775)	(14,775)
Total costs of sales and services	1,825,305	1,859,295	1,068,185
Administrative fees - General Fund	335,000	335,000	335,000
TOTAL OPERATING EXPENSES	\$ 2,160,305	\$ 2,194,295	\$ 1,403,185

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Parking fees	\$ 646,500	\$ 646,500	\$ 679,455
Total operating revenues	646,500	646,500	679,455
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	574,835	551,655	510,654
Administrative fees - General Fund	50,000	50,000	50,000
Total operating expenses	624,835	601,655	560,654
OPERATING INCOME BEFORE DEPRECIATION	21,665	44,845	118,801
DEPRECIATION	-	-	784,080
OPERATING INCOME (LOSS)	21,665	44,845	(665,279)
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,000	2,000	549
Grants	-	12,320	101,877
Total nonoperating revenues (expenses)	2,000	14,320	102,426
CHANGE IN NET ASSETS	\$ 23,665	\$ 59,165	(562,853)
NET ASSETS, JANUARY 1			12,655,556
NET ASSETS, DECEMBER 31			\$ 12,092,703

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
<hr/>			
OPERATING EXPENSES			
Cost of sales and services			
Finance and operations			
Supplies and service	\$ 59,000	\$ 59,000	\$ 50,510
Public works			
Supplies and service	445,835	490,155	457,644
Capital projects			
Buildings and facilities	70,000	2,500	2,500
	<hr/>		
Total cost of sales and services	574,835	551,655	510,654
	<hr/>		
Administrative fees - General Fund	50,000	50,000	50,000
	<hr/>		
TOTAL OPERATING EXPENSES	\$ 624,835	\$ 601,655	\$ 560,654
	<hr/>		

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Original and Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Refuse billing	\$ 4,495,340	\$ 4,649,761
Total operating revenues	4,495,340	4,649,761
OPERATING EXPENSES		
Refuse collection	4,388,840	4,288,685
Administrative fees - General Fund	100,000	100,000
Total operating expenses	4,488,840	4,388,685
OPERATING INCOME	6,500	261,076
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,000	3,692
Total nonoperating revenues (expenses)	4,000	3,692
CHANGE IN NET ASSETS	\$ 10,500	264,768
NET ASSETS, JANUARY 1		1,702,691
NET ASSETS, DECEMBER 31		\$ 1,967,459

(See independent auditor's report.)

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.	123-130
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	131-135
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 additional debt in the future.	136-139
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.	140-141
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.	142-144

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Village implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

VILLAGE OF PALATINE, ILLINOIS

NET ASSETS BY COMPONENT

Last Nine Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
GOVERNMENTAL ACTIVITIES									
Invested in capital assets net of related debt	\$ 13,245,415	\$ 101,812,134	\$ 100,693,938	\$ 105,405,740	\$ 92,401,441	\$ 101,570,852	\$ 133,517,262	\$ 133,599,587	\$ 129,862,356
Restricted	16,555,350	14,477,732	19,730,260	21,578,252	24,347,626	21,004,875	42,399,832	40,641,243	10,854,118
Unrestricted	(68,086,523)	988,732	15,647,897	14,979,825	35,686,515	24,652,055	(17,333,619)	(9,711,908)	27,281,648
TOTAL GOVERNMENTAL ACTIVITIES	\$ (38,285,758)	\$ 117,278,598	\$ 136,072,095	\$ 141,963,817	\$ 152,435,582	\$ 147,227,782	\$ 158,583,475	\$ 164,528,922	\$ 167,998,122
BUSINESS-TYPE ACTIVITIES									
Invested in capital assets net of related debt	\$ 38,317,989	\$ 37,852,794	\$ 26,012,558	\$ 37,479,931	\$ 32,624,663	\$ 38,558,066	\$ 38,891,700	\$ 35,931,798	\$ 35,235,617
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	5,080,603	4,153,291	17,342,996	5,306,733	14,999,979	12,593,058	11,648,072	15,456,420	17,683,868
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 43,398,592	\$ 42,006,085	\$ 43,355,554	\$ 42,786,664	\$ 47,624,642	\$ 51,151,124	\$ 50,539,772	\$ 51,388,218	\$ 52,919,485
PRIMARY GOVERNMENT									
Invested in capital assets net of related debt	\$ 51,563,404	\$ 139,664,928	\$ 126,706,496	\$ 142,885,671	\$ 125,026,104	\$ 140,128,918	\$ 172,408,962	\$ 169,531,385	\$ 165,097,973
Restricted	16,555,350	14,477,732	19,730,260	21,578,252	24,347,626	21,004,875	42,399,832	40,641,243	10,854,118
Unrestricted	(63,005,920)	5,142,023	32,990,893	20,286,558	50,686,494	37,245,113	(5,685,547)	5,744,512	44,965,516
TOTAL PRIMARY GOVERNMENT	\$ 159,284,683	\$ 159,284,683	\$ 179,427,649	\$ 184,750,481	\$ 200,060,224	\$ 198,378,906	\$ 209,123,247	\$ 215,917,140	\$ 220,917,607

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET ASSETS

Last Nine Fiscal Years

Fiscal Year	2003	2004	2005
EXPENSES			
Governmental activities			
General government	\$ 14,030,449	\$ 7,296,867	\$ 6,932,885
Public safety	23,580,798	25,265,921	26,321,237
Public works	5,502,174	8,251,434	9,713,501
Economic development	2,465,912	7,870,270	3,743,670
Interest and fiscal charges	4,069,311	3,804,206	3,762,226
Total governmental activities expenses	49,648,644	52,488,698	50,473,519
Business-type activities			
Water	5,589,517	6,214,408	5,862,991
Sewer	1,449,894	1,666,910	1,716,882
Parking system	1,076,518	1,283,080	1,348,318
Refuse collection	3,737,144	3,889,091	4,137,678
Total business-type activities expenses	11,853,073	13,053,489	13,065,869
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 61,501,717	\$ 65,542,187	\$ 63,539,388
PROGRAM REVENUES			
Governmental activities			
Charges for services			
General government	\$ 3,838,926	\$ 4,680,502	\$ 4,369,604
Public safety	1,320,488	2,016,434	2,231,093
Other activities	183,702	222,263	194,548
Operating grants and contributions	2,317,615	2,141,380	2,282,683
Capital grants and contributions	665,597	386,201	461,311
Total governmental activities program revenues	8,326,328	9,446,780	9,539,239
Business-type activities			
Charges for services			
Water	5,277,097	5,579,599	6,329,850
Sewer	2,028,924	2,072,020	2,169,364
Parking system	573,827	562,039	607,332
Refuse collection	3,992,404	3,949,680	4,043,296
Operating grants	-	-	-
Capital grants and contributions	150,000	70,000	-
Total business-type activities program revenues	12,022,252	12,233,338	13,149,842
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 20,348,580	\$ 21,680,118	\$ 22,689,081
NET (EXPENSE) REVENUES			
Governmental activities	\$ (41,322,316)	\$ (43,041,918)	\$ (40,934,280)
Business-type activities	169,179	(820,151)	83,973
TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE	\$ (41,153,137)	\$ (43,862,069)	\$ (40,850,307)

2006	2007	2008	2009	2010	2011
\$ 7,346,275	\$ 9,008,572	\$ 9,191,571	\$ 8,314,739	\$ 7,911,734	\$ 8,092,022
28,713,081	29,416,464	31,825,692	33,898,460	35,204,860	37,174,518
8,643,238	9,080,835	13,227,490	10,720,807	10,000,129	11,346,788
9,779,022	5,943,316	17,188,453	1,539,146	6,828,477	7,618,221
4,295,123	4,340,856	3,710,426	3,411,066	4,190,376	4,965,687
58,776,739	57,790,043	75,143,632	57,884,218	64,135,576	69,197,236
5,692,588	5,876,757	6,354,122	6,188,396	6,121,039	7,199,466
1,788,004	2,468,787	3,904,841	3,391,245	3,103,688	3,063,914
1,395,069	1,535,188	1,566,202	1,431,482	1,405,859	1,344,734
4,006,515	4,178,546	4,279,643	4,227,437	4,218,165	4,388,685
12,882,176	14,059,278	16,104,808	15,238,560	14,848,751	15,996,799
\$ 71,658,915	\$ 71,849,321	\$ 91,248,440	\$ 73,122,778	\$ 78,984,327	\$ 85,194,035
\$ 4,379,572	\$ 4,135,624	\$ 4,024,203	\$ 4,192,225	\$ 4,129,923	\$ 3,988,510
2,518,276	2,810,527	2,864,677	3,750,916	3,345,737	4,167,979
263,374	252,771	231,618	259,356	242,032	1,001,900
2,244,660	2,248,482	2,016,108	2,262,495	2,863,781	18,020,890
479,231	880,338	6,342,160	1,592,266	3,465,779	1,726,883
9,885,113	10,327,742	15,478,766	12,057,258	14,047,252	28,906,162
5,934,839	6,471,798	6,161,045	6,417,950	7,208,992	9,084,694
2,257,277	2,681,760	2,823,386	3,128,333	3,189,687	3,250,125
621,311	629,866	663,178	630,319	654,485	679,455
4,083,059	4,403,667	4,662,852	4,414,604	4,426,123	4,649,761
-	-	-	-	-	12,320
-	-	-	4,271	208,347	90,997
12,896,486	14,187,091	14,310,461	14,595,477	15,687,634	17,767,352
\$ 22,781,599	\$ 24,514,833	\$ 29,789,227	\$ 26,652,735	\$ 29,734,886	\$ 46,673,514
\$ (48,891,626)	\$ (47,462,301)	\$ (59,664,866)	\$ (45,826,960)	\$ (50,088,324)	\$ (40,291,074)
14,310	127,813	(1,794,347)	(643,083)	838,883	1,770,553
\$ (48,877,316)	\$ (47,334,488)	\$ (61,459,213)	\$ (46,470,043)	\$ (49,249,441)	\$ (38,520,521)

VILLAGE OF PALATINE, ILLINOIS
CHANGES IN NET ASSETS (Continued)

Last Nine Fiscal Years

Fiscal Year	2003	2004	2005
GENERAL REVENUES AND OTHER			
CHANGES IN NET ASSETS			
Governmental activities			
Taxes			
Property and replacement	\$ 20,579,767	\$ 22,567,392	\$ 25,279,383
Sales	9,009,385	11,743,223	12,503,160
Use	591,093	692,011	771,761
Telecommunications	1,888,270	2,011,046	2,125,860
Income	4,057,697	4,189,384	4,919,232
Hotel/motel	271,047	263,437	284,961
Food and beverage	-	925,786	1,017,298
Other	54,755	63,178	58,995
Investment income	884,162	452,726	824,104
Miscellaneous	313,933	1,034,092	208,006
Gain on sale of capital assets	2,895,511	-	72,191
Special item	(900,000)	-	-
Transfers	2,190,650	762,795	(1,192,800)
Total governmental activities	41,836,270	44,705,070	46,872,151
Business-type activities			
Investment income	40,366	42,908	101,978
Income (loss) from joint venture	66,974	49,581	(40,927)
Gain on sale of capital assets	146,470	97,950	11,645
Transfers	(2,190,650)	(762,795)	1,192,800
Total business-type activities	(1,936,840)	(572,356)	1,265,496
TOTAL PRIMARY GOVERNMENT	\$ 39,899,430	\$ 44,132,714	\$ 48,137,647
CHANGE IN NET ASSETS			
Governmental activities	\$ 513,954	\$ 1,663,152	\$ (2,019,475)
Business-type activities	(1,767,661)	(1,392,507)	1,279,806
TOTAL PRIMARY GOVERNMENT			
CHANGE IN NET ASSETS	\$ (1,253,707)	\$ 270,645	\$ (739,669)

Data Source

Audited Financial Statements

	2006	2007	2008	2009	2010	2011
\$	29,044,078	\$ 30,267,938	\$ 33,826,733	\$ 34,470,637	\$ 33,436,550	\$ 33,563,321
	12,723,171	13,059,102	12,554,739	11,063,069	11,684,116	4,232,849
	864,346	889,392	956,775	834,769	889,533	-
	2,378,621	2,987,002	2,870,797	2,834,118	2,796,032	2,462,499
	5,403,355	5,863,302	6,270,922	5,476,622	5,307,674	-
	334,913	-	-	-	-	-
	1,047,248	1,029,233	1,062,201	1,045,860	1,043,856	-
	56,281	420,513	405,705	240,351	237,067	2,677,464
	1,928,010	2,211,847	1,081,574	400,701	305,545	285,881
	248,570	214,546	326,910	403,633	333,398	285,260
	-	231,191	171,738	50,333	-	-
	-	-	-	-	-	-
	754,755	760,000	-	-	-	253,000
	54,783,348	57,934,066	59,528,094	56,820,093	56,033,771	43,760,274
	238,653	291,401	150,061	31,731	9,563	13,714
	(89,098)	221,989	294,123	-	-	-
	22,000	-	-	-	-	-
	(754,755)	(760,000)	-	-	-	(253,000)
	(583,200)	(246,610)	444,184	31,731	9,563	(239,286)
\$	54,200,148	\$ 57,687,456	\$ 59,972,278	\$ 56,851,824	\$ 56,043,334	\$ 43,520,988
\$	5,891,722	\$ 10,471,765	\$ (136,772)	\$ 10,993,133	\$ 5,945,447	\$ 3,469,200
	(568,890)	(118,797)	(1,350,163)	(611,352)	848,446	1,531,267
\$	5,322,832	\$ 10,352,968	\$ (1,486,935)	\$ 10,381,781	\$ 6,793,893	\$ 5,000,467

VILLAGE OF PALATINE, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
GENERAL FUND										
Reserved	\$ 1,383,209	\$ 21,885	\$ 25,965	\$ 26,470	\$ 5,042,920	\$ 5,287,920	\$ 5,536,201	\$ 5,898,008	\$ 6,025,530	\$ -
Unreserved	9,673,963	7,800,804	12,316,855	16,285,665	12,604,862	13,056,080	11,641,186	10,608,000	9,745,168	-
Nonspendable	-	-	-	-	-	-	-	-	-	6,267,920
Unassigned	-	-	-	-	-	-	-	-	-	12,657,972
TOTAL GENERAL FUND	\$ 11,057,172	\$ 7,822,689	\$ 12,342,820	\$ 16,312,135	\$ 17,647,782	\$ 18,344,000	\$ 17,177,387	\$ 16,506,008	\$ 15,770,698	\$ 18,925,892
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,639,069
Reserved	19,961,905	19,172,957	21,650,756	19,858,828	28,720,235	28,100,314	28,994,327	42,712,889	57,163,551	-
Restricted	-	-	-	-	-	-	-	-	-	11,992,418
Unreserved, reported in										
Special Revenue Funds	(279,188)	(2,426,919)	-	-	(5,267,911)	852,177	(1,874,180)	-	-	-
Capital Project Funds	8,568,070	4,454,190	-	-	-	-	-	(106,775)	-	-
Assigned	-	-	-	-	-	-	-	-	-	10,844,611
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 28,250,787	\$ 21,200,228	\$ 21,650,756	\$ 19,858,828	\$ 23,452,324	\$ 28,952,491	\$ 27,120,147	\$ 42,606,114	\$ 57,163,551	\$ 47,476,098

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	\$ 28,187,497	\$ 32,339,563	\$ 38,202,894	\$ 41,982,423	\$ 46,392,377	\$ 48,653,181	\$ 51,676,949	\$ 50,488,804	\$ 50,087,153	\$ 42,936,134
Licenses and permits	3,078,192	2,686,698	3,212,245	3,121,288	3,242,695	3,061,764	3,088,823	3,081,984	3,112,015	2,695,124
Intergovernmental	9,738,719	7,587,384	7,326,489	8,355,118	9,075,448	9,924,521	9,520,180	9,374,441	12,810,025	21,894,742
Charges for services	2,250,890	763,501	2,051,636	2,021,009	1,842,979	2,130,142	1,814,636	1,845,422	1,839,736	3,364,812
Fines and forfeitures	707,736	1,091,158	716,827	741,524	885,018	893,496	1,061,999	1,948,079	1,256,149	944,747
Investment income	1,068,113	633,457	452,727	824,104	1,928,007	2,211,847	1,081,573	404,698	305,545	285,881
Contributions	-	-	-	-	-	-	6,165,959	1,000,000	-	-
Miscellaneous	631,708	561,739	1,509,635	486,533	547,182	395,666	425,003	683,590	670,400	291,996
Total revenues	45,662,855	45,663,500	53,472,453	57,531,999	63,913,706	67,270,617	74,835,122	68,827,018	70,081,023	72,413,436
EXPENDITURES										
General government	7,131,726	7,276,925	6,198,790	7,125,694	7,814,881	8,838,522	10,747,502	8,507,772	7,713,816	6,296,980
Public safety	22,243,996	23,025,770	24,522,768	25,640,194	27,386,129	28,822,573	31,524,578	31,678,221	33,638,662	36,499,775
Public works	4,384,748	4,837,569	7,179,264	7,217,325	6,729,375	7,563,075	8,652,609	8,370,752	8,250,868	5,870,884
Health	619,770	-	-	-	-	-	-	-	-	-
Retirement systems	-	-	-	-	-	-	-	-	-	-
Economic development	-	1,960,467	7,656,265	2,984,458	9,264,353	2,952,388	17,188,453	1,504,577	6,828,477	5,776,274
Capital outlay	23,766,467	8,925,400	3,886,664	2,796,534	2,874,863	6,125,005	5,495,697	15,945,994	9,139,690	24,177,056
Debt service										
Principal retirement	2,750,000	3,081,780	8,957,650	4,175,070	5,814,851	8,537,919	14,250,146	12,649,263	5,493,745	5,708,490
Interest	4,498,071	4,200,613	4,195,440	3,769,464	3,957,332	4,330,229	3,657,597	3,964,551	4,341,907	5,082,194
Other charges	-	-	-	9,373	-	153,978	-	294,487	-	160,195
Total expenditures	65,394,778	53,308,524	62,596,841	53,718,112	63,841,784	67,323,689	91,516,582	82,915,617	75,407,165	89,571,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,731,923)	(7,645,024)	(9,124,388)	3,813,887	71,922	(53,072)	(16,681,460)	(14,088,599)	(5,326,142)	(17,158,412)

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 4,558,187	\$ 2,827,749	\$ 2,396,555	\$ 1,558,530	\$ 4,903,860	\$ 3,376,733	\$ -	\$ -	\$ 65,000	\$ 253,000
Transfers (out)	(3,568,847)	(2,778,585)	(1,633,760)	(2,746,330)	(4,149,105)	(2,616,733)	-	(84,456)	(65,000)	-
Discount on bonds issued	-	-	(76,534)	-	-	(43,459)	-	-	-	-
Premium on bonds issued	-	-	109,363	17,014	-	12,490	-	152,558	879,220	216,155
Bonds issued at par	10,000,000	7,194,920	19,707,949	645,200	4,027,100	18,800,000	-	33,340,315	32,158,385	7,000,000
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	850,000
Payment to bond escrow agent	-	(6,100,499)	(6,858,647)	(653,227)	-	-	-	(4,678,260)	(13,950,839)	(865,438)
Proceeds from sales of capital assets	(607,273)	2,057,743	77,343	(608,839)	75,366	231,191	171,738	88,594	61,483	3,172,436
Total other financing sources (uses)	10,382,067	3,201,328	13,722,269	(1,787,652)	4,857,221	19,760,222	171,738	28,818,751	19,148,249	10,626,153
NET CHANGE IN FUND BALANCES	\$ (9,349,856)	\$ (4,443,696)	\$ 4,597,881	\$ 2,026,235	\$ 4,929,143	\$ 19,707,150	\$ (16,509,722)	\$ 14,730,152	\$ 13,822,107	\$ (6,532,259)
Debt service as a percentage of noncapital expenditures	17.41%	16.41%	22.40%	15.60%	16.03%	20.02%	19.86%	23.63%	14.43%	14.89%

Data Source

Audited Financial Statements

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
2001	\$ 862,113,017	\$ 343,541,840	\$ 123,932,195	NA	\$ 1,329,587,052	1.136	\$ 3,988,761,156
2002	949,368,098	350,040,146	132,887,479	NA	1,432,295,723	1.134	4,296,887,169
2003	963,534,181	345,997,963	129,079,407	NA	1,438,611,551	1.186	4,315,834,653
2004	1,138,490,510	394,146,124	145,875,016	NA	1,678,511,650	1.084	5,035,534,950
2005	1,264,709,569	393,756,607	156,269,545	NA	1,814,735,721	1.052	5,444,207,163
2006	1,325,694,362	365,482,193	150,517,156	NA	1,841,693,711	1.075	5,525,081,133
2007	1,584,575,631	415,869,705	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	7,290,847,140
2010	NA	NA	NA	NA	2,182,205,171	1.022	6,546,615,513

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
TAX RATES										
Village										
Social Security	0.122	0.120	0.118	0.105	0.106	0.110	0.093	0.091	0.087	0.097
Northwest Water	0.086	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
IMRF	0.000	0.000	0.042	0.044	0.057	0.057	0.054	0.052	0.054	0.060
Corporate (Police Protection)	0.154	0.226	0.250	0.229	0.221	0.226	0.221	0.217	0.216	0.241
Fire Protection	0.423	0.439	0.409	0.385	0.370	0.370	0.316	0.301	0.215	0.239
Fire Pension	0.043	0.053	0.058	0.055	0.056	0.064	0.061	0.056	0.085	0.110
Police Pension	0.057	0.055	0.067	0.071	0.061	0.084	0.086	0.081	0.112	0.149
Debt Service	0.251	0.241	0.242	0.195	0.181	0.164	0.119	0.116	0.113	0.126
Total Village	1.136	1.134	1.186	1.084	1.052	1.075	0.950	0.914	0.882	1.022
School Districts										
Palatine C. C. S. D. #15	3.289	3.185	3.313	2.925	2.840	2.673	2.435	2.385	2.307	2.603
Junior College #512	0.308	0.295	0.310	0.279	0.281	0.288	0.260	0.256	0.258	0.295
Township H. S. D. #211	2.147	2.067	2.165	2.158	2.191	2.261	1.972	1.928	1.916	2.204
Park District	0.455	0.422	0.482	0.437	0.422	0.448	0.406	0.419	0.408	0.468
Library District	0.322	0.310	0.315	0.280	0.271	0.280	0.246	0.240	0.229	0.198
County										
Hospital	0.201	0.156	0.141	0.122	0.112	0.112	0.093	0.086	0.084	0.082
County of Cook	0.545	0.534	0.489	0.471	0.421	0.267	0.353	0.329	0.310	0.228
Forest Preserve	0.067	0.061	0.059	0.060	0.060	0.057	0.053	0.051	0.049	0.051
Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.113
Township										
Palatine Township	0.042	0.041	0.042	0.038	0.037	0.039	0.035	0.035	0.034	0.039
General Assistance	0.008	0.008	0.009	0.008	0.008	0.009	0.008	0.008	0.008	0.010
Road and Bridge	0.077	0.074	0.078	0.070	0.069	0.072	0.064	0.063	0.061	0.070

Tax Levy Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Districts										
Special Service Area #2	0.140	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Special Service Area #3	0.251	0.223	0.217	0.180	0.180	0.152	0.150	0.129	0.000	0.000
Special Service Area #5 *	-	-	-	-	-	-	-	3.497	3.588	2.279
Suburban T.B. Sanitarium	0.007	0.006	0.004	0.001	0.005	0.005	0.000	0.000	0.000	0.000
Northwest Mosquito	0.010	0.009	0.010	0.009	0.009	0.009	0.008	0.008	0.008	0.009
Sanitary District	0.401	0.371	0.361	0.347	0.315	0.284	0.263	0.252	0.261	0.274
Elections (ELCO)	0.032	0.000	0.029	0.000	0.014	0.000	0.012	0.000	0.021	0.000
TOTAL TAX RATES	9.438	8.896	9.210	8.469	8.287	8.031	7.308	10.600	10.424	9.945
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE	12.04%	12.75%	12.88%	12.80%	12.69%	13.39%	13.00%	8.62%	8.46%	10.28%

* Special Service Area #5 was created in tax year 2008, so tax rate information is not available for prior years.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Individual Taxpayer	\$ 23,123,155	1	1.06%	\$ 13,776,028	2	1.04%
PFC Marquette Company	21,501,253	2	0.99%	N/A	N/A	N/A
MidAmerica Asset Management	19,461,312	3	0.89%	9,965,117	6	0.75%
Brookind Corporation	18,717,296	4	0.86%	12,853,862	4	0.97%
Wal-Mart	17,603,690	5	0.81%	N/A	N/A	N/A
Village Park Palatine 300	15,710,700	6	0.72%	12,913,952	3	0.97%
Regency Retail LLC	13,778,542	7	0.63%	9,051,783	7	0.68%
Hamilton Partners	11,289,966	8	0.52%	N/A	N/A	N/A
Square D Company	11,093,033	9	0.51%	8,939,393	8	0.67%
Target	9,667,764	10	0.44%	N/A	N/A	N/A
Tax Department BSA 49501	N/A	N/A	N/A	17,361,475	1	1.31%
Ecke LLC	N/A	N/A	N/A	12,167,510	5	0.92%
LaSalle 60056702	N/A	N/A	N/A	8,911,978	9	0.67%
K-Mart	N/A	N/A	N/A	7,866,898	10	0.59%
	<u>\$ 161,946,711</u>		<u>7.43%</u>	<u>\$ 113,807,996</u>		<u>8.57%</u>

Note:

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

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 15,104,109	\$ 14,782,602	97.87%	\$ 118,606	\$ 14,901,208	98.66%
2002	16,242,234	15,983,224	98.41%	74,955	16,058,179	98.87%
2003	17,061,933	16,377,159	95.99%	417,725	16,794,884	98.43%
2004	18,187,861	17,671,039	97.16%	(35,382)	17,635,657	96.96%
2005	19,090,228	18,988,556	99.47%	(377,592)	18,610,964	97.49%
2006	19,788,615	17,473,576	88.30%	1,917,811	19,391,387	97.99%
2007	20,706,979	19,846,267	95.84%	293,615	20,139,882	97.26%
2008	21,276,007	18,913,144	88.89%	2,287,841	21,200,985	99.65%
2009	21,445,308	18,588,397	86.68%	2,734,344	21,322,741	99.43%
2010	22,297,806	21,350,808	95.75%	316,415	21,667,223	97.17%

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

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities					Business-Type Activities	Total Primary Government	Percentage of	Per Capita*
	General	TIF	Tax	Installment Contracts	General	Personal Income*			
	Obligation Bonds	Revenue Bonds	Increment Notes		Obligation Bonds				
2002	\$ 70,682,189	\$ 23,820,000	\$ 480,000	\$ -	\$ -	\$ 94,982,189	4.71%	\$ 1,444	
2003	57,823,030	23,415,000	480,000	-	11,463,816	93,181,846	4.61%	1,413	
2004	68,701,360	22,760,000	480,000	-	10,919,926	102,861,286	4.77%	1,462	
2005	65,270,470	16,280,000	480,000	166,164	10,365,397	92,562,031	4.54%	1,393	
2006	60,634,279	15,570,000	4,328,540	83,574	9,781,440	90,397,833	4.42%	1,356	
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	104,458,083	-	122,402	-	13,453,650	118,034,135	4.79%	1,722	

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

* See the schedule of Demographic and Economic Information on page 140 for personal income and population data.

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds		Less: Amounts Available In Debt Service Fund	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property*	Per Capita*
	Governmental Activities	Business- Type Activities				
2002	\$ 70,682,189	\$ -	\$ 3,320,141	\$ 67,362,048	1.69%	\$ 1,029
2003	57,823,030	11,463,816	2,289,239	66,997,607	1.56%	1,023
2004	68,701,360	10,919,926	1,886,525	77,734,761	1.80%	1,179
2005	65,270,470	10,365,397	2,072,121	73,563,746	1.46%	1,116
2006	60,634,279	9,781,440	2,279,983	68,135,736	1.25%	1,034
2007	73,762,343	10,736,104	2,058,307	82,440,140	1.49%	1,251
2008	59,846,334	19,363,370	2,340,846	76,868,858	1.18%	1,166
2009	83,303,077	21,349,916	2,190,803	102,462,190	1.47%	1,554
2010	96,605,992	20,051,477	2,685,963	113,971,506	1.56%	1,662
2011	104,458,083	13,453,650	2,584,143	115,327,590	1.76%	1,682

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

* See the schedule of Assessed Value and Actual Value of Taxable Property on page 131 for property value data. See the schedule of Demographic Economic Information on page 140 for personal income and population data.

VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2011

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 112,509,523	100.00%	\$ 112,509,523
<u>School Districts</u>			
Palatine Community District No. 15	31,316,828	51.14%	16,015,426
Township High School District No. 211	25,000,000	23.97%	5,992,500
Township High School District No. 214	30,020,000	0.01%	3,002
Community College District No. 512	192,420,000	9.74%	18,741,708
Total schools	<u>278,756,828</u>		<u>40,752,636</u>
<u>Other than Schools</u>			
Cook County	3,499,615,000	1.37%	47,944,726
Cook County Forest Preserve District	101,935,000	1.37%	1,396,510
Metropolitan Water Reclamation District	1,945,659,620	1.39%	27,044,669
<u>Park Districts</u>			
Arlington Heights Park District	23,434,550	0.05%	11,717
Palatine Park District	18,085,000	77.09%	13,941,727
Salt Creek Park District	4,627,000	52.33%	2,421,309
Palatine Public Library District	-	77.66%	-
Total other than schools	<u>5,593,356,170</u>		<u>92,760,658</u>
	<u>5,872,112,998</u>		<u>133,513,294</u>
	<u>\$ 5,984,622,521</u>		<u>\$ 246,022,817</u>

(1) Determined by ratio of assessed valuation of property subject to taxation in the Village to valuation of property subject to taxation in overlapping unit.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2011

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
2002	65,479	\$ 2,007,651,619	\$ 30,661	6.8%
2003	65,479	2,007,651,619	30,661	6.8%
2004	65,920	2,021,173,120	30,661	6.7%
2005	65,920	2,021,173,120	30,661	6.7%
2006	65,920	2,021,173,120	30,661	6.7%
2007	65,920	2,021,173,120	30,661	3.3%
2008	65,920	2,021,173,120	30,661	4.9%
2009	65,920	2,021,173,120	30,661	8.0%
2010	68,557	2,463,595,795	35,935	10.1%
2011	68,557	2,463,595,795	35,935	10.1%

Data Source

US Census Bureau & Illinois Department of Employment Security

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	Rank	2011		Rank	2002	
		Approx. No. of Employees	Percent of Total Village Population		Approx. No. of Employees	Percent of Total Village Population
Palatine School District 15	1	2,200	3.21%	3	1,200	1.83%
Township School District 211	2	2,000	2.92%	4	974	1.49%
United Parcel Service	3	1,920	2.80%	1	2,000	3.05%
United States Postal Service	4	1,900	2.77%	2	2,000	3.05%
Community College District 512	5	700	1.02%	5	800	1.22%
Square D Company	6	410	0.60%	N/A	N/A	N/A
Village of Palatine	7	364	0.53%	6	376	0.57%
DiMucci Construction	8	350	0.51%	N/A	N/A	N/A
Schneider Electric	9	350	0.51%	N/A	N/A	N/A
Weber-Stephen Products	10	200	0.29%	N/A	N/A	N/A
Arlington Plating	11	150	0.22%	7	160	0.24%
Intec Group, Inc.	12	150	0.22%	8	130	0.20%

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GENERAL GOVERNMENT										
Village Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Village Manager	8.0	8.0	8.0	7.5	7.0	7.0	7.0	6.0	6.0	6.0
Finance and operations	18.0	18.0	16.0	16.0	17.0	17.0	17.0	17.0	15.0	13.0
Legal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human resources	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Information systems	9.5	9.5	7.5	8.0	8.0	8.5	8.5	10.0	9.5	7.0
Planning/zoning	5.5	5.5	4.5	5.5	5.0	5.0	5.0	5.0	4.5	4.5
PUBLIC SAFETY										
Community services	19.5	20.5	18.0	19.0	19.0	20.0	21.0	19.5	16.5	14.5
Police										
Officers	111.0	110.0	106.0	107.0	109.0	110.0	112.0	112.0	112.0	111.0
Civilians	38.5	38.0	33.0	33.0	33.0	34.0	34.5	35.0	35.0	34.0
Fire										
Firefighters and officers	96.0	96.0	95.0	95.0	95.0	95.0	95.0	95.0	94.0	93.0
Civilians	12.0	12.5	9.5	11.0	11.0	11.0	11.0	11.0	10.5	10.5
PUBLIC WORKS										
Engineering	8.0	7.5	6.5	6.5	6.5	6.5	7.0	6.5	7.0	6.0
Public works	69.5	65.0	59.0	57.5	58.5	58.5	60.0	60.0	59.0	58.0

Data Source

Village budget office

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
PUBLIC SAFETY										
Police										
Physical arrests	2,617	2,617	4,087	6,758	N/A	2,417	2,162	2,308	2,224	1,657
Parking violations	10,752	10,752	13,766	7,274	N/A	631	7,388	7,315	6,908	6,264
Traffic violations	14,937	14,937	10,264	19,199	N/A	5,415	2,214	11,473	11,616	10,680
Fire										
Emergency responses	6,752	6,752	6,277	6,568	6,891	7,401	7,257	7,020	7,233	7,510
PUBLIC WORKS										
Water										
Number of connections	17,500	17,500	17,500	17,500	17,500	19,597	19,464	19,658	19,644	19,473
Average daily consumption	7.86M	7.47M	7.09M	7.68M	6.77M	7.02M	6.71M	6.44M	6.44M	6.47M

Data Source

Various Village departments

VILLAGE OF PALATINE, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	20	22	28	NA	32	26	25	25	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	7	7	7	7	7	5	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)	200	200	200	200	200	140*	140	156	156	156
Fire hydrants	2,500	2,500	2,500	3,200	N/A	2,052*	2,050	2,061	2,062	2,062
Sewerage										
Sanitary sewers (miles)	200	200	200	200	200	145*	145	145	145	145
Storm sewers (miles)	200	200	220	220	220	220	221	225	225	225

* Restated GASB value

Data Source

Various Village departments

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

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
STATEMENT OF INDEBTEDNESS
December 31, 2011

	Amount Applicable as of June, 2011	As Per Cent of		Per Capita (2003 Special Census Pop. 65,920)
		Assessed Value	Estimated True Value	
Taxable real property, 2009				
Assessed valuation	\$ 2,432,035,439	100.00%	33.33%	\$ 36,894
Estimated true value	7,296,106,317	300.00%	100.00%	110,681
Direct general obligation bonded debt (1):				
Payable from property taxes	42,346,350	1.74%	0.58%	642
Self-Supporting	70,163,173	2.88%	0.96%	1,064
Total direct bonded debt	112,509,523	4.63%	1.54%	1,707
Overlapping bonded debt payable from property taxes (2):				
Schools	40,752,636	1.68%	0.56%	618
Other than schools	92,760,657	3.81%	1.27%	1,407
Total overlapping bonded debt	133,513,293	5.49%	1.83%	2,025
Total direct and overlapping bonded debt	\$ 246,022,816	10.12%	3.37%	\$ 3,732
Total direct and overlapping bonded debt excluding self-supporting	\$ 175,859,643	7.23%	2.41%	\$ 2,668

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 \$70,163,173 or 62.4% is considered self-supporting.

(2) Overlapping bonded debt as of March 30, 2011.

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
RETIREMENT SCHEDULE OF OUTSTANDING VILLAGE GENERAL OBLIGATION DEBT
December 31, 2011

Due 12/1	Principal Maturities (1)				
	Series 1989 (3)	Series 2003 (3 Issues)	Series 2004 (4 Issues)	Series 2005 (1 Issue)	Series 2007 (5 Issues)
2012	-	1,131,281	2,410,000	5,000	1,060,000
2013	-	350,452	910,000	830,000	1,110,000
2014	317,473	-	960,000	-	1,160,000
2015	523,137	-	1,025,000	-	1,305,000
2016	302,180	-	1,040,000	-	1,360,000
2017	-	-	1,110,000	-	1,485,000
2018	-	-	1,150,000	-	1,195,000
2019	-	-	1,195,000	-	1,255,000
2020	-	-	1,265,000	-	1,315,000
2021	-	-	610,000	-	1,390,000
2022	-	-	645,000	-	1,345,000
2023	-	-	-	-	700,000
2024	-	-	-	-	740,000
2025	-	-	-	-	780,000
2026	-	-	-	-	820,000
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
	\$ 1,142,790	\$ 1,481,733	\$ 12,320,000	\$ 835,000	\$ 17,020,000

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 \$5,950,000 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; \$122,402 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 \$112,509,523 outstanding principal at December 31, 2011, the Village estimates that \$70,163,173 (62.4%) is self-supporting from non-property tax sources.

(3) The Series 1989 are capital appreciation bonds due January 1, 2014-2016.

Series 2008 (1 Issue)	Series 2009 (7 Issues)	Series 2010 (4 Issues)	Series 2011 (2 Issues)	Total Maturities (2)	
				Amount	%
160,000	335,000	3,025,000	-	8,126,281	7.2%
170,000	1,150,000	2,925,000	150,000	7,595,452	6.8%
175,000	1,195,000	2,850,000	650,000	7,307,473	6.5%
185,000	1,610,000	3,710,000	200,000	8,558,137	7.6%
195,000	980,000	2,340,000	1,000,000	7,217,180	6.4%
205,000	1,780,000	565,000	1,050,000	6,195,000	5.5%
215,000	2,225,000	590,000	900,000	6,275,000	5.6%
225,000	2,410,000	615,000	900,000	6,600,000	5.9%
235,000	2,465,000	650,000	900,000	6,830,000	6.1%
250,000	3,285,000	675,000	1,000,000	7,210,000	6.4%
260,000	3,455,000	705,000	1,000,000	7,410,000	6.6%
275,000	1,930,000	-	100,000	3,005,000	2.7%
290,000	2,000,000	725,000	-	3,755,000	3.3%
305,000	2,095,000	735,000	-	3,915,000	3.5%
320,000	780,000	1,275,000	-	3,195,000	2.8%
340,000	805,000	1,325,000	-	2,470,000	2.2%
355,000	860,000	1,340,000	-	2,555,000	2.3%
-	890,000	1,400,000	-	2,290,000	2.0%
-	-	2,200,000	-	2,200,000	2.0%
-	-	2,300,000	-	2,300,000	2.0%
-	-	2,400,000	-	2,400,000	2.1%
-	-	2,500,000	-	2,500,000	2.2%
-	-	2,600,000	-	2,600,000	2.3%
\$ 4,160,000	\$ 30,250,000	\$ 37,450,000	\$ 7,850,000	\$ 112,509,523	100.0%

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
BONDED DEBT RATIOS AND PER CAPITA DEBT - LAST TEN GENERAL OBLIGATION BOND SALES
December 31, 2011

Village Issue		Ratio to Estimated Actual Value (1)				Per Capita (1)			
		Direct Debt		Direct and Overlapping Debt		Direct and Overlapping Debt		Population Estimate	
		Excluding		Excluding		Excluding			
		Including	Self-	Including	Self-	Including	Self-		
		Self-Supporting	Supporting (2)	Self-Supporting	Supporting (2)	Self-Supporting	Supporting (2)		
Sale Date	Amount	Supporting	(2)	Supporting	(2)	Supporting	(2)		
February 17, 2004	\$ 12,425,000	1.80%	0.59%	4.30%	3.09%	\$ 2,899	\$ 2,086	65,920	
December 6, 2004 (4)	8,295,000	1.70%	0.56%	4.33%	3.19%	2,962	2,183	65,920	
May 30, 2007	20,320,000	1.52%	0.27%	3.65%	2.39%	3,211	2,108	65,920	
December 1, 2008	4,585,000	1.32%	0.20%	3.06%	1.94%	3,034	1,924	65,920	
April 13, 2009	9,190,000	1.35%	0.26%	3.09%	2.00%	3,067	1,984	65,920	
June 15, 2009	9,545,000	1.50%	0.41%	3.24%	2.15%	3,212	2,129	65,920	
September 15, 2009 (3)	16,600,000	1.65%	0.31%	3.52%	2.18%	3,496	2,166	65,920	
May 26, 2010 (2)	19,870,000	1.45%	0.27%	3.18%	2.00%	3,360	2,117	65,920	
August 9, 2010 (2)	19,745,000	1.69%	0.52%	3.41%	2.24%	3,619	2,375	65,920	
June 20, 2011 (4)	7,850,000	1.64%	0.61%	3.47%	2.44%	3,844	2,701	65,920	

Notes:

- (1) Taken from applicable Official Statements.
- (2) Excludes the Village's general obligation debt which is payable from non-property tax revenues.
- (3) All or a portion of bond proceeds used for advance refunding purposes.
- (4) All or a portion of bond proceeds used for current refunding purposes.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES
December 31, 2011

Governmental Unit	Percent of Village's 2008 Real Property in Taxing Body	Gross Debt	Percent of Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
School Districts				
Palatine Community District No. 15	100.0%	31,316,828	51.14%	16,015,426
Township High School District No. 211	99.9%	25,000,000	23.97%	5,992,500
Township High School District No. 214	0.1%	30,020,000	0.01%	3,002
Community College District No. 512	100.0%	192,420,000	9.74%	18,741,708
Total schools		<u>278,756,828</u>		<u>40,752,636</u>
Other than Schools				
Cook County	100.0%	3,499,615,000	1.37%	47,944,726
Cook County Forest Preserve District	100.0%	101,935,000	1.37%	1,396,510
Metropolitan Water Reclamation District	100.0%	1,945,659,620	1.39%	27,044,669
Park Districts				
Arlington Heights Park District	0.1%	23,434,550	0.05%	11,717
Palatine Park District	94.2%	18,085,000	77.09%	13,941,727
Salt Creek Park District	5.7%	4,627,000	52.33%	2,421,309
Palatine Public Library District	100.0%	-	77.66%	-
Total other than schools		<u>5,593,356,170</u>		<u>92,760,658</u>
Total Overlapping Governmental Activities Debt		<u>\$ 5,872,112,998</u>		<u>\$ 133,513,294</u>

Notes:

(1) As of March 30, 2011

(2) Overlapping debt percentages based on 2009 EAV, the most current available.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES
December 31, 2011

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes (1)	Increase Over Prior Year
2002	\$ 1,432,295,723	\$ 48,520,555	\$ 1,480,816,278	8.8%
2003	1,438,611,551	62,457,769	1,501,069,320	1.4%
2004 (2)	1,678,511,650	100,006,109	1,778,517,759	18.5%
2005	1,814,735,721	119,993,338	1,934,729,059	8.8%
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%

Notes:

(1) Property in Cook County is separated into eight classifications for assessment purposes (ranging from 16% for residential to 38% for commercial/industrial property). After the assessor establishes the fair market value of a parcel of land, that 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.

(3) 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".

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION
December 31, 2011

Tax Levy Year	2006	2007	2008	2009	2010
TAX RATES					
Village of Palatine (1)					
Social Security	\$ 0.110	\$ 0.093	\$ 0.091	\$ 0.087	\$ 0.097
Northwest Water	-	-	-	-	-
IMRF	0.057	0.054	0.052	0.054	0.060
Corporate (Police Protection)	0.226	0.221	0.217	0.216	0.241
Fire Protection	0.370	0.316	0.301	0.215	0.239
Fire Pension	0.064	0.061	0.056	0.085	0.110
Police Pension	0.084	0.086	0.081	0.112	0.149
Debt Service	0.164	0.119	0.116	0.113	0.126
Total Village of Palatine	1.075	0.950	0.914	0.882	1.022
School Districts					
Palatine C. C. S. D. #15	2.673	2.435	2.385	2.307	2.603
Junior College #512	0.288	0.260	0.256	0.258	0.295
Township H. S. D. #211	2.261	1.972	1.928	1.916	2.204
Park District	0.448	0.406	0.419	0.408	0.468
Library District	0.280	0.246	0.240	0.229	0.198
County					
Hospital	0.112	0.093	0.086	0.084	0.082
County of Cook	0.267	0.353	0.329	0.310	0.228
Forest Preserve	0.057	0.053	0.051	0.049	0.051
Public Safety	-	-	-	-	0.113
Township					
Palatine Township	0.039	0.035	0.035	0.034	0.039
General Assistance	0.009	0.008	0.008	0.008	0.010
Road and Bridge	0.072	0.064	0.063	0.061	0.070
Other Districts					
Special Service Area #2	-	-	-	-	-
Special Service Area #3	0.152	0.150	0.129	-	-
Special Service Area #5	-	-	3.497	3.588	2.279
Suburban T.B. Sanitarium	0.005	-	-	-	-
Northwest Mosquito	0.009	0.008	0.008	0.008	0.009
Sanitary District	0.284	0.263	0.252	0.261	0.274
Elections (ELCO)	-	0.012	-	0.021	-
TOTAL TAX RATE (2)	\$ 8.031	\$ 7.308	\$ 10.600	\$ 10.424	\$ 9.945
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE	13.39%	13.00%	8.62%	8.46%	10.28%

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 2010 equalized assessed valuation.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX EXTENSIONS AND COLLECTIONS
December 31, 2011

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
2001	\$ 15,104,109	\$ 14,782,602	97.87%	\$ 118,606	\$ 14,901,208	98.66%
2002	16,242,234	15,983,224	98.41%	74,955	16,058,179	98.87%
2003	17,061,933	16,377,159	95.99%	417,725	16,794,884	98.43%
2004	18,187,861	17,671,039	97.16%	(35,382)	17,635,657	96.96%
2005	19,090,228	18,988,556	99.47%	(377,592)	18,610,964	97.49%
2006	19,788,615	17,473,576	88.30%	1,917,811	19,391,387	97.99%
2007	20,706,979	19,846,267	95.84%	293,615	20,139,882	97.26%
2008	21,276,007	18,913,144	88.89%	2,287,841	21,200,985	99.65%
2009	21,445,308	18,588,397	86.68%	2,734,344	21,322,741	99.43%
2010	22,297,806	21,350,808	95.75%	316,415	21,667,223	97.17%

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 one-half 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.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TAX BASE DISTRIBUTION BY PROPERTY CLASSIFICATION
December 31, 2011

Property Classification	2006	2007	2008	2009	2010
Residential	\$ 1,325,694,182	\$ 1,584,575,451	\$ 1,737,493,759	\$ 1,900,562,138	NA
Commercial	365,482,373	415,869,885	403,925,657	367,743,939	NA
Industrial/Railroad/Farm	150,517,156	179,266,208	187,266,934	163,729,362	NA
Net for General Taxing Purposes	1,841,693,711	2,179,711,544	2,328,686,350	2,432,035,439	2,182,205,171
Incremental Valuation (2)	129,880,581	173,156,610	194,197,517	171,135,223	155,066,131
Total for all Taxing Purposes	\$ 1,971,574,292	\$ 2,352,868,154	\$ 2,522,883,867	\$ 2,603,170,662	\$ 2,337,271,302
Percentage Increase	1.9%	19.3%	7.2%	3.2%	-10.2%

Notes:

(1) Property in Cook County is separated into eight classifications for assessment purposes (ranging from 16% for residential to 38% for commercial/industrial property). After the assessor establishes the fair market value of a parcel of land, that 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".

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
TEN LARGEST TAXPAYERS
December 31, 2011

Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Individual Taxpayer	Apartments	\$ 23,123,155	1	1.06%
PFC Marquette Company	Apartments	21,501,253	2	0.99%
MidAmerica Asset Management	Commercial Real Estate	19,461,312	3	0.89%
Brookind Corporation	United Parcel Service	18,717,296	4	0.86%
Wal-Mart	Wal-Mart Retail Store	17,603,690	5	0.81%
Village Park Palatine 300	Apartments	15,710,700	6	0.72%
Regency Retail LLC	Commercial Real Estate	13,778,542	7	0.63%
Hamilton Partners	Commercial Real Estate	11,289,966	8	0.52%
Square D Company	Corporate Headquarters	11,093,033	9	0.51%
Target	Target Retail Store	9,667,764	10	0.44%
		<u>\$ 161,946,711</u>		<u>7.42%</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 2010 is the most current available.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2011

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

	2007	2008	2009	2010	2011	CY 2012 Budget (2)
REVENUES						
Taxes	\$ 32,430,278	\$ 33,821,916	\$ 31,796,000	\$ 33,226,384	\$ 26,009,684	\$ 25,179,195
Licenses and permits	3,061,764	3,088,823	3,081,984	3,112,015	2,695,124	2,615,200
Intergovernmental	7,083,356	7,537,063	6,750,546	6,675,206	16,891,419	16,487,020
Charges for services	2,056,012	1,768,547	1,812,561	1,768,925	3,106,138	3,701,525
Fines and forfeits	893,496	1,061,999	1,856,800	1,239,105	922,119	1,159,600
Investment income	938,749	493,591	307,689	248,896	250,177	250,000
Miscellaneous	163,617	182,944	354,154	378,982	285,258	295,595
Sale of capital assets	-	-	-	-	1,115,680	-
Transfers	-	-	-	65,000	253,000	-
Total revenues	46,627,272	47,954,883	45,959,734	46,714,513	51,528,599	49,688,135
EXPENDITURES						
General government	8,606,768	10,747,502	8,507,772	7,713,816	6,296,980	6,896,780
Public safety	29,054,326	31,524,578	31,678,221	33,445,430	36,211,371	36,557,555
Public works	5,653,227	6,849,416	6,360,644	6,290,597	5,865,054	6,233,800
Transfers	2,616,733	-	84,456	-	-	-
Total expenditures	45,931,054	49,121,496	46,631,093	47,449,843	48,373,405	49,688,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	696,218	(1,166,613)	(671,359)	(735,330)	3,155,194	\$ -
FUND BALANCE, JANUARY 1						
	17,647,782	18,344,000	17,177,387	16,506,028	15,770,698	
FUND BALANCE, DECEMBER 31						
	\$ 18,344,000	\$ 17,177,387	\$ 16,506,028	\$ 15,770,698	\$ 18,925,892	

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.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2011

<i>Balance Sheet (1)</i>					
	2007	2008	2009	2010	2011
ASSETS					
Cash and investments	\$ 12,788,481	\$ 10,761,900	\$ 8,684,369	\$ 3,642,204	\$ 8,086,602
Receivables					
Property taxes	19,283,541	18,696,914	19,008,383	21,569,355	18,680,223
Other	856,853	384,847	492,897	498,339	642,072
Due from other governments	3,286,734	3,221,289	3,714,502	5,152,404	5,098,543
Accrued interest	-	-	-	-	-
Due from other funds	5,287,920	5,624,926	5,855,238	6,022,920	6,310,506
Prepaid items	4,793	-	116,643	-	-
All other assets	-	3,281	3,445	2,610	-
TOTAL ASSETS	\$ 41,508,322	\$ 38,693,157	\$ 37,875,477	\$ 36,887,832	\$ 38,817,946
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	819,796	820,624	344,057	205,776	230,321
Deferred revenues	17,921,800	18,394,293	18,494,720	19,339,080	18,419,595
All other liabilities	4,422,726	2,300,853	2,530,672	1,572,278	1,242,138
TOTAL LIABILITIES	23,164,322	21,515,770	21,369,449	21,117,134	19,892,054
FUND BALANCE					
Reserved	5,287,920	5,536,201	5,898,008	6,025,530	-
Unreserved	13,056,080	11,641,186	10,608,020	9,745,168	-
Nonspendable	-	-	-	-	6,267,920
Unassigned	-	-	-	-	12,657,972
TOTAL FUND BALANCE	18,344,000	17,177,387	16,506,028	15,770,698	18,925,892
TOTAL LIABILITIES AND FUND BALANCE	\$ 41,508,322	\$ 38,693,157	\$ 37,875,477	\$ 36,887,832	\$ 38,817,946

Notes:

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

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12
COMBINED STATEMENT - ALL FUNDS (1)
December 31, 2011

	<i>Fund Balances</i>				
	2007	2008	2009	2010	2011
Governmental Fund Types					
General	\$ 18,344,000	\$ 17,177,387	\$ 16,506,028	\$ 15,770,698	\$ 18,925,892
Special Revenue	20,472,803	6,380,060	25,798,256	27,539,398	31,085,574
Debt Service	14,842,673	10,690,591	6,861,017	6,960,461	2,584,143
Capital Projects	7,147,780	10,049,496	9,946,841	22,663,692	13,806,381
	60,807,256	44,297,534	59,112,142	72,934,249	66,401,990
Proprietary Fund Types (2)					
Enterprise Funds	47,624,642	51,151,124	50,539,772	51,388,218	52,919,485
Internal Service Funds	2,712,585	4,801,474	5,464,253	5,993,247	6,423,340
	50,337,227	55,952,598	56,004,025	57,381,465	59,342,825
Fiduciary Fund Types (3):					
Pension Trust	77,870,624	70,254,671	75,994,551	85,077,541	90,307,659
Total All Funds (Memo Only)	\$ 189,015,107	\$ 170,504,803	\$ 191,110,718	\$ 215,393,255	\$ 216,052,474
	<i>Cash and Investments</i>				
	2007	2008	2009	2010	2011
Fund					
General	\$ 12,788,481	\$ 10,761,900	\$ 8,684,369	\$ 3,642,204	\$ 8,086,602
Special Revenue	3,221,921	5,795,211	9,092,889	5,750,145	10,473,718
Debt Service	14,542,649	10,603,036	6,764,193	6,616,983	2,534,147
Capital Projects	4,212,753	9,981,396	9,999,921	23,714,633	16,140,765
Enterprise Funds	6,934,455	8,981,400	5,781,482	6,978,001	9,730,991
Internal Service Funds	2,875,931	5,118,599	6,270,014	6,864,246	7,255,691
Pension Trust	77,364,492	69,853,954	75,760,213	84,351,732	89,928,459
Total All Funds (Memo Only)	\$ 121,940,682	\$ 121,095,496	\$ 122,353,081	\$ 137,917,944	\$ 144,150,373

(1) These condensed financial statements for the years ending December 31, 2007 - 2011, 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, 2011, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2007 - 2011. 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, 2011, 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) The amounts shown as fund balances for the Proprietary Funds are net assets and the amounts shown as "Revenues over Expenditures" represent the change in that amount. "Total Revenues" represent operating revenues.

(3) Excludes the Village's Agency Funds.

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

CAPITAL ASSETS

December 31, 2011

	Governmental Activities	Business Type Activities
Land	\$ 8,691,626	\$ 2,906,138
Land - Rights of way	139,806,925	-
Machinery and equipment	9,520,292	2,253,567
Buildings & Improvements	18,477,469	22,880,492
Streets	24,724,892	-
Bridges	1,596,735	-
Sanitary sewer system	-	24,725,685
Storm sewer system	-	32,099,100
Water system	-	16,975,062
Construction in progress	20,711,232	-
	223,529,171	101,840,044
Less: Accumulated depreciation	27,671,750	51,978,932
Net Capital Assets	\$ 195,857,421	\$ 49,861,112