

# **VILLAGE OF PALATINE, ILLINOIS**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED  
DECEMBER 31, 2012**

VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
December 31, 2012

Prepared by the Finance Department

Paul D. Mehring, CPA  
Director of Finance and Operations

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## **INTRODUCTORY SECTION**

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2012

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**MAYOR**

Jim Schwantz

**VILLAGE COUNCIL**

Aaron Del Mar	District 1
Scott Lamerand	District 2
Jim Clegg	District 3
Greg Solberg	District 4
Kollin Kozlowski	District 5
Brad Helms	District 6

**VILLAGE CLERK**

Margaret Duer

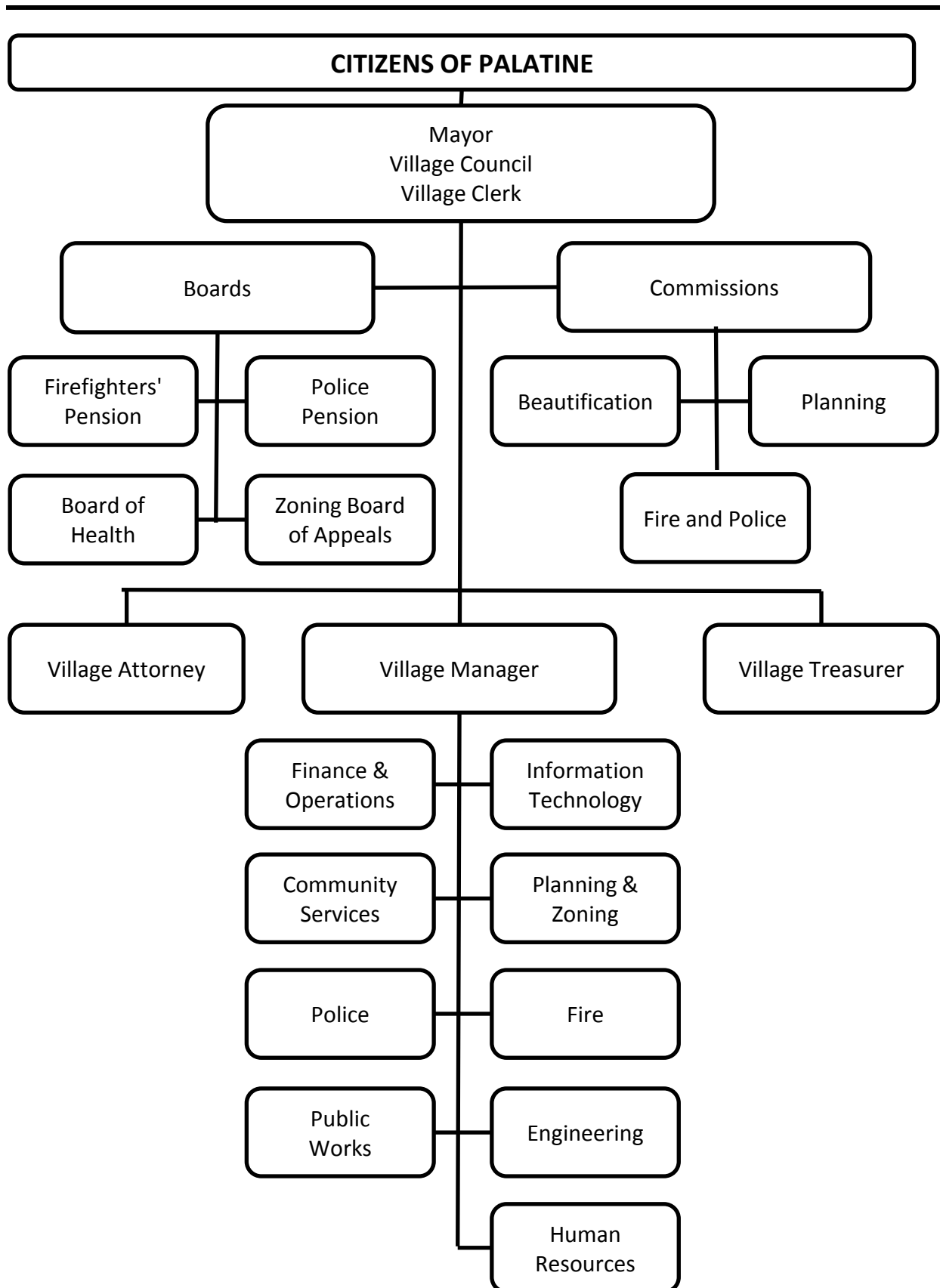
**ADMINISTRATIVE**

Reid Ottesen	Village Manager
Robert Kenny	Village Attorney
Jeffrey Boundy	Village Treasurer
Paul Mehring	Finance Director

VILLAGE OF PALATINE, ILLINOIS

ORGANIZATION CHART

December 31, 2012



# 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, 2011

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.



*Christopher P. Moine*

President

*Jeffrey R. Emer*

Executive Director

April 8, 2013

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, 2012.

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, 2012, 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, 2012, 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 65-67 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 73.

## Factors Affecting Financial Condition

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

### *Local economy*

There are a number of factors that influence the economy of a specific community and various measures are used to gauge the economic outlook. Perhaps four of the most objective measures are the level of retail sales, the employment level of the community, income levels in the community, and building activity. In Illinois, sales taxes are collected based upon the point-of-sale, and accordingly represent the sales in the community. Total sales tax revenue for calendar year 2012 increased by approximately \$300,000 (2.5%) from the prior year. This 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 increased residential and commercial/industrial construction.

In a suburban setting where it is often difficult to distinguish the boundaries of one community from a neighboring community, the economic activity of the "region" is a major influence on the economies of the individual communities. The Village of Palatine is located on the northern edge of the "I-90 Corridor" which extends along Interstate 90 from O'Hare Airport to Elgin, a stretch of approximately 25 miles. 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 concept within the Chicago and suburban markets. Following the 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 the 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 contains a recently opened PNC bank, while the other out lot has been reconfigured to accommodate additional employee/customer parking for Mariano's.

**Downtown Façade Program** - To help facilitate reinvestment in the Village's downtown commercial properties, the Village established a façade improvement program in late 2011. The program utilizes TIF funds for eligible exterior building improvements. The Village's 2012 budget included \$150,000 for the program, with an additional \$100,000 in funding for 2013. To date, eight different properties have obtained funding approval, with approximately \$225,000 of the \$250,000 in total program funding being committed to eligible improvements.

**Rand/Lake Cook TIF District** – In the fall of 2012 the Village finalized the creation of the new Rand/Lake Cook TIF District (generally located south of Lake Cook Road and on the east and west sides of Rand Road). The Village hopes that the new TIF district will help to spur development activity in a manner similar to what has occurred within the other existing TIF districts along the Rand Road and Dundee Road corridors.

**Patrick Hyundai** - Following the creation of the Rand/Lake Cook TIF District, Patrick Hyundai received formal approvals related to their new dealership that will be constructed at the southeast corner of the Rand Road/Lake Cook Road intersection. Construction of the new dealership has begun, and they anticipate opening by the end of 2013. In addition to the auto dealership, the Patrick Group is considering additional commercial development opportunities on a portion of their property.

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

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2012, the Village spent over \$3.9 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, 2011. This was the twelfth 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

## 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, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement.

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



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

## **Opinions**

In our opinion, the 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 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.

## **Emphasis of Matter**

The Village adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended December 31, 2012. Statement No. 63 added new classifications on the statements of position and changed net assets to net position. Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No. 63.

## **Other Matters**

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 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 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.

Naperville, Illinois  
April 16, 2013

A handwritten signature in dark ink, appearing to read "David L. P.", is positioned to the right of the date and location text.

## **General Purpose External Financial Statements**

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page iv) and the Village's financial statements (beginning on page 4).

**Financial Highlights**

- The Village's net position increased by \$6.2 million (2.8%) during the current year. The governmental net position increased by \$3.9 million and the business-type activities net position increased by \$2.3 million.
- The Village's combined Governmental Funds ending fund balance decreased \$2.3 million (3.4%).
- At the end of the current year, fund balance for the General Fund was \$20.8 million or 43.5% of General Fund expenditures.
- The Village issued \$5,025,000 in General Obligation Refunding Bonds to achieve an economic gain of \$595,229 and reduce future debt service payments by \$655,083.

**USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT**

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

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. All 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 7-12) 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 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Downtown TIF Fund, Rand Road Corridor TIF Fund, and General Obligation Bond Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds*

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



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

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Proprietary fund financial statements (see pages 13-18) provide the same type of information as the government-wide financial statements, only in more detail. The Waterworks Fund, Sewerage Fund, and Motor Vehicle Parking System Fund are considered major funds of the Village and are presented in a separate column in the Fund Financial Statements. The Refuse Collection Fund is the Village's only non-major enterprise fund. 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 19 - 20). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide statements.

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 21 - 64 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 65-72 of this report. The combining and individual fund statements for non-major governmental, enterprise, and internal service funds are presented on pages 73 - 102 of this report, immediately following the required supplementary information.

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

**Infrastructure Assets**

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

**GOVERNMENT-WIDE STATEMENT**

**Statement of Position**

The Village's combined net position increased by \$6.2 million (2.8%) from the prior year. The following analysis will look at net position of the governmental and business-type activities separately. The total net position for governmental activities was \$170.6 million, a \$3.9 million (2.3%) increase. The business-type activities net position was \$55.3 million, a \$2.3 million (4.3%) increase from the prior year. The following table reflects the condensed statement of net position for the current and prior years (presented in millions):

	<i>Current Year</i>			<i>Prior Year - as restated</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	96.7	25.5	122.2	101.3	23.5	124.8
Capital assets	196.7	49.0	245.7	195.9	49.9	245.8
<b>Total Assets</b>	<b>293.4</b>	<b>74.5</b>	<b>367.9</b>	<b>297.2</b>	<b>73.4</b>	<b>370.6</b>
Deferred outflows of resources	0.7	0.1	0.8	0.6	0.1	0.7
Noncurrent liabilities	96.4	17.8	114.2	101.8	19.0	120.8
Other liabilities	5.2	1.5	6.7	7.2	1.5	8.7
<b>Total liabilities</b>	<b>101.6</b>	<b>19.3</b>	<b>120.9</b>	<b>109.0</b>	<b>20.5</b>	<b>129.5</b>
Deferred inflows of resources	21.9	-	21.9	22.1	-	22.1
Net position						
Net investment in capital assets	134.2	43.2	177.4	129.9	35.2	165.1
Restricted	3.2	-	3.2	10.8	-	10.8
Unrestricted	33.2	12.1	45.3	26.0	17.8	43.8
<b>Total net position</b>	<b>170.6</b>	<b>55.3</b>	<b>225.9</b>	<b>166.7</b>	<b>53.0</b>	<b>219.7</b>

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

**Normal Impacts on Net Position**

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

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

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

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

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

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

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

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

**Current Year Impacts**

The Village's \$6.2 million increase of combined net position (which is the Village's bottom line) was the result of the governmental activities net position increasing by \$3.9 million and the business-type activities net position increasing by \$2.3 million.

The governmental activities total assets decreased by \$3.8 million and the governmental activities total liabilities decreased by \$7.5 million. The decrease in total assets is mainly due to: 1) a decrease of \$4.5 million in current and other assets as a result of a) a decrease in due from other governments of \$3.1 million resulting from the collection of past due shared revenue from the State of Illinois and grant revenues from the Federal Government, and b) a \$1.4 million reduction in land held for resale as a result of the sale of land for development activities; and 2) a net increase of \$0.8 million in capital assets as a result of a) \$3.2 million in capital asset additions mainly representing road improvements and the completion of the Police Headquarters, and b) \$2.4 million of depreciation of capital assets. The decrease in total liabilities is due to: 1) a \$6.1 million decrease in noncurrent liabilities mainly as a result of principal retirements; and 2) a slight \$1.4 million decrease 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 \$1.1 million and total liabilities of the business-type activities decreased by \$0.9 million. The increase in total assets is due mainly to the combination of an increase of \$2.0 in current and other assets, which resulted mainly from increased cash balances in the Waterworks Fund due to rate increases adopted in calendar 2012, and a decrease in capital assets of \$0.9 million due to depreciation exceeding

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

capitalizations. The \$0.9 million decrease in total liabilities is mainly a result of regular bond principal retirements.

**Changes in Net Position**

The Village's combined change in net position of \$6.2 million represents an increase of \$1.2 million (24%) from the prior year. The Village's total revenues increased by \$0.7 million, while the cost of all programs decreased by \$0.5 million. The following chart shows the revenue and expenses of the Village's activities (presented in millions):

	<i>Current Year</i>			<i>Prior Year - as restated</i>		
	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Govern- mental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<b>Revenues</b>						
Program revenues						
Charges for services	9.5	18.5	28.0	9.2	17.6	26.8
Operating grants	12.7	-	12.7	12.7	-	12.7
Capital grants and contributions	0.6	0.4	1.0	1.7	0.1	1.8
General revenues						
Property taxes	32.9	-	32.9	33.6	-	33.6
Other taxes	9.8	-	9.8	9.4	-	9.4
Other revenues	6.5	-	6.5	5.9	-	5.9
<b>Total revenues</b>	<b>72.0</b>	<b>18.9</b>	<b>90.9</b>	<b>72.5</b>	<b>17.7</b>	<b>90.2</b>
<b>Expenses</b>						
Governmental activities						
General government	5.7	-	5.7	8.1	-	8.1
Public safety	39.2	-	39.2	37.2	-	37.2
Public works	11.0	-	11.0	11.3	-	11.3
Economic development	7.8	-	7.8	7.6	-	7.6
Interest & fiscal charges	4.7	-	4.7	5.0	-	5.0
Business-type activities						
Waterworks	-	6.9	6.9	-	7.2	7.2
Sewerage	-	3.7	3.7	-	3.1	3.1
Refuse collection	-	1.3	1.3	-	1.3	1.3
Motor vehicle parking	-	4.4	4.4	-	4.4	4.4
<b>Total expenses</b>	<b>68.4</b>	<b>16.3</b>	<b>84.7</b>	<b>69.2</b>	<b>16.0</b>	<b>85.2</b>
<b>Change in net position before transfers</b>	<b>3.6</b>	<b>2.6</b>	<b>6.2</b>	<b>3.3</b>	<b>1.7</b>	<b>5.0</b>
<b>Transfers</b>	<b>0.3</b>	<b>(0.3)</b>	<b>-</b>	<b>0.2</b>	<b>(0.2)</b>	<b>-</b>
<b>Change in net position</b>	<b>3.9</b>	<b>2.3</b>	<b>6.2</b>	<b>3.5</b>	<b>1.5</b>	<b>5.0</b>
<b>Net position, beginning - as restated</b>	<b>166.7</b>	<b>53.0</b>	<b>219.7</b>	<b>163.2</b>	<b>51.5</b>	<b>214.7</b>
<b>Net position, ending</b>	<b>170.6</b>	<b>55.3</b>	<b>225.9</b>	<b>166.7</b>	<b>53.0</b>	<b>219.7</b>

(See independent auditor's report)

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

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**Normal Impacts**

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

**Revenues:**

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

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

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

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

**Expenses:**

**Introduction of New Programs** - within the functional expense categories (General Government, Public Safety, and 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.

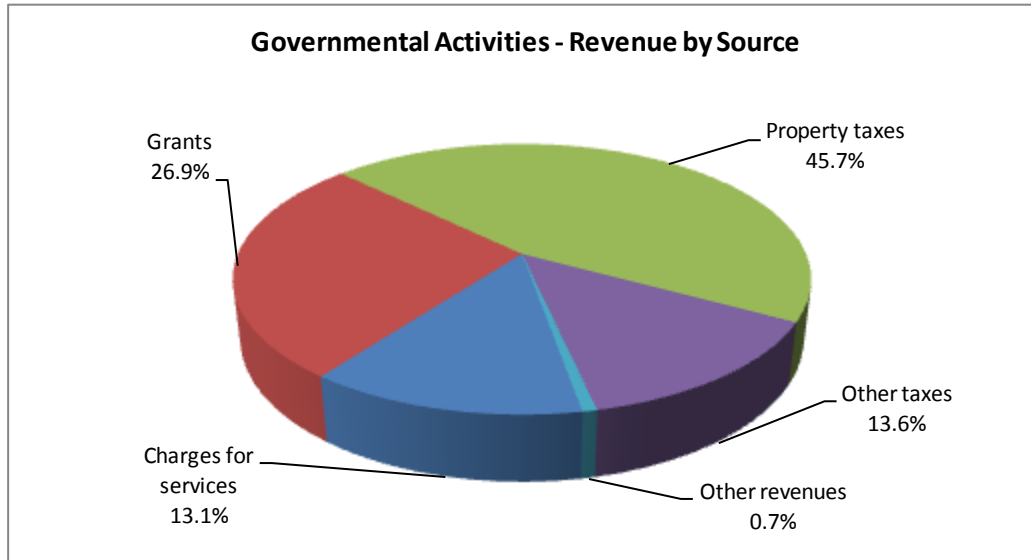
**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Current Year Impacts**

***Governmental Activities***

**Revenues:**



For the current year, revenues from Governmental Activities totaled \$72.0 million. Property taxes continue to be the Village's largest revenue source coming in at \$32.9 million and representing 45.7% of total Governmental Activity revenue. Grants, representing support from other governmental agencies (mainly shared revenue from the State of Illinois), provide 26.9% of total governmental revenues.

Property tax receipts decreased slightly by \$0.7 million due to a decreased levy and the impact economic conditions had on tax collections.

Grants decreased by \$0.3 million based on reduced Federal Grant revenues for public safety programs.

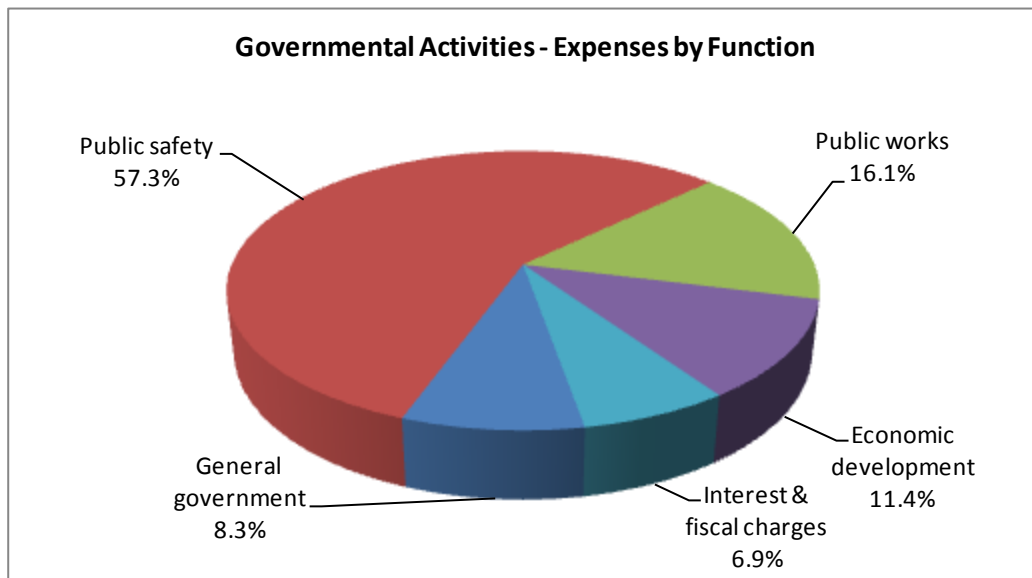
The \$0.4 million increase in other taxes is a continued increase from the electric utility use tax that was adopted by the Village in 2011.

The charges for services category increase of \$0.2 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)**

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**Expenses**



For the current year, expenses from Governmental Activities totaled \$68.4 million, which represents a \$0.5 million (0.7%) decrease from the prior year.

Public safety expenses showed a \$2.0 million (5.4%) increase over the prior year mainly due to the first year of full depreciation of the new Police Headquarters and non-capitalized items related to the Police Headquarters.

General government expenses experienced a decrease of \$2.4 million (29.6%) as a result of the prior year's non-recurring recognition of a loss on the sale land.

Public works expenses show a decrease of \$0.3 million (2.7%) mainly due to a slight decrease in road maintenance activities.

Economic development activities show an increase of \$0.2 million (2.6%), as a result of various non-material changes occurring from year to year.

***Business-Type Activities***

**Revenues**

Total revenue for the business-type activities experienced a \$1.2 million (6.8%) increase in the current year. The combined water and sewer rate was increased by 5% and usage was up slightly over the prior year and there were no increases in either the refuse collection rate or commuter parking lot fees.

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(See independent auditor's report)

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

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**Expenses**

Business-type activity total expenses increased by a slight \$0.3 million (1.9%) as a result of increased in spending in the Sewerage Fund on flood control projects throughout the Village.

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

***Governmental Funds***

The Governmental Funds (as presented on page 7-12) reported a combined total fund balance of \$64.2 million, which is a \$2.3 million decrease from the prior year balance of \$66.5 million. This decrease is mainly attributable to the planned use of reserves for development related activities. The total fund balance of \$66.4 million is comprised of the following components:

***Nonspendable Fund Balance*** of \$5.8 million represents the portion of fund balance that is not available to be spent, either short-term or long-term, in form: \$5.8 million for advances.

***Restricted Fund Balance*** totaling \$32.3 million represents the portion of fund balance that is subject to external enforceable legal restrictions: \$0.9 million for highways and streets; \$2.4 million for debt service; \$2.1 million for capital projects; \$0.3 million for public safety; and \$26.6 million for economic development.

***Assigned Fund Balance*** in the amount of \$11.9 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 \$14.2 million that represents available expendable financial resources that are not the object of tentative management plan. In the General Fund, this includes the operating reserves and the "Economic Stabilization" reserve as defined in the Village's adopted Reserve Policy.

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The General Fund's total fund balance increased by \$1.9 million (10.1%) from the prior year; the fund balance for the prior year showed an increase of \$3.2 million. The net change in fund balance for the current year represents a \$3.2 million increase in operations. Revenues increased by \$0.6 million and expenditures decreased by \$0.8 million, resulting in a \$1.4 million increase in results from operations compared to the prior year, both before other financing uses (transfers). Net financing sources (uses) decreased by \$2.7 million, which had a negative effect on fund balance.



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

**GENERAL FUND BUDGETARY HIGHLIGHTS**  
**(presented in millions)**

	<i>Current Year</i>			<i>Prior Year</i>	
	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Actual</i>	
Revenues	\$ 49.0	\$ 49.0	\$ 50.8	\$ 50.2	
Expenditures	49.0	49.1	47.6	48.4	
Excess (deficiency) of revenues over expenditures	-	(0.1)	3.2	1.8	
Other financing sources (uses)	-	(1.3)	(1.3)	1.4	
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (1.4)</b>	<b>\$ 1.9</b>	<b>\$ 3.2</b>	

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	\$ 18.4	\$ 19.1	\$ (0.7)	
State sales tax	7.9	7.6	0.3	
Home rule sales tax	4.2	4.2	-	
State income tax	6.0	5.3	0.7	

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.

General Fund actual revenues and actual expenditures were \$1.8 million higher and \$1.5 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 \$0.9 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 negative net change in fund balance of \$2.6 million mainly due to a transfer of funds to a contiguous TIF District to fund development expenditures. The General Obligation Bond Fund experienced a negative \$0.2 net change in fund balance based mainly on the planned use of reserves for capitalized interest.

***Proprietary Funds***

The Enterprise Funds' (as presented on pages 13-18) total net assets increased by \$2.2 million (4.2%). This increase is primarily a result of the net income in the Waterworks Fund, which is due to the water rate increase implemented to begin to fortify the working capital of this fund.

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

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**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 no net change (including additions and deductions) from the prior year. Detailed information regarding the change in capital assets for governmental and business-type activities is included in the Notes to the Financial Statements on pages 38 – 39.

The governmental activities net capital assets increased from last year by \$0.8 million as a result of net capital additions and reductions exceeding depreciation. The business-type activities net capital assets decreased by \$0.8 million as a result of depreciation outpacing net capital additions and reductions.

**DEBT OUTSTANDING**

In calendar year 2012, the Village issued General Obligation Refunding Bonds Series 2012 in the total amount of \$5.025 million.

The Village currently has twenty-five general obligation bond series, one general obligation capital appreciation bond series, and one tax increment revenue limited obligation redevelopment notes series outstanding. \$103.55 million of general obligation bonds, \$5.7 million of general obligation capital appreciation bonds and \$0.1 million of tax increment revenue limited obligation redevelopment notes are currently outstanding.

\$27.4 million (26.5%) of the \$103.55 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 2012, 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 40-44.

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

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**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 2013 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 projection 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 remain flat 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 \$0.19 (4.9%) 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 POSITION

December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 45,002,152	\$ 11,671,448	\$ 56,673,600
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	22,051,022	-	22,051,022
Accounts	-	1,767,441	1,767,441
Other	685,223	221,429	906,652
Due from other governments	5,634,513	-	5,634,513
Accrued interest	62,170	15,850	78,020
Prepaid expenses	55,787	-	55,787
Inventories	185,000	-	185,000
Land held for resale	23,110,440	-	23,110,440
Investment in joint venture			
Northwest Water Commission	-	11,770,351	11,770,351
Capital assets not being depreciated	149,383,825	2,906,138	152,289,963
Capital assets being depreciated (net of accumulated depreciation)	47,273,745	46,124,162	93,397,907
<b>Total assets</b>	<b>293,443,877</b>	<b>74,476,819</b>	<b>367,920,696</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	666,265	118,205	784,470
<b>Total deferred outflows of resources</b>	<b>666,265</b>	<b>118,205</b>	<b>784,470</b>
<b>LIABILITIES</b>			
Accounts payable	1,953,842	1,174,449	3,128,291
Accrued payroll	705,601	50,865	756,466
Accrued interest payable	360,770	37,050	397,820
Due to fiduciary funds	29,272	-	29,272
Deposits payable	729,128	146,988	876,116
Claims payable	1,375,960	-	1,375,960
Unearned revenues	39,086	142,330	181,416
Noncurrent liabilities			
Due within one year	7,212,528	1,374,700	8,587,228
Due in more than one year	89,179,798	16,399,315	105,579,113
<b>Total liabilities</b>	<b>101,585,985</b>	<b>19,325,697</b>	<b>120,911,682</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	21,900,345	-	21,900,345
<b>Total deferred inflows of resources</b>	<b>21,900,345</b>	<b>-</b>	<b>21,900,345</b>
<b>NET POSITION</b>			
Net investment in capital assets	134,215,974	43,155,964	177,371,938
Restricted for			
Streets and highways	848,331	-	848,331
Debt service	2,064,208	-	2,064,208
Public safety	321,038	-	321,038
Unrestricted	33,174,261	12,113,363	45,287,624
<b>TOTAL NET POSITION</b>	<b>\$ 170,623,812</b>	<b>\$ 55,269,327</b>	<b>\$ 225,893,139</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 5,687,081	\$ 3,178,125	\$ 9,610,463	\$ -
Public safety	39,154,692	4,107,608	286,758	75,000
Public works	10,978,933	2,150,261	2,034,315	530,818
Economic development	7,785,928	-	135,677	-
Interest and fiscal charges	4,782,927	-	676,487	-
Total governmental activities	68,389,561	9,435,994	12,743,700	605,818
Business-Type Activities				
Waterworks	6,851,401	9,818,910	-	-
Sewerage	3,688,412	3,411,343	-	448,825
Motor vehicle parking system	1,355,716	678,488	-	-
Refuse collection	4,430,979	4,518,425	-	-
Total business-type activities	16,326,508	18,427,166	-	448,825
TOTAL PRIMARY GOVERNMENT	\$ 84,716,069	\$ 27,863,160	\$ 12,743,700	\$ 1,054,643

See accompanying notes to financial statements.

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ 7,101,507	\$ -	\$ 7,101,507	
(34,685,326)	-	(34,685,326)	
(6,263,539)	-	(6,263,539)	
(7,650,251)	-	(7,650,251)	
(4,106,440)	-	(4,106,440)	
(45,604,049)	-	(45,604,049)	
-	2,967,509	2,967,509	
-	171,756	171,756	
-	(677,228)	(677,228)	
-	87,446	87,446	
-	2,549,483	2,549,483	
(45,604,049)	2,549,483	(43,054,566)	
General Revenues			
Taxes			
Property	32,904,361	-	32,904,361
Home rule sales	4,199,803	-	4,199,803
Telecommunications	2,550,703	-	2,550,703
Electric utility use	1,751,844	-	1,751,844
Other	1,267,148	-	1,267,148
State shared income tax	6,023,925	-	6,023,925
Investment income	321,140	25,416	346,556
Miscellaneous	164,057	-	164,057
Transfers	339,557	(339,557)	-
Total	49,522,538	(314,141)	49,208,397
CHANGE IN NET POSITION	3,918,489	2,235,342	6,153,831
NET POSITION, JANUARY 1 - AS RESTATED	166,705,323	53,033,985	219,739,308
NET POSITION, DECEMBER 31	\$ 170,623,812	\$ 55,269,327	\$ 225,893,139

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2012

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 11,790,228	\$ 4,456,448	\$ 1,053,963	\$ 2,410,097	\$ 17,889,153	\$ 37,599,889
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	19,240,191	7,094	42,676	2,761,061	-	22,051,022
Other	665,701	-	-	-	-	665,701
Due from other governments	4,248,491	615,367	-	-	770,655	5,634,513
Accrued interest	4,255	7,450	1,715	2,915	25,260	41,595
Due from other funds	23,281	-	43,615	-	-	66,896
Land held for resale	-	14,496,982	8,613,458	-	-	23,110,440
Advance to other funds	5,772,920	-	-	-	-	5,772,920
 TOTAL ASSETS	 \$ 41,745,067	 \$ 19,583,341	 \$ 9,755,427	 \$ 5,174,073	 \$ 18,685,068	 \$ 94,942,976

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES</b>						
Accounts payable	\$ 311,396	\$ 141,255	\$ 9,331	\$ -	\$ 1,039,425	\$ 1,501,407
Accrued payroll	686,150	-	-	-	5,285	691,435
Due to other funds	-	-	-	-	66,896	66,896
Due to fiduciary funds	29,272	-	-	-	-	29,272
Deposits payable	729,128	-	-	-	-	729,128
Unearned revenues	-	-	-	-	34,782	34,782
Advance from other funds	-	5,772,920	-	-	-	5,772,920
<b>Total liabilities</b>	<b>1,755,946</b>	<b>5,914,175</b>	<b>9,331</b>	<b>-</b>	<b>1,146,388</b>	<b>8,825,840</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property taxes	19,151,250	-	-	2,749,095	-	21,900,345
<b>FUND BALANCES</b>						
Nonspendable in form - advances	5,772,920	-	-	-	-	5,772,920
Restricted for streets and highways	-	-	-	-	848,331	848,331
Restricted for debt service	-	-	-	2,424,978	-	2,424,978
Restricted for capital projects	-	-	-	-	2,122,279	2,122,279
Restricted for public safety	-	-	-	-	321,038	321,038
Restricted for economic development	-	14,496,982	9,746,096	-	2,389,952	26,633,030
Unrestricted						
Assigned for capital projects	-	-	-	-	11,900,695	11,900,695
Unassigned	15,064,951	(827,816)	-	-	(43,615)	14,193,520
<b>Total fund balances</b>	<b>20,837,871</b>	<b>13,669,166</b>	<b>9,746,096</b>	<b>2,424,978</b>	<b>17,538,680</b>	<b>64,216,791</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 41,745,067</b>	<b>\$ 19,583,341</b>	<b>\$ 9,755,427</b>	<b>\$ 5,174,073</b>	<b>\$ 18,685,068</b>	<b>\$ 94,942,976</b>

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2012

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 64,216,791
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	196,657,570
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(91,941,581)
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	58,425
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	(869,295)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	666,265
Accrued interest on long-term debt is reported as a liability on the statement of net position	(360,770)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,979,545)
Less compensated absences payable reported in internal service funds	65,455
The net position of internal service funds is included in the governmental activities in the statement of net position	5,770,827
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(868,556)
The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(791,774)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 170,623,812</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, 2012

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 25,588,613	\$ 5,298,957	\$ 2,736,497	\$ 3,603,825	\$ 5,445,967	\$ 42,673,859
Licenses and permits	2,612,185	-	-	-	-	2,612,185
Intergovernmental	17,742,034	136,474	-	540,013	3,030,942	21,449,463
Charges for services	3,075,790	-	-	-	276,193	3,351,983
Fines and forfeits	1,361,163	-	-	-	34,643	1,395,806
Investment income	260,139	11,928	3,306	6,019	39,748	321,140
Miscellaneous	139,661	-	-	-	24,396	164,057
Total revenues	50,779,585	5,447,359	2,739,803	4,149,857	8,851,889	71,968,493
EXPENDITURES						
Current						
General government	5,448,017	-	-	-	-	5,448,017
Public safety	36,298,800	-	-	-	328,842	36,627,642
Public works	5,850,899	-	-	-	6,746	5,857,645
Economic development	-	246,969	1,990,348	-	5,762,546	7,999,863
Capital outlay	-	597,905	158,751	-	7,059,465	7,816,121
Debt service						
Principal retirement	-	3,631,824	500,000	2,272,080	-	6,403,904
Interest	-	1,829,968	905,398	2,032,720	-	4,768,086
Fiscal charges	-	86,684	1,000	4,222	-	91,906
Total expenditures	47,597,716	6,393,350	3,555,497	4,309,022	13,157,599	75,013,184

See accompanying notes to financial statements.

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,181,869	(945,991)	(815,694)	(159,165)	(4,305,710)	(3,044,691)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued, at par	-	5,025,000	-	-	-	5,025,000
Payment to refunded bond escrow agent	-	(4,939,073)	-	-	-	(4,939,073)
Proceeds from sale of capital assets	-	-	213,935	-	111,494	325,429
Transfers in	-	-	-	-	3,609,447	3,609,447
Transfers (out)	(1,269,890)	-	(2,000,000)	-	-	(3,269,890)
Total other financing sources (uses)	(1,269,890)	85,927	(1,786,065)	-	3,720,941	750,913
NET CHANGE IN FUND BALANCE	1,911,979	(860,064)	(2,601,759)	(159,165)	(584,769)	(2,293,778)
FUND BALANCE, JANUARY 1 - AS RESTATED	18,925,892	14,529,230	12,347,855	2,584,143	18,123,449	66,510,569
FUND BALANCE, DECEMBER 31	\$ 20,837,871	\$ 13,669,166	\$ 9,746,096	\$ 2,424,978	\$ 17,538,680	\$ 64,216,791

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, 2012

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,293,778)
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	3,218,035
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(2,417,885)
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	(5,025,000)
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	6,403,904
Refunding of bonds	4,715,000
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,480)
The amortization of premium on long-term debt is reported as revenue on the statement of activities	179,440
The loss on refunding on long-term debt is reported as an other financing use in the governmental funds and is deferred in the statement of activities	224,073
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	16,555
The change in compensated absences payable is shown as an expense on the statement of activities	(87,447)
The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities	(652,513)
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(144,696)
The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(98,269)
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,918,489</u>

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See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities					Governmental
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
<b>CURRENT ASSETS</b>						
Cash and investments	\$ 4,726,901	\$ 3,338,779	\$ 1,255,111	\$ 2,350,657	\$ 11,671,448	\$ 7,402,263
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,240,647	460,110	-	66,684	1,767,441	-
Other	-	47,794	-	173,635	221,429	19,522
Accrued interest	2,635	9,435	280	3,500	15,850	20,575
Prepaid expenses	-	-	-	-	-	55,787
Inventories	-	-	-	-	-	185,000
<b>Total current assets</b>	<b>5,970,183</b>	<b>3,856,118</b>	<b>1,255,391</b>	<b>2,594,476</b>	<b>13,676,168</b>	<b>7,683,147</b>
<b>NONCURRENT ASSETS</b>						
Capital assets						
Land	740,200	-	2,165,938	-	2,906,138	-
Buildings and improvements	6,739,405	259,610	15,881,477	-	22,880,492	-
Systems and improvements	17,248,270	58,174,555	-	-	75,422,825	-
Machinery and equipment	1,957,010	286,080	-	-	2,243,090	-
Accumulated depreciation	(13,542,390)	(32,940,205)	(7,939,650)	-	(54,422,245)	-
<b>Total capital assets</b>	<b>13,142,495</b>	<b>25,780,040</b>	<b>10,107,765</b>	<b>-</b>	<b>49,030,300</b>	<b>-</b>
Other assets						
Investment in joint venture Northwest Water Commission	11,770,351	-	-	-	11,770,351	-
<b>Total noncurrent assets</b>	<b>24,912,846</b>	<b>25,780,040</b>	<b>10,107,765</b>	<b>-</b>	<b>60,800,651</b>	<b>-</b>
<b>Total assets</b>	<b>30,883,029</b>	<b>29,636,158</b>	<b>11,363,156</b>	<b>2,594,476</b>	<b>74,476,819</b>	<b>7,683,147</b>

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ 4,865	\$ 113,340	\$ -	\$ -	\$ 118,205	\$ -
Total deferred outflows of resources	4,865	113,340	-	-	118,205	-
CURRENT LIABILITIES						
Accounts payable	577,879	68,940	35,852	491,778	1,174,449	452,435
Accrued payroll	38,402	12,463	-	-	50,865	14,166
Accrued interest payable	4,835	32,215	-	-	37,050	-
Deposits payable	146,988	-	-	-	146,988	-
Claims payable	-	-	-	-	-	1,375,960
Unearned revenues	-	-	-	142,330	142,330	4,304
Compensated absences payable	23,166	2,699	-	-	25,865	13,091
General obligation bonds payable	554,380	794,455	-	-	1,348,835	-
Total current liabilities	1,345,650	910,772	35,852	634,108	2,926,382	1,859,956
LONG-TERM LIABILITIES						
Compensated absences payable	92,666	10,797	-	-	103,463	52,364
General obligation bonds payable	6,565,461	9,730,391	-	-	16,295,852	-
Total long-term liabilities	6,658,127	9,741,188	-	-	16,399,315	52,364
Total liabilities	8,003,777	10,651,960	35,852	634,108	19,325,697	1,912,320
NET POSITION						
Net investment in capital assets	17,793,005	15,255,194	10,107,765	-	43,155,964	-
Unrestricted	5,091,112	3,842,344	1,219,539	1,960,368	12,113,363	5,770,827
TOTAL NET POSITION	\$ 22,884,117	\$ 19,097,538	\$ 11,327,304	\$ 1,960,368	\$ 55,269,327	\$ 5,770,827

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,679
Charges for services	9,768,224	3,378,512	678,488	4,518,425	18,343,649	9,218,384
Miscellaneous	50,686	32,831	-	-	83,517	337,083
Total operating revenues	9,818,910	3,411,343	678,488	4,518,425	18,427,166	9,568,146
OPERATING EXPENSES EXCLUDING DEPRECIATION						
Costs of sales and services	6,102,875	2,053,441	571,636	4,430,979	13,158,931	10,247,077
Total operating expenses excluding depreciation	6,102,875	2,053,441	571,636	4,430,979	13,158,931	10,247,077
OPERATING INCOME BEFORE DEPRECIATION	3,716,035	1,357,902	106,852	87,446	5,268,235	(678,931)
DEPRECIATION	691,430	1,216,540	784,080	-	2,692,050	-
OPERATING INCOME (LOSS)	3,024,605	141,362	(677,228)	87,446	2,576,185	(678,931)
NONOPERATING REVENUES (EXPENSES)						
Investment income	5,206	13,361	1,386	5,463	25,416	26,418
Interest expense	(443,446)	(418,431)	-	-	(861,877)	-
Joint venture	386,350	-	-	-	386,350	-
Total nonoperating revenues (expenses)	(51,890)	(405,070)	1,386	5,463	(450,111)	26,418

See accompanying notes to financial statements.

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,972,715	(263,708)	(675,842)	92,909	2,126,074	(652,513)
Contributions	-	448,825	-	-	448,825	-
Transfers (out)	(100,000)	(50,000)	(89,557)	(100,000)	(339,557)	-
CHANGE IN NET POSITION	2,872,715	135,117	(765,399)	(7,091)	2,235,342	(652,513)
NET POSITION, JANUARY 1 - AS RESTATED	20,011,402	18,962,421	12,092,703	1,967,459	53,033,985	6,423,340
NET POSITION, DECEMBER 31	<u>\$ 22,884,117</u>	<u>\$ 19,097,538</u>	<u>\$ 11,327,304</u>	<u>\$ 1,960,368</u>	<u>\$ 55,269,327</u>	<u>\$ 5,770,827</u>

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	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	\$ 9,819,626	\$ 3,430,747	\$ 768,045	\$ 4,587,494	\$ 18,605,912	\$ 1,541,652
Receipts from interfund services transactions	-	-	-	-	-	8,037,737
Payments to suppliers	(4,093,204)	(1,504,852)	(542,269)	(4,421,026)	(10,561,351)	(8,712,348)
Payments to employees	(1,531,833)	(605,350)	-	-	(2,137,183)	(739,125)
Net cash from operating activities	4,194,589	1,320,545	225,776	166,468	5,907,378	127,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out	(100,000)	(50,000)	(89,557)	(100,000)	(339,557)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(511,465)	(900,945)	-	-	(1,412,410)	-
Principal payments on long-term debt	(921,280)	(806,640)	-	-	(1,727,920)	-
Interest and fiscal charges paid on long-term debt	(91,929)	(413,371)	-	-	(505,300)	-
Net cash from capital and related financing activities	(1,524,674)	(2,120,956)	-	-	(3,645,630)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	2,571	9,881	1,106	4,708	18,266	18,656
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,572,486	(840,530)	137,325	71,176	1,940,457	146,572
CASH AND CASH EQUIVALENTS, JANUARY 1	2,154,415	4,179,309	1,117,786	2,279,481	9,730,991	7,255,691
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 4,726,901	\$ 3,338,779	\$ 1,255,111	\$ 2,350,657	\$ 11,671,448	\$ 7,402,263

See accompanying notes to financial statements.

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 3,024,605	\$ 141,362	\$ (677,228)	\$ 87,446	\$ 2,576,185	\$ (678,931)
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation	691,430	1,216,540	784,080	-	2,692,050	-
(Increase) decrease in						
Accounts receivables	(16,892)	9,410	-	38,160	30,678	-
Other receivables	16,658	9,994	-	31,989	58,641	9,692
Due from other governments	-	-	89,557	-	89,557	-
Due from other funds	-	-	-	-	-	2,259
Prepaid expenses	-	-	-	-	-	858
Inventories	-	-	-	-	-	(16,135)
Increase (decrease) in						
Accounts payable	485,849	(49,999)	29,367	9,953	475,170	(71,132)
Accrued payroll	(13,438)	(6,986)	-	-	(20,424)	(8,539)
Deposits payable	950	-	-	-	950	-
Due to other funds	-	-	-	-	-	(583)
Claims payable	-	-	-	-	-	885,976
Unearned revenue	-	-	-	(1,080)	(1,080)	(125)
Compensated absences payable	5,427	224	-	-	5,651	4,576
NET CASH FROM OPERATING ACTIVITIES	\$ 4,194,589	\$ 1,320,545	\$ 225,776	\$ 166,468	\$ 5,907,378	\$ 127,916
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Capital contributions	\$ -	\$ 448,825	\$ -	\$ -	\$ 448,825	\$ -
Change in investment in joint venture	386,350	-	-	-	386,350	-
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	\$ 386,350	\$ 448,825	\$ -	\$ -	\$ 835,175	\$ -

See accompanying notes to financial statements.

## VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

December 31, 2012

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,768	\$ 1,438,092
Investments		
U.S. Treasury securities	16,227,506	-
U.S. agency securities	9,463,300	-
Corporate and international bonds	18,543,253	-
Municipal bonds	714,470	-
Money market mutual funds	2,255,315	-
Equities	52,403,314	-
Receivables		
Property taxes	-	693,918
Accrued interest	222,168	-
Due from primary government	29,272	-
Prepaid items	-	3,000
<b>Total assets</b>	<b>99,860,366</b>	<b>\$ 2,135,010</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 21,378	\$ 1,218
Other liabilities	-	1,194,293
Due to bondholders	-	939,499
<b>TOTAL LIABILITIES</b>	<b>21,378</b>	<b>\$ 2,135,010</b>
<b>NET POSITION</b>		
Held in trust for pension benefits	<b>\$ 99,838,988</b>	

See accompanying notes to financial statements.

## VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS

For the Year Ended December 31, 2012

<b>ADDITIONS</b>	
Contributions	
Employer	\$ 5,893,364
Employee	1,807,958
Miscellaneous income	<u>50</u>
Total contributions	<u>7,701,372</u>
Investment income	
Net appreciation in fair value of investments	6,392,423
Interest	<u>1,989,092</u>
Total investment income	8,381,515
Less investment expense	<u>(489,796)</u>
Net investment income	<u>7,891,719</u>
Total additions	<u>15,593,091</u>
<b>DEDUCTIONS</b>	
Administration	44,273
Benefits and refunds	
Retirement benefits	5,833,420
Refunds of contributions	<u>184,069</u>
Total deductions	<u>6,061,762</u>
CHANGE IN NET POSITION	9,531,329
<b>NET POSITION</b>	
January 1	<u>90,307,659</u>
December 31	<u><u>\$ 99,838,988</u></u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

Police Pension Employees Retirement System

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

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

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

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the government. The Village utilizes pension trust funds (for its Police and Firefighters' Pension Funds) and agency funds (for its Special Service Areas debt service) 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 position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

The Village reports the following major governmental funds:

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

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

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

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

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

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

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

Additionally, the Village reports the following proprietary fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

Investments with a maturity of 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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

g. Inventories

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

h. Deferred Charge on Refunding

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

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 restricted fund balance, which indicates that it is restricted for a specific purpose. The land held consists of numerous parcels within the Downtown TIF District and the Rand Corridor District that the Village owns and is holding until sold.

k. Capital Assets

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

<u>Asset Class</u>	<u>Capitalization Threshold</u>
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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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

l. Compensated Absences

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

m. Rebatable Arbitrage

The Village reports rebatable arbitrage as a deferred outflow of resources. As of December 31, 2012, the Village has accrued no potential arbitrage liability. Where applicable, any liability for rebatable arbitrage is reported in the funds in which the excess interest income was recorded.

n. Long-Term Obligations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or internally restricted via enabling legislation. Committed fund balance is constrained by formal actions of the Village'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 positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

None of the net positions or fund balances is restricted as a result from enabling legislation adopted by the Village.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Deferred Outflows/Inflows of Resources

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

2. DEPOSITS AND INVESTMENTS

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, 2012, the Village had greater than 5% of its overall portfolio invested in money market mutual funds. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.



## 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, corporate bonds, 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, 2012 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, 2012:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 8,804,698	\$ -	\$ 1,324,179	\$ 2,525,907	\$ 4,954,612
U.S. agency obligations	4,651,265	529,455	1,992,269	635,291	1,494,250
Corporate bonds	7,895,361	513,113	2,478,602	4,496,181	407,465
Municipal bonds	714,470	-	211,455	260,360	242,655
<b>TOTAL</b>	<b>\$ 22,065,794</b>	<b>\$ 1,042,568</b>	<b>\$ 6,006,505</b>	<b>\$ 7,917,739</b>	<b>\$ 7,098,982</b>

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund 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 and corporate bonds rated as investment grade. The U.S. agency obligations and municipal bonds, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aa1 to Baa3.

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, 2012. At December 31, 2012, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury and U.S. agency obligations, 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, corporate bonds, 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, 2012 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, 2012:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 7,422,808	\$ -	\$ 4,341,183	\$ 3,081,625	\$ -
U.S. agency obligations	4,812,035	-	4,292,939	507,910	11,186
Corporate bonds	10,647,892	1,061,098	6,334,942	3,251,852	-
<b>TOTAL</b>	<b>\$ 22,882,735</b>	<b>\$ 1,061,098</b>	<b>\$ 14,969,064</b>	<b>\$ 6,841,387</b>	<b>\$ 11,186</b>

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund 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 and corporate bonds rated as investment grade. The U.S. agency obligations, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aaa to Baa2.

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 33.6%-38.2% and 9.4%-11.8% ranges, respectively. Fixed income securities should comprise 50.7%-60.7% of investments. Cash holdings should be 0%-5.5%. All investments fall within their acceptable ranges at December 31, 2012. At December 31, 2012, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury and U.S. agency obligations, which is in accordance with the Firefighters' Pension Fund's investment policy.

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

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3. RECEIVABLES

a. Taxes

Property taxes for 2012 attach as an enforceable lien on January 1, 2012, 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, 2013 and August 1, 2013 and are payable in two installments, on or about March 1, 2013 and September 1, 2013. 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 2012 tax levy has been recorded as unavailable revenue on the financial statements.

b. Other Receivables

At December 31, 2012, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	\$ 11,485
Ambulance service and fees	109,670
Cable franchise fees	207,965
Food and beverage tax	116,595
Loans receivable	331
Red light violations	70,770
Electric utility tax	148,885
Billed receivables	<u>19,522</u>
Total governmental activities	<u>685,223</u>
BUSINESS-TYPE ACTIVITIES	
Disposal fees	109,455
Sewer loan program	47,794
Other	<u>64,180</u>
Total business-type activities	<u>221,429</u>
TOTAL OTHER RECEIVABLES	<u>\$ 906,652</u>

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

3. RECEIVABLES (Continued)

c. Due from Other Governments

At December 31, 2012, the Village had amounts due from other governments as follows:

GOVERNMENTAL ACTIVITIES

State sales tax	\$ 1,720,060
Home rule sales tax	706,450
Grants	648,933
Local use tax	280,750
Court fines	52,230
Other state sources	68,185
Motor fuel tax allotments	141,915
Telecommunications tax	595,060
Rural fire district payments	64,780
Income tax	<u>1,356,150</u>

Total government activities	5,634,513
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BUSINESS-TYPE ACTIVITIES

-

TOTAL DUE FROM OTHER GOVERNMENTS

\$ 5,634,513

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,691,625	\$ 885,275	\$ -	\$ 9,576,900
Land right of way	139,806,925	-	-	139,806,925
Total capital assets not being depreciated	<u>148,498,550</u>	<u>885,275</u>	<u>-</u>	<u>149,383,825</u>
Capital assets being depreciated				
Buildings and improvements	38,507,725	648,810	474,360	38,682,175
Machinery and equipment	10,201,265	458,090	1,768,655	8,890,700
Streets	24,724,895	1,225,860	-	25,950,755
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	<u>75,030,620</u>	<u>2,332,760</u>	<u>2,243,015</u>	<u>75,120,365</u>

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

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
(Continued)				
Less accumulated depreciation for				
Buildings and improvements	\$ 7,901,145	\$ 1,150,780	\$ 474,360	\$ 8,577,565
Machinery and equipment	5,999,855	710,230	1,768,655	4,941,430
Streets	13,044,115	524,875	-	13,568,990
Bridges	726,635	32,000	-	758,635
Total accumulated depreciation	27,671,750	2,417,885	2,243,015	27,846,620
Total capital assets being depreciated, net	47,358,870	(85,125)	-	47,273,745
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 195,857,420</u>	<u>\$ 800,150</u>	<u>\$ -</u>	<u>\$ 196,657,570</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	2,253,570	226,465	236,945	2,243,090
Buildings and improvements	6,999,015	-	-	6,999,015
Water system	16,975,062	285,000	11,792	17,248,270
Sewer system	56,824,785	1,349,770	-	58,174,555
Parking improvements	15,881,477	-	-	15,881,477
Total capital assets being depreciated	98,933,909	1,861,235	248,737	100,546,407
Less accumulated depreciation for				
Equipment	1,021,740	192,245	236,945	977,040
Buildings and improvements	3,535,205	168,720	-	3,703,925
Water system	8,714,976	361,520	11,792	9,064,705
Sewer system	31,551,441	1,185,485	-	32,736,925
Parking improvements	7,155,570	784,080	-	7,939,650
Total accumulated depreciation	51,978,932	2,692,050	248,737	54,422,245
Total capital assets being depreciated, net	46,954,977	(830,815)	-	46,124,162
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 49,861,115</u>	<u>\$ (830,815)</u>	<u>\$ -</u>	<u>\$ 49,030,300</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 184,220
Public works	1,024,895
Public safety	<u>1,208,770</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<u><b>\$ 2,417,885</b></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 \$138,140,000. During the year, general obligation bonds totaling \$5,025,000 were issued to refund other general obligation bonds.

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

Purpose	Interest Rates	Amount
Governmental activities	2.000% - 5.950%	\$ 70,105,452
Governmental activities – refunding	1.160% - 5.250%	21,719,270
Business-type activities	3.375% - 5.500%	4,830,000
Business-type activities – refunding	1.160% - 5.250%	6,895,730
Business-type activities - capital appreciation <sup>(1)</sup>	7.100%	<u>5,692,787</u>
TOTAL		<u>\$ 109,243,239</u>

<sup>(1)</sup> The face value of bonds issued was \$6,545,000. The carrying value of the accreted bonds is \$5,692,787.

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
2013	\$ 6,246,617	\$ 4,300,161	\$ 1,348,835	\$ 444,219
2014	5,578,240	3,850,673	986,760	402,323
2015	6,369,865	3,658,025	1,220,135	370,301
2016	5,535,000	3,406,122	915,000	330,494
2017	4,755,000	3,183,705	950,000	299,638
2018	4,955,000	2,988,543	805,000	261,894
2019	5,215,000	2,779,379	840,000	229,694
2020	5,370,000	2,549,591	885,000	196,094
2021	5,675,000	2,306,181	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	\$ 5,800,000	\$ 2,038,631	\$ 965,000	\$ 123,088
2023	2,730,000	1,759,368	275,000	83,838
2024	3,465,000	1,614,304	290,000	72,150
2025	3,610,000	1,427,000	305,000	59,462
2026	2,875,000	1,230,092	320,000	46,118
2027	2,130,000	1,073,322	340,000	31,718
2028	2,200,000	954,235	355,000	16,418
2029	2,290,000	828,376	-	-
2030	2,200,000	696,000	-	-
2031	2,300,000	568,400	-	-
2032	2,400,000	435,000	-	-
2033	2,500,000	295,800	-	-
2034	2,600,000	150,800	-	-
TOTAL	\$ 86,799,722	\$ 42,093,708	\$ 11,725,730	\$ 3,127,849

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

Year Ending December 31,	Principal	Interest
2013	\$ -	\$ 410,050
2014	1,695,000	317,511
2015	2,995,000	124,652
2016	1,855,000	-
TOTAL	\$ 6,545,000	\$ 852,213

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 \$190,000.

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%	\$ 116,859

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

Year Ending December 31,	Redevelopment Notes	
	Principal	Interest
2013	\$ -	\$ -
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	116,859	-
TOTAL	\$ 116,859	\$ -

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 December 3, 2012, the Village issued \$5,025,000 General Obligation Refunding Bond Series 2012 to advance refund \$4,715,000 of the General Obligation Bond Series 2004A due on December 1, 2014 through 2022. The transaction resulted in an economic gain of \$595,229 and a reduction of \$655,083 in future debt service payments. The refunded bonds will be called and redeemed on December 1, 2013.

e. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled \$5,895,000. 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, 2012 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 97,913,083	\$ 5,025,000	\$ 11,113,361	\$ 91,824,722	\$ 6,816,617
TIF notes	122,402	-	5,543	116,859	-
Net pension obligation*	693,505	110,532	12,263	791,774	-
Net OPEB obligation*	723,860	279,920	135,224	868,556	-
Compensated absences*	1,887,522	330,141	238,118	1,979,545	382,820
Total	101,340,372	5,745,593	11,504,509	95,581,456	7,199,437

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

5. LONG-TERM DEBT (Continued)

g. Changes in Long-Term Liabilities (Continued)

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES (Continued)					
Less deferred amounts					
Unamortized bond discount	\$ (63,905)	\$ -	\$ (5,480)	\$ (58,425)	\$ -
Unamortized bond premium	1,048,735	-	179,440	869,295	-
Unamortized loss on refunding	(555,640)	(224,075)	(113,450)	(666,265)	-
Total deferred amounts	429,190	(224,075)	60,510	144,605	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 101,769,562	\$ 5,521,518	\$ 11,565,019	\$ 95,726,061	\$ 7,199,437

\* 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	\$ 2,525,760	\$ -	\$ 921,280	\$ 1,604,480	\$ 554,380
Sewer Fund	10,927,890	-	806,640	10,121,250	794,455
General obligation capital appreciation bonds					
Water Fund	5,100,919	367,422	-	5,468,341	-
Sewer Fund	209,368	15,078	-	224,446	-
Compensated absences					
Water Fund	110,405	8,667	3,240	115,832	23,166
Sewer Fund	13,272	1,595	1,371	13,496	2,699
Total	18,887,614	392,762	1,732,531	17,547,845	1,374,700
Less deferred amounts					
Unamortized bond discount	(21,280)	-	(1,260)	(20,020)	-
Unamortized bond premium	281,725	-	35,535	246,190	-
Unamortized loss on refunding	(131,390)	-	(13,185)	(118,205)	-
Total deferred amounts	129,055	-	21,090	107,965	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 19,016,669	\$ 392,762	\$ 1,753,621	\$ 17,655,810	\$ 1,374,700

## 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, 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
Claims incurred – 2012	4,394,927	1,042,842	589,582	6,027,351
Claims payments – 2012	4,333,927	565,408	242,040	5,141,375
UNPAID CLAIMS,				
DECEMBER 31, 2012	\$ 338,500	\$ 664,040	\$ 373,420	\$ 1,375,960

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 \$2,929,000 through December 31, 2013. This amount has been calculated using the Village's current allocation percentage of approximately 30%. In future years, this allocation percentage will be subject to change.

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

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

The Village's estimated payment for operations and maintenance costs for 2013 is \$1,325,520. This is based on an estimated tipping fee of \$53.68 per ton for 24,693 tons.

The Village's estimated payment of fixed costs for 2013 is \$95,070. This amount has been estimated based on a charge of \$3.85 per ton for 24,693 tons. In future years, this allocation 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 either the mayor/president or Village Manager from each member municipality. Each director has an equal vote. The officers of SWANCC are appointed by the Board of Directors. The Board of Directors determines the general policy of SWANCC, makes all appropriations, approves contracts, provides for the issuance of debt, adopts by-laws, rules and regulations, exercises such powers and performs such duties as may be prescribed in the agency agreement or the by-laws.

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

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

8. JOINT VENTURES (Continued)

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

In accordance with the contract, the Village made payments totaling \$1,378,691 to SWANCC in 2012. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2012.

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

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

NWWC has entered into an agreement with the City of Evanston (the City) under which the City has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2022. This contract may be extended by the NWWC for 5 years at the sole discretion of the NWWC.



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

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC) (Continued)

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 \$2,823,085 to NWWC for 2012. The Village's equity interest in NWWC was \$11,770,351 at December 31, 2012. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2012 consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Nonmajor governmental Special Police Grant	\$ 23,281
Nonmajor governmental Rand Corridor TIF	Nonmajor governmental Rand-Lake Cook TIF	43,615
Fiduciary Police Pension	Major governmental General	14,275
Firefighters' Pension	General	14,997
TOTAL		<u>\$ 96,168</u>

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

- \$23,281 payable by the Special Police Grant Fund to the General Fund and the \$43,615 payable by the Rand Corridor TIF Fund to the Rand-Lake Cook TIF Fund are for short-term cash loans at year end. The amounts will be repaid within one year.
- \$29,272 payable by the General Fund to the Pension Funds is for taxes received after year end.

9. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Advances From/To Other Funds

Advances from/to other funds at December 31, 2012 consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Downtown TIF	<u>\$ 5,772,920</u>

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

- \$5,772,920 advanced to the Downtown TIF Fund from the General Fund relates to financing various redevelopment projects. Repayment is not expected within one year.

c. Transfers

During the year ended December 31, 2012 the following transfers were made:

- \$1,262,870 from the General Fund to the Capital Equipment Acquisition Fund
- \$7,020 from the General Fund to the Capital Improvement Fund
- \$2,000,000 from the Rand Corridor TIF Fund to the Rand-Lake Cook TIF Fund
- \$325,715 from the Capital Improvement Fund to the Capital Equipment Acquisition Fund
- \$100,000 from the Waterworks Fund to the Capital Equipment Acquisition Fund
- \$50,000 from the Sewerage Fund to the Capital Equipment Acquisition Fund
- \$100,000 from the Refuse Collection Fund to the Capital Improvement Fund
- \$89,557 from the Motor Vehicle Parking System Fund to the Capital Improvement Fund

These transfers were for reimbursement of certain costs and 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, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	39
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>283</u>
 TOTAL	 <u><u>322</u></u>
 Participating employers	 <u><u>1</u></u>

d. Funding Policy

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	\$ 259,823	\$ 135,226	52.05%	\$ 574,417
December 31, 2011	284,669	135,226	47.50%	723,860
December 31, 2012	279,920	135,224	48.30%	868,556

The net OPEB obligation as of December 31, 2012 was calculated as follows:

Annual required contribution	\$ 275,095
Interest on net OPEB obligation	28,954
Adjustment to annual required contribution	<u>(24,129)</u>
Annual OPEB cost	279,920
Contributions made	<u>135,224</u>
Increase in net OPEB obligation	144,696
Net OPEB obligation, beginning of year	<u>723,860</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 868,556</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, 2012, the most recent information available, was as follows:

Actuarial accrued liability (AAL)	\$ 5,329,063
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	5,329,063
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 25,423,925
UAAL as a percentage of covered payroll	20.96%

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.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the December 31, 2012 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% 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 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 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](http://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.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. 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 2012 were 13.21% of covered payroll.

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, 2013, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	45
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	
Vested	90
Nonvested	19
	<hr/>
TOTAL	155
	<hr/>

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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.

Tier 2 employees (those hired on or after January 1, 2012) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of  $\frac{1}{2}$  of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e.,  $\frac{1}{2}\%$  for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or  $\frac{1}{2}$  of the change in the Consumer Price Index for the proceeding calendar year.



11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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, 2012, the Village's contribution was 30.71% 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, 2013, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	58
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	55
Nonvested	36
	<hr/>
TOTAL	149
	<hr/>

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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, 2012) 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, 2012) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of  $\frac{1}{2}$  of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e.,  $\frac{1}{2}\%$  for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or  $\frac{1}{2}$  of the change in the Consumer Price Index for the proceeding calendar year.

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, 2012, the Village's contribution was 35.95% 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.

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, 2010	December 31, 2011	December 31, 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 Percentage of Payroll	Level Percentage of Payroll
Amortization period	30 Years, Open	28 Years, Closed	28 Years, Closed
Significant actuarial assumptions			
a) Inflation rate	4.00%	3.00%	3.00%
b) Rate of return on Investments	7.50% Compounded Annually	7.50% Compounded Annually	7.50% 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, 2012 were as follows:

	Police Pension	Firefighters' Pension
Annual required contribution	\$ 2,996,776	\$ 2,978,383
Interest on net pension obligation	25,081	26,932
Adjustment to annual required contributions	(17,146)	(18,411)
Annual pension cost	3,004,711	2,986,904
Contributions made	3,016,974	2,876,372
Increase (decrease) in net pension obligation	(12,263)	110,532
Net pension obligation, beginning of year	334,408	359,097
NET PENSION OBLIGATION, END OF YEAR	<u>\$ 322,145</u>	<u>\$ 469,629</u>

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)	2010	\$ 1,535,559	\$ 2,680,311	\$ 2,062,563
	2011	1,410,209	2,800,759	2,704,868
	2012	1,311,221	3,004,711	2,986,904
Actual contribution	2010	\$ 1,535,559	\$ 2,685,585	\$ 2,032,916
	2011	1,410,209	3,450,128	2,600,219
	2012	1,311,221	3,016,974	2,876,372
Percentage of APC contributed	2010	100.00%	100.20%	98.56%
	2011	100.00%	123.19%	96.13%
	2012	100.00%	100.41%	96.30%
NPO (asset)	2010	\$ -	\$ 983,777	\$ 254,448
	2011	-	334,408	359,097
	2012	-	322,145	469,629

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, 2010	December 31, 2012	December 31, 2012
Actuarial accrued liability (AAL)	\$ 33,813,736	\$ 84,402,484	\$ 84,352,931
Actuarial value of plan assets	25,147,488	49,695,524	50,143,446
Unfunded actuarial accrued liability (UAAL)	8,666,248	34,706,960	34,209,485
Funded ratio (actuarial value of plan assets/AAL)	74.37%	58.88%	59.44%
Covered payroll (active plan members)	\$ 9,925,976	\$ 9,823,321	\$ 8,000,569
UAAL as a percentage of covered payroll	87.13%	353.31%	427.59%

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 Position as of December 31, 2012

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 889	\$ 879	\$ 1,768
Investments			
U.S. Treasury securities	8,804,698	7,422,808	16,227,506
U.S. agency securities	4,651,265	4,812,035	9,463,300
Corporate and international bonds	7,895,361	10,647,892	18,543,253
Municipal bonds	714,470	-	714,470
Money market mutual funds	664,863	1,590,452	2,255,315
Equities	26,800,631	25,602,683	52,403,314
Receivables			
Accrued interest	149,090	73,078	222,168
Due from general fund	14,275	14,997	29,272
Total assets	49,695,542	50,164,824	99,860,366
<b>LIABILITIES</b>			
Accounts payable	-	21,378	21,378
Total liabilities	-	21,378	21,378
NET POSITION	\$ 49,695,542	\$ 50,143,446	\$ 99,838,988

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

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position for the year ended December 31, 2012

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 3,016,992	\$ 2,876,372	\$ 5,893,364
Employee	1,028,354	779,604	1,807,958
Miscellaneous	-	50	50
Total contributions	4,045,346	3,656,026	7,701,372
Investment income			
Net appreciation in fair value of investments	2,870,176	3,522,247	6,392,423
Interest income	1,204,159	784,933	1,989,092
Less investment expense	(296,335)	(193,461)	(489,796)
Net investment income	3,778,000	4,113,719	7,891,719
Total additions	7,823,346	7,769,745	15,593,091
<b>DEDUCTIONS</b>			
Administrative	19,835	24,438	44,273
Pension benefits and refunds	2,549,896	3,467,593	6,017,489
Total deductions	2,569,731	3,492,031	6,061,762
CHANGE IN NET POSITION	5,253,615	4,277,714	9,531,329
<b>NET POSITION</b>			
January 1	44,441,927	45,865,732	90,307,659
December 31	\$ 49,695,542	\$ 50,143,446	\$ 99,838,988

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

13. PRIOR PERIOD ADJUSTMENTS

As of December 31, 2012, the beginning net position/fund balances for the following funds and activities were restated as follows:

	Nonmajor Capital Projects Funds	Waterworks Fund	Sewerage Fund	Entity-wide Statement of Activities	
				Govern- mental Activities	Business- Type Activities
Net position/fund balances – as previously reported	\$ 13,806,381	\$ 20,044,182	\$ 18,815,141	\$167,998,122	\$ 52,919,485
Restatement of unearned revenue	108,579	-	273,220	108,579	273,220
Restatement of deferred charges	-	(32,780)	(125,940)	(1,401,378)	(158,720)
Net position/fund balances – as restated	\$ 13,914,960	\$ 20,011,402	\$ 18,962,421	\$166,705,323	\$ 53,033,985

Unearned revenues have been restated due to the elimination of previous developer payments, which were being deferred. Management has determined that these developer payments should be recognized as revenue in the period in which they are received.

Deferred charges have been restated due to the elimination of previous bond issuance costs, which were being amortized over the life of the bonds. With the implementation of GASB Statement No. 65, the Village is required to expense these amounts as the bonds are issued and to apply this change retroactively.



## **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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 25,179,195	\$ 25,179,195	\$ 25,588,613
Licenses and permits	2,615,200	2,615,200	2,612,185
Intergovernmental	15,962,020	16,487,020	17,742,034
Charges for services	3,166,850	3,166,850	3,075,790
Fines and forfeits	1,159,600	1,159,600	1,361,163
Investment income	250,000	250,000	260,139
Miscellaneous	645,595	123,050	139,661
Total revenues	48,978,460	48,980,915	50,779,585
EXPENDITURES			
General government	6,187,105	5,993,930	5,448,017
Public safety	36,557,555	36,741,594	36,298,800
Public works	6,233,800	6,327,692	5,850,899
Total expenditures	48,978,460	49,063,216	47,597,716
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(82,301)	3,181,869
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(1,285,300)	(1,269,890)
Total other financing sources (uses)	-	(1,285,300)	(1,269,890)
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,367,601)	1,911,979
FUND BALANCE, JANUARY 1			18,925,892
FUND BALANCE, DECEMBER 31			\$ 20,837,871

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 6,465,000	\$ 6,465,000	\$ 5,298,957
Intergovernmental			
Build america bond interest rebate	136,475	136,475	136,474
Investment income	5,000	5,000	11,928
Total revenues	6,606,475	6,606,475	5,447,359
EXPENDITURES			
Economic development			
Supplies and services	60,000	60,000	3,063
Project expenditures	399,265	463,278	243,906
Capital outlay			
Buildings and facilities	-	879	879
Rights of way improvements	58,500	60,250	44,210
Street improvements	400,000	1,034,681	552,816
Debt service			
Principal retirement	3,639,285	3,639,285	3,631,824
Interest	1,835,345	1,829,970	1,829,968
Fiscal charges	9,000	98,835	86,684
Total expenditures	6,401,395	7,187,178	6,393,350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	205,080	(580,703)	(945,991)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued, at par	-	5,028,910	5,025,000
Payment to refunded bond escrow agent	-	(4,939,075)	(4,939,073)
Total other financing sources (uses)	-	89,835	85,927
NET CHANGE IN FUND BALANCE	\$ 205,080	\$ (490,868)	(860,064)
FUND BALANCE, JANUARY 1			14,529,230
FUND BALANCE, DECEMBER 31			\$ 13,669,166

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 3,505,000	\$ 3,505,000	\$ 2,736,497
Investment income	2,500	2,500	3,306
Total revenues	3,507,500	3,507,500	2,739,803
EXPENDITURES			
Economic development			
Supplies and services	60,000	60,000	38,280
Project expenditures	1,025,000	2,523,395	1,952,068
Capital outlay			
Rights of way improvements	150,000	212,875	11,065
Flood control	-	108,260	102,153
Street improvements	66,410	66,410	45,533
Debt service			
Principal retirement	500,000	500,000	500,000
Interest	904,205	905,405	905,398
Fiscal charges	3,000	1,800	1,000
Total expenditures	2,708,615	4,378,145	3,555,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	798,885	(870,645)	(815,694)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	213,935	213,935
Transfers in (out)	-	(2,000,000)	(2,000,000)
Total other financing sources (uses)	-	(1,786,065)	(1,786,065)
NET CHANGE IN FUND BALANCE	\$ 798,885	\$ (2,656,710)	(2,601,759)
FUND BALANCE, JANUARY 1			12,347,855
FUND BALANCE, DECEMBER 31			\$ 9,746,096

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION

ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2012

***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)
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%
2012	25,147,488	33,813,736	74.37%	8,666,248	9,925,976	87.31%

***Schedule of Employer Contributions***

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2012	1,311,221	1,311,221	100.00%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION

POLICE PENSION FUND

December 31, 2012

***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)
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%
2012	49,695,524	84,402,484	58.88%	34,706,960	9,823,321	353.31%

***Schedule of Employer Contributions***

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2012	3,016,974	2,996,776	100.67%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION

FIREFIGHTERS' PENSION FUND

December 31, 2012

***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)
2007	\$ 43,611,423	\$ 47,818,154	91.20%	\$ 4,206,731	\$ 7,161,378	58.74%
2008	47,182,964	50,944,617	92.62%	3,761,653	7,451,465	50.48%
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%
2012	50,143,446	84,352,931	59.44%	34,209,485	8,000,569	427.59%

***Schedule of Employer Contributions***

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2012	2,876,372	2,978,383	96.57%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2012

***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)
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	NA	NA	NA	NA	NA	NA
2012	-	5,329,063	0.00%	5,329,063	25,423,925	20.96%

***Schedule of Employer Contributions***

Calendar 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%
2012	135,224	279,920	48.31%

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

(See independent auditor's report.)



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

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STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

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

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

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

Encumbrances represent commitments related to underperformed 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 assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

## **Nonmajor Governmental Funds**

## VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and investments	\$ 3,425,551	\$ 14,463,602	\$ 17,889,153
Receivables (net, where applicable, of allowances for uncollectibles)			
Due from other governments	175,595	595,060	770,655
Accrued interest	1,450	23,810	25,260
<b>TOTAL ASSETS</b>	<b>\$ 3,602,596</b>	<b>\$ 15,082,472</b>	<b>\$ 18,685,068</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 14,027	\$ 1,025,398	\$ 1,039,425
Accrued payroll	5,285	-	5,285
Due to other funds	66,896	-	66,896
Unearned revenue	682	34,100	34,782
<b>Total liabilities</b>	<b>86,890</b>	<b>1,059,498</b>	<b>1,146,388</b>
<b>FUND BALANCES</b>			
Restricted for streets and highways	848,331	-	848,331
Restricted for capital projects	-	2,122,279	2,122,279
Restricted for public safety	321,038	-	321,038
Restricted for economic development	2,389,952	-	2,389,952
Unrestricted			
Assigned for capital projects	-	11,900,695	11,900,695
Unassigned	(43,615)	-	(43,615)
<b>Total fund balances</b>	<b>3,515,706</b>	<b>14,022,974</b>	<b>17,538,680</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,602,596</b>	<b>\$ 15,082,472</b>	<b>\$ 18,685,068</b>

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, 2012

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 2,895,264	\$ 2,550,703	\$ 5,445,967
Intergovernmental	2,936,661	94,281	3,030,942
Charges for services	-	276,193	276,193
Fines and forfeits	34,643	-	34,643
Investment income	3,809	35,939	39,748
Miscellaneous	15,246	9,150	24,396
Total revenues	5,885,623	2,966,266	8,851,889
EXPENDITURES			
Current			
Public safety	328,842	-	328,842
Public works	6,746	-	6,746
Economic development	5,762,546	-	5,762,546
Capital outlay	2,480,272	4,579,193	7,059,465
Total expenditures	8,578,406	4,579,193	13,157,599
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,692,783)	(1,612,927)	(4,305,710)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	111,494	111,494
Transfers in (out)	2,000,000	1,609,447	3,609,447
Total other financing sources (uses)	2,000,000	1,720,941	3,720,941
NET CHANGE IN FUND BALANCES	(692,783)	108,014	(584,769)
FUND BALANCE, JANUARY 1 - AS RESTATED	4,208,489	13,914,960	18,123,449
FUND BALANCE, DECEMBER 31	\$ 3,515,706	\$ 14,022,974	\$ 17,538,680

See accompanying notes to financial statements.

## **Nonmajor Special Revenue Funds**

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

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

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

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

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

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

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

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

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

**Energy Efficiency and Conservation Block Recovery Grant Fund** - to account for the expenditure of federal Energy Efficiency and Conservation Block Recovery Grant funds. These expenditures must follow the guidelines of the Department of Housing and Urban Development.

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

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

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2012

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
<b>ASSETS</b>					
Cash and investments	\$ 706,416	\$ -	\$ 53,793	\$ 61,052	\$ 131,728
Receivables					
Due from other governments	141,915	-	-	-	-
Accrued interest	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 848,331</b>	<b>\$ -</b>	<b>\$ 53,793</b>	<b>\$ 61,052</b>	<b>\$ 131,728</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 4,045	\$ 580	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,045</b>	<b>580</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted for streets and highways	848,331	-	-	-	-
Restricted for public safety	-	-	49,748	60,472	131,728
Restricted for economic development	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>848,331</b>	<b>-</b>	<b>49,748</b>	<b>60,472</b>	<b>131,728</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 848,331</b>	<b>\$ -</b>	<b>\$ 53,793</b>	<b>\$ 61,052</b>	<b>\$ 131,728</b>

See accompanying notes to financial statements.

Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Rand- Lake Cook TIF	Energy Efficiency and Conservation Block Recovery Grant	Special Fire Grant	Special Police Grant	Total
\$ 79,090	\$ 2,094,314	\$ 294,074	\$ -	\$ 5,077	\$ 7	\$ -	\$ 3,425,551
-	114	-	-	-	5,000	28,566	175,595
-	1,170	280	-	-	-	-	1,450
\$ 79,090	\$ 2,095,598	\$ 294,354	\$ -	\$ 5,077	\$ 5,007	\$ 28,566	\$ 3,602,596
\$ -	\$ -	\$ -	\$ -	\$ 5,077	\$ 4,325	\$ -	\$ 14,027
-	-	-	-	-	-	5,285	5,285
-	-	-	43,615	-	-	23,281	66,896
-	-	-	-	-	682	-	682
-	-	-	43,615	5,077	5,007	28,566	86,890
-	-	-	-	-	-	-	848,331
79,090	-	-	-	-	-	-	321,038
-	2,095,598	294,354	-	-	-	-	2,389,952
-	-	-	(43,615)	-	-	-	(43,615)
79,090	2,095,598	294,354	(43,615)	-	-	-	3,515,706
\$ 79,090	\$ 2,095,598	\$ 294,354	\$ -	\$ 5,077	\$ 5,007	\$ 28,566	\$ 3,602,596

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Motor Fuel Tax	Community Development Block Grant	Federal Equitable Sharing	State Equitable Sharing	DUI Fines
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,034,315	515,137	63,568	1,873	-
Fines and forfeits	-	-	-	-	34,643
Investment income	527	-	33	34	120
Miscellaneous	14,294	-	-	-	-
Total revenues	2,049,136	515,137	63,601	1,907	34,763
EXPENDITURES					
Current					
Public safety	-	-	115,700	3,410	500
Public works	-	-	-	-	-
Economic development	-	128,931	-	-	-
Capital outlay	1,968,735	386,206	-	-	-
Total expenditures	1,968,735	515,137	115,700	3,410	500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,401	-	(52,099)	(1,503)	34,263
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	80,401	-	(52,099)	(1,503)	34,263
FUND BALANCE, JANUARY 1	767,930	-	101,847	61,975	97,465
FUND BALANCE, DECEMBER 31	\$ 848,331	\$ -	\$ 49,748	\$ 60,472	\$ 131,728

See accompanying notes to financial statements.



Foreign Fire Tax	Dundee Road TIF	Rand/Dundee TIF	Rand- Lake Cook TIF	Energy Efficiency and Conservation Block Recovery Grant	Special Fire Grant	Special Police Grant	Total
\$ -	\$ 2,646,573	\$ 248,691	\$ -	\$ -	\$ -	\$ -	\$ 2,895,264
64,588	-	-	-	132,077	11,266	113,837	2,936,661
-	-	-	-	-	-	-	34,643
152	2,499	444	-	-	-	-	3,809
952	-	-	-	-	-	-	15,246
65,692	2,649,072	249,135	-	132,077	11,266	113,837	5,885,623
84,129	-	-	-	-	11,266	113,837	328,842
-	-	-	-	6,746	-	-	6,746
-	3,192,000	398,000	2,043,615	-	-	-	5,762,546
-	-	-	-	125,331	-	-	2,480,272
84,129	3,192,000	398,000	2,043,615	132,077	11,266	113,837	8,578,406
(18,437)	(542,928)	(148,865)	(2,043,615)	-	-	-	(2,692,783)
-	-	-	2,000,000	-	-	-	2,000,000
-	-	-	2,000,000	-	-	-	2,000,000
(18,437)	(542,928)	(148,865)	(43,615)	-	-	-	(692,783)
97,527	2,638,526	443,219	-	-	-	-	4,208,489
\$ 79,090	\$ 2,095,598	\$ 294,354	\$ (43,615)	\$ -	\$ -	\$ -	\$ 3,515,706

See accompanying notes to financial statements.

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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Motor fuel tax allotment	\$ 1,963,500	\$ 1,963,500	\$ 2,034,315
Investment income	-	-	527
Miscellaneous			
Reimbursements	-	-	14,294
Total revenues	1,963,500	1,963,500	2,049,136
EXPENDITURES			
Capital outlay			
Street improvements	1,969,195	1,969,195	1,968,735
Total expenditures	1,969,195	1,969,195	1,968,735
NET CHANGE IN FUND BALANCE	\$ (5,695)	\$ (5,695)	80,401
FUND BALANCE, JANUARY 1			767,930
FUND BALANCE, DECEMBER 31			\$ 848,331

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ 368,375	\$ 379,995	\$ 515,137
Total revenues	368,375	379,995	515,137
EXPENDITURES			
Economic development			
Administrative fees - General Fund	73,675	73,675	73,675
Social service agencies	55,256	55,256	55,256
Capital outlay			
Flood control	239,444	386,206	386,206
Total expenditures	368,375	515,137	515,137
NET CHANGE IN FUND BALANCE	\$ -	\$ (135,142)	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 2,100	\$ 2,100	\$ 63,568
Investment income	-	-	33
Total revenues	2,100	2,100	63,601
EXPENDITURES			
Public safety			
Police			
Supplies and services	2,100	116,247	115,700
Total expenditures	2,100	116,247	115,700
NET CHANGE IN FUND BALANCE	\$ -	\$ (114,147)	(52,099)
FUND BALANCE, JANUARY 1			101,847
FUND BALANCE, DECEMBER 31			\$ 49,748

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ 15,050	\$ 15,050	\$ 1,873
Investment income	-	-	34
Total revenues	15,050	15,050	1,907
EXPENDITURES			
Public safety			
Police			
Supplies and services	15,050	15,050	3,410
Total expenditures	15,050	15,050	3,410
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(1,503)
FUND BALANCE, JANUARY 1			61,975
FUND BALANCE, DECEMBER 31			\$ 60,472

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Fines and forfeits			
DUI fines	\$ 16,075	\$ 16,075	\$ 34,643
Investment income	-	-	120
Total revenues	16,075	16,075	34,763
EXPENDITURES			
Public safety			
Police			
Supplies and services	16,075	16,075	500
Total expenditures	16,075	16,075	500
NET CHANGE IN FUND BALANCE	\$ -	\$ -	34,263
FUND BALANCE, JANUARY 1			97,465
FUND BALANCE, DECEMBER 31			\$ 131,728

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Foreign fire tax	\$ 70,000	\$ 70,000	\$ 64,588
Investment income	-	-	152
Miscellaneous			
Other	-	-	952
Total revenues	70,000	70,000	65,692
EXPENDITURES			
Public safety			
Fire			
Supplies and services	70,000	84,130	84,129
Total expenditures	70,000	84,130	84,129
NET CHANGE IN FUND BALANCE	\$ -	\$ (14,130)	(18,437)
FUND BALANCE, JANUARY 1			97,527
FUND BALANCE, DECEMBER 31			\$ 79,090

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 3,191,700	\$ 3,191,700	\$ 2,646,573
Investment income	2,000	2,000	2,499
Total revenues	3,193,700	3,193,700	2,649,072
EXPENDITURES			
Economic development			
Surplus distribution	3,192,000	3,192,000	3,192,000
Total expenditures	3,192,000	3,192,000	3,192,000
NET CHANGE IN FUND BALANCE	\$ 1,700	\$ 1,700	(542,928)
FUND BALANCE, JANUARY 1			2,638,526
FUND BALANCE, DECEMBER 31			\$ 2,095,598

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ 397,800	\$ 397,800	\$ 248,691
Investment income	250	250	444
Total revenues	398,050	398,050	249,135
EXPENDITURES			
Economic development			
Surplus distribution	398,000	398,000	398,000
Total expenditures	398,000	398,000	398,000
NET CHANGE IN FUND BALANCE	\$ 50	\$ 50	(148,865)
FUND BALANCE, JANUARY 1			443,219
FUND BALANCE, DECEMBER 31			\$ 294,354

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Incremental property taxes	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Economic development			
Project expenditures	-	2,060,000	2,043,615
Total expenditures	-	2,060,000	2,043,615
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(2,060,000)	(2,043,615)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	2,000,000	2,000,000
Total other financing sources (uses)	-	2,000,000	2,000,000
NET CHANGE IN FUND BALANCE	\$ -	\$ (60,000)	(43,615)
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ (43,615)

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 22,623	\$ 132,077
Total revenues	-	22,623	132,077
EXPENDITURES			
Public works			
Supplies and services	-	10,500	6,746
Capital outlay			
Rights of way improvements	-	143,876	125,331
Total expenditures	-	154,376	132,077
NET CHANGE IN FUND BALANCE	\$ -	\$ (131,753)	-
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 FIRE GRANT FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 10,000	\$ 11,266
Total revenues	-	10,000	11,266
EXPENDITURES			
Public safety Fire Supplies and services	-	11,550	11,266
Total expenditures	-	11,550	11,266
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,550)	-
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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental Grants	\$ -	\$ 113,837	\$ 113,837
Total revenues	-	113,837	113,837
EXPENDITURES			
Public safety Police Personnel	-	113,837	113,837
Total expenditures	-	113,837	113,837
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)

## **Nonmajor Capital Projects Funds**

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

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

**Police Facility Construction Fund** - to account for the acquisition and construction of the new Police Department Headquarters.

**Fire Facility Construction Fund** - to account for the acquisition and construction of Fire Department facilities.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended December 31, 2012

	Capital Equipment Acquisition	Capital Improvement	Police Facility Construction	Fire Facility Construction	Total
<b>ASSETS</b>					
Cash and investments	\$ 7,159,503	\$ 5,179,424	\$ 1,350,112	\$ 774,563	\$ 14,463,602
Receivables					
Due from other governments	198,340	396,720	-	-	595,060
Accrued interest	11,960	11,850	-	-	23,810
<b>TOTAL ASSETS</b>	<b>\$ 7,369,803</b>	<b>\$ 5,587,994</b>	<b>\$ 1,350,112</b>	<b>\$ 774,563</b>	<b>\$ 15,082,472</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 788,580	\$ 234,422	\$ 2,396	\$ -	\$ 1,025,398
Unearned revenue	34,100	-		-	34,100
<b>Total liabilities</b>	<b>822,680</b>	<b>234,422</b>	<b>2,396</b>	<b>-</b>	<b>1,059,498</b>
<b>FUND BALANCES</b>					
Restricted for capital projects	-	-	1,347,716	774,563	2,122,279
Unrestricted					
Assigned for capital projects	6,547,123	5,353,572	-	-	11,900,695
<b>Total fund balances</b>	<b>6,547,123</b>	<b>5,353,572</b>	<b>1,347,716</b>	<b>774,563</b>	<b>14,022,974</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,369,803</b>	<b>\$ 5,587,994</b>	<b>\$ 1,350,112</b>	<b>\$ 774,563</b>	<b>\$ 15,082,472</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Capital Equipment Acquisition	Capital Improvement	Police Facility Construction	Fire Facility Construction	Total
REVENUES					
Taxes	\$ 850,154	\$ 1,700,549	\$ -	\$ -	\$ 2,550,703
Intergovernmental	-	19,281	-	75,000	94,281
Charges for services	228,772	47,421	-	-	276,193
Investment income	17,101	16,157	1,953	728	35,939
Miscellaneous	9,150	-	-	-	9,150
Total revenues	1,105,177	1,783,408	1,953	75,728	2,966,266
EXPENDITURES					
Capital outlay	1,986,043	1,678,267	905,933	8,950	4,579,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(880,866)	105,141	(903,980)	66,778	(1,612,927)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	111,494	-	-	-	111,494
Transfers in	1,738,585	196,577	-	-	1,935,162
Transfers (out)	-	(325,715)	-	-	(325,715)
Total other financing sources (uses)	1,850,079	(129,138)	-	-	1,720,941
NET CHANGE IN FUND BALANCE	969,213	(23,997)	(903,980)	66,778	108,014
FUND BALANCE, JANUARY 1 - AS RESTATED	5,577,910	5,377,569	2,251,696	707,785	13,914,960
FUND BALANCE, DECEMBER 31	\$ 6,547,123	\$ 5,353,572	\$ 1,347,716	\$ 774,563	\$ 14,022,974

See accompanying notes to financial statements.



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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 821,075	\$ 821,075	\$ 850,154
Charges for services			
Rental income	227,815	227,815	228,772
Investment income	4,000	4,000	17,101
Miscellaneous			
Reimbursements	-	-	9,150
Total revenues	1,052,890	1,052,890	1,105,177
EXPENDITURES			
Capital outlay			
Technology	529,000	473,515	444,722
Vehicles and equipment	893,040	1,585,959	1,541,321
Total expenditures	1,422,040	2,059,474	1,986,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(369,150)	(1,006,584)	(880,866)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	50,000	50,000	111,494
Transfers in	475,715	1,753,995	1,738,585
Total other financing sources (uses)	525,715	1,803,995	1,850,079
NET CHANGE IN FUND BALANCE	\$ 156,565	\$ 797,411	969,213
FUND BALANCE, JANUARY 1			5,577,910
FUND BALANCE, DECEMBER 31			\$ 6,547,123

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Telecommunication	\$ 1,668,360	\$ 1,668,360	\$ 1,700,549
Charges for services			
50/50 cost sharing programs	-	-	47,421
Intergovernmental			
Park district reimbursement	-	-	19,281
Grants	-	30,000	-
Investment income	4,000	4,000	16,157
Total revenues	1,672,360	1,702,360	1,783,408
EXPENDITURES			
Capital outlay			
Buildings and facilities	312,170	327,170	158,382
Rights of way improvements	305,000	391,981	315,471
Street improvements	829,475	1,257,310	1,204,414
Total expenditures	1,446,645	1,976,461	1,678,267
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	225,715	(274,101)	105,141
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	196,577	196,577
Transfers (out)	(325,715)	(325,715)	(325,715)
Total other financing sources (uses)	(225,715)	(129,138)	(129,138)
NET CHANGE IN FUND BALANCE	\$ -	\$ (403,239)	(23,997)
FUND BALANCE, JANUARY 1 - AS RESTATED			5,377,569
FUND BALANCE, DECEMBER 31			\$ 5,353,572

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Investment income	\$ -	\$ -	\$ 1,953
Total revenues	-	-	1,953
EXPENDITURES			
Capital outlay			
Buildings and structures	-	1,772,671	905,933
Total expenditures	-	1,772,671	905,933
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,772,671)	(903,980)
FUND BALANCE, JANUARY 1			2,251,696
FUND BALANCE, DECEMBER 31			\$ 1,347,716

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Grants	\$ -	\$ -	\$ 75,000
Investment income	-	-	728
Total revenues	-	-	75,728
EXPENDITURES			
Capital outlay			
Buildings and facilities	-	8,950	8,950
Total expenditures	-	8,950	8,950
NET CHANGE IN FUND BALANCE	\$ -	\$ (8,950)	66,778
FUND BALANCE, JANUARY 1			707,785
FUND BALANCE, DECEMBER 31			\$ 774,563

(See independent auditor's report.)

## **Internal Service Funds**

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

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

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

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS

December 31, 2012

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 314,199	\$ 3,680,813	\$ 3,407,251	\$ 7,402,263
Receivables				
Other	19,522	-	-	19,522
Accrued interest	-	11,905	8,670	20,575
Due from other funds	-	-	-	-
Prepaid items	-	55,787	-	55,787
Inventories	185,000	-	-	185,000
<b>Total current assets</b>	<b>518,721</b>	<b>3,748,505</b>	<b>3,415,921</b>	<b>7,683,147</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	66,293	358,565	27,577	452,435
Accrued payroll	14,166	-	-	14,166
Due to other funds	-	-	-	-
Claims payable	-	338,500	1,037,460	1,375,960
Unearned revenue	-	4,304	-	4,304
Compensated absences payable	13,091	-	-	13,091
<b>Total current liabilities</b>	<b>93,550</b>	<b>701,369</b>	<b>1,065,037</b>	<b>1,859,956</b>
<b>LONG-TERM LIABILITIES</b>				
Compensated absences payable	52,364	-	-	52,364
<b>Total liabilities</b>	<b>145,914</b>	<b>701,369</b>	<b>1,065,037</b>	<b>1,912,320</b>
<b>NET POSITION</b>				
Unrestricted	372,807	3,047,136	2,350,884	5,770,827
<b>TOTAL NET POSITION</b>	<b>\$ 372,807</b>	<b>\$ 3,047,136</b>	<b>\$ 2,350,884</b>	<b>\$ 5,770,827</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
OPERATING REVENUES				
Intergovernmental	\$ 12,679	\$ -	\$ -	\$ 12,679
Charges for services	1,966,803	5,914,456	1,337,125	9,218,384
Miscellaneous	3,879	125,709	207,495	337,083
Total operating revenues	1,983,361	6,040,165	1,544,620	9,568,146
OPERATING EXPENSES				
Costs of sales and services	1,893,457	6,207,073	2,146,547	10,247,077
Total operating expenses	1,893,457	6,207,073	2,146,547	10,247,077
OPERATING INCOME (LOSS)	89,904	(166,908)	(601,927)	(678,931)
NONOPERATING REVENUES (EXPENSES)				
Investment income	276	14,256	11,886	26,418
Total nonoperating revenues (expenses)	276	14,256	11,886	26,418
CHANGE IN NET POSITION	90,180	(152,652)	(590,041)	(652,513)
NET POSITION, JANUARY 1	282,627	3,199,788	2,940,925	6,423,340
NET POSITION, DECEMBER 31	\$ 372,807	\$ 3,047,136	\$ 2,350,884	\$ 5,770,827

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2012

	Fleet Services	Health Insurance	Casualty and Liability Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 269,567	\$ 1,063,139	\$ 208,946	\$ 1,541,652
Receipts from interfund services transactions	1,722,618	4,976,901	1,338,218	8,037,737
Payments to suppliers	(1,190,676)	(6,224,084)	(1,297,588)	(8,712,348)
Payments to employees	(739,125)	-	-	(739,125)
Net cash from operating activities	62,384	(184,044)	249,576	127,916
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
None	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
None	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	276	9,206	9,174	18,656
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	62,660	(174,838)	258,750	146,572
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	251,539	3,855,651	3,148,501	7,255,691
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 314,199</u>	<u>\$ 3,680,813</u>	<u>\$ 3,407,251</u>	<u>\$ 7,402,263</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 89,904	\$ (166,908)	\$ (601,927)	\$ (678,931)
Adjustments to reconcile operating income to net cash from operating activities				
(Increase) decrease in				
Other receivables	8,241	-	1,451	9,692
Due from other funds	583	-	1,676	2,259
Prepaid items	-	858	-	858
Inventories	(16,135)	-	-	(16,135)
Increase (decrease) in				
Accounts payable	(16,246)	(78,869)	23,983	(71,132)
Accrued payroll	(8,539)	-	-	(8,539)
Due to other funds	-	-	(583)	(583)
Claims payable	-	61,000	824,976	885,976
Unearned revenue	-	(125)	-	(125)
Compensated absences payable	4,576	-	-	4,576
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>\$ 62,384</u>	<u>\$ (184,044)</u>	<u>\$ 249,576</u>	<u>\$ 127,916</u>

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Intergovernmental			
Gasoline tax rebate	\$ 13,000	\$ 13,000	\$ 12,679
Charges for services			
Vehicle maintenance	1,975,635	1,975,635	1,966,803
Miscellaneous			
Recoveries and refunds	32,000	32,000	2,185
Other	-	-	1,694
Total operating revenues	2,020,635	2,020,635	1,983,361
OPERATING EXPENSES			
Costs of sales and services			
Public works			
Personnel	734,600	734,600	735,162
Supplies and services	1,285,960	1,259,244	1,158,295
Total operating expenses	2,020,560	1,993,844	1,893,457
OPERATING INCOME (LOSS)	75	26,791	89,904
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	276
CHANGE IN NET POSITION	\$ 75	\$ 26,791	90,180
NET POSITION, JANUARY 1			282,627
NET POSITION, DECEMBER 31			\$ 372,807

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums			
Retiree	\$ 401,700	\$ 401,700	\$ 457,634
COBRA	-	-	8,030
Employee	482,800	482,800	471,891
Employer	5,093,620	5,093,620	4,976,901
Miscellaneous			
Reimbursements	-	-	125,709
Total operating revenues	5,978,120	5,978,120	6,040,165
OPERATING EXPENSES			
Costs of sales and services			
Administration	321,510	331,240	325,483
Insurance claims	5,963,820	5,954,090	5,881,590
Total operating expenses	6,285,330	6,285,330	6,207,073
OPERATING INCOME (LOSS)	(307,210)	(307,210)	(166,908)
NONOPERATING REVENUES (EXPENSES)			
Investment income	7,500	7,500	14,256
CHANGE IN NET POSITION	\$ (299,710)	\$ (299,710)	(152,652)
NET POSITION, JANUARY 1			3,199,788
NET POSITION, DECEMBER 31			\$ 3,047,136

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Insurance fees and premiums	\$ 1,337,125	\$ 1,337,125	\$ 1,337,125
Miscellaneous			
Reimbursements	225,000	225,000	207,495
Total operating revenues	1,562,125	1,562,125	1,544,620
OPERATING EXPENSES			
Costs of sales and services			
Administration	113,360	113,860	95,227
Insurance claims	1,456,265	2,109,190	2,051,320
Total operating expenses	1,569,625	2,223,050	2,146,547
OPERATING INCOME (LOSS)	(7,500)	(660,925)	(601,927)
NONOPERATING REVENUES (EXPENSES)			
Investment income	7,500	7,500	11,886
CHANGE IN NET POSITION	\$ -	\$ (653,425)	(590,041)
NET POSITION, JANUARY 1			2,940,925
NET POSITION, DECEMBER 31			\$ 2,350,884

(See independent auditor's report.)

## **Fiduciary Funds**

### **Pension Trust Funds**

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

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

### **Agency Funds**

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

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

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

**ERT Hazmat Fund** - to account for funds held by the Village on behalf of surrounding fire departments for special emergency responses related to hazardous materials.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

December 31, 2012

	Pension Trust		Total	
	Police	Firefighters'	Pension	Agency
	Pension	Pension	Trust	Funds
ASSETS				
Cash and cash equivalents	\$ 889	\$ 879	\$ 1,768	\$ 1,438,092
Investments				
U.S. Treasury securities	8,804,698	7,422,808	16,227,506	-
U.S. agency securities	4,651,265	4,812,035	9,463,300	-
Corporate and international bonds	7,895,361	10,647,892	18,543,253	-
Municipal bonds	714,470	-	714,470	-
Money market mutual funds	664,863	1,590,452	2,255,315	-
Equities	26,800,631	25,602,683	52,403,314	-
Receivables				
Property taxes	-	-	-	693,918
Accrued interest	149,090	73,078	222,168	-
Due from general fund	14,275	14,997	29,272	-
Prepaid items	-	-	-	3,000
TOTAL ASSETS	\$ 49,695,542	\$ 50,164,824	\$ 99,860,366	\$ 2,135,010
LIABILITIES				
Accounts payable	\$ -	\$ 21,378	\$ 21,378	\$ 1,218
Other liabilities	-	-	-	1,194,293
Due to bondholders	-	-	-	939,499
TOTAL LIABILITIES	-	21,378	21,378	\$ 2,135,010
NET POSITION				
Held in trust for pension benefits	\$ 49,695,542	\$ 50,143,446	\$ 99,838,988	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN NET POSITION  
PENSION TRUST FUNDS

For the Year Ended December 31, 2012

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 3,016,992	\$ 2,876,372	\$ 5,893,364
Employee	1,028,354	779,604	1,807,958
Miscellaneous income	-	50	50
Total contributions	4,045,346	3,656,026	7,701,372
Investment income			
Net appreciation in fair value of investments	2,870,176	3,522,247	6,392,423
Interest	1,204,159	784,933	1,989,092
Total investment income	4,074,335	4,307,180	8,381,515
Less investment expense	(296,335)	(193,461)	(489,796)
Net investment income	3,778,000	4,113,719	7,891,719
Total additions	7,823,346	7,769,745	15,593,091
DEDUCTIONS			
Administration	19,835	24,438	44,273
Benefits and refunds			
Retirement benefits	2,401,759	3,431,661	5,833,420
Refunds of contributions	148,137	35,932	184,069
Total deductions	2,569,731	3,492,031	6,061,762
CHANGE IN NET POSITION	5,253,615	4,277,714	9,531,329
NET POSITION			
January 1	44,441,927	45,865,732	90,307,659
December 31	\$ 49,695,542	\$ 50,143,446	\$ 99,838,988

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 3,026,575	\$ 3,026,575	\$ 3,016,992
Employee	960,000	960,000	1,028,354
Total contributions	3,986,575	3,986,575	4,045,346
Investment income			
Net appreciation in fair value of investments	-	-	2,870,176
Interest	750,000	784,580	1,204,159
Total investment income	750,000	784,580	4,074,335
Less investment expense	(185,000)	(305,000)	(296,335)
Net investment income	565,000	479,580	3,778,000
Total additions	4,551,575	4,466,155	7,823,346
DEDUCTIONS			
Administration	33,900	33,900	19,835
Benefits and refunds			
Retirement benefits	2,537,590	2,417,590	2,401,759
Refunds of contributions	75,000	109,580	148,137
Total deductions	2,646,490	2,561,070	2,569,731
CHANGE IN NET POSITION	\$ 1,905,085	\$ 1,905,085	5,253,615
NET POSITION			
January 1			44,441,927
December 31			\$ 49,695,542

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
ADDITIONS			
Contributions			
Employer	\$ 2,899,860	\$ 2,899,860	\$ 2,876,372
Employee	950,000	950,000	779,604
Miscellaneous income	-	-	50
Total contributions	3,849,860	3,849,860	3,656,026
Investment income			
Net appreciation in fair value of investments	-	-	3,522,247
Interest	750,000	750,000	784,933
Total investment income	750,000	750,000	4,307,180
Less investment expense	(185,000)	(194,500)	(193,461)
Net investment income	565,000	555,500	4,113,719
Total additions	4,414,860	4,405,360	7,769,745
DEDUCTIONS			
Administration	22,400	33,900	24,438
Benefits and refunds			
Retirement benefits	3,671,190	3,671,190	3,431,661
Refunds of contributions	75,000	54,000	35,932
Total deductions	3,768,590	3,759,090	3,492,031
CHANGE IN NET POSITION	\$ 646,270	\$ 646,270	4,277,714
NET POSITION			
January 1			45,865,732
December 31			\$ 50,143,446

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the Year Ended December 31, 2012

	Balances		Balances	
	January 1	Additions	Deletions	December 31
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,526,669	\$ 1,055,017	\$ 1,143,594	\$ 1,438,092
Receivables				
Property taxes	590,550	693,918	590,550	693,918
Prepaid items	-	3,000	-	3,000
<b>TOTAL ASSETS</b>	<b>\$ 2,117,219</b>	<b>\$ 1,751,935</b>	<b>\$ 1,734,144</b>	<b>\$ 2,135,010</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 40,825	\$ 120,749	\$ 160,356	\$ 1,218
Other liabilities	1,200,840	971,409	977,956	1,194,293
Due to bondholders	873,265	660,259	594,025	939,499
Advances from other funds	2,289	-	2,289	-
<b>TOTAL LIABILITIES</b>	<b>\$ 2,117,219</b>	<b>\$ 1,752,417</b>	<b>\$ 1,734,626</b>	<b>\$ 2,135,010</b>
<b>Special Service Areas Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 898,784	\$ 548,491	\$ 596,748	\$ 850,527
Receivables				
Property taxes	590,550	693,918	590,550	693,918
Prepaid items	-	3,000	-	3,000
<b>TOTAL ASSETS</b>	<b>\$ 1,489,334</b>	<b>\$ 1,245,409</b>	<b>\$ 1,187,298</b>	<b>\$ 1,547,445</b>
<b>LIABILITIES</b>				
Other liabilities	\$ 613,780	\$ 585,150	\$ 590,984	\$ 607,946
Due to bondholders	873,265	660,259	594,025	939,499
Advances from other funds	2,289	-	2,289	-
<b>TOTAL LIABILITIES</b>	<b>\$ 1,489,334</b>	<b>\$ 1,245,409</b>	<b>\$ 1,187,298</b>	<b>\$ 1,547,445</b>

(This schedule is continued on the following page.)

(See independent auditor's report.)

## VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the Year Ended December 31, 2012

	Balances January 1	Additions	Deletions	Balances December 31
(This schedule is continued from the previous page.)				
<b>Letter of Credit Escrow Fund</b>				
ASSETS				
Cash and cash equivalents	\$ 506,392	\$ 127,729	\$ 159,758	\$ 474,363
TOTAL ASSETS	\$ 506,392	\$ 127,729	\$ 159,758	\$ 474,363
LIABILITIES				
Accounts payable	\$ 40,825	\$ 120,749	\$ 160,356	\$ 1,218
Other liabilities	465,567	6,980	(598)	473,145
TOTAL LIABILITIES	\$ 506,392	\$ 127,729	\$ 159,758	\$ 474,363
<b>Section 125 Fund</b>				
ASSETS				
Cash and cash equivalents	\$ 94,787	\$ 378,797	\$ 387,088	\$ 86,496
TOTAL ASSETS	\$ 94,787	\$ 378,797	\$ 387,088	\$ 86,496
LIABILITIES				
Other liabilities	\$ 94,787	\$ 379,279	\$ 387,570	\$ 86,496
TOTAL LIABILITIES	\$ 94,787	\$ 379,279	\$ 387,570	\$ 86,496
<b>ERT Hazmat Fund</b>				
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, 2012

	Original Budget	Final Budget	Actual
<b>TAXES</b>			
Property tax			
Police protection	\$ 4,584,980	\$ 4,584,980	\$ 4,560,958
Fire protection	4,584,980	4,584,980	4,560,959
FICA	2,150,000	2,150,000	2,139,050
IMRF	1,173,200	1,173,200	1,167,249
Police pension	3,026,575	3,026,575	3,035,141
Fire pension	2,899,860	2,899,860	2,906,461
Home rule sales tax	4,181,600	4,181,600	4,199,803
Food and beverage tax	1,058,700	1,058,700	1,099,314
Motel occupancy tax	219,300	219,300	167,834
Electric utility use tax	1,300,000	1,300,000	1,751,844
Total taxes	25,179,195	25,179,195	25,588,613
<b>LICENSES AND PERMITS</b>			
Professional and occupational	252,600	252,600	235,218
Liquor licenses	338,700	338,700	322,269
Rental dwelling licenses	267,900	267,900	301,245
Building permits and fees	396,100	396,100	405,905
Vehicle licenses	1,226,500	1,226,500	1,201,969
Other licenses and permits	133,400	133,400	145,579
Total licenses and permits	2,615,200	2,615,200	2,612,185
<b>INTERGOVERNMENTAL</b>			
State sales tax	7,764,000	7,764,000	7,873,410
State income tax	5,023,900	5,023,900	6,023,925
Local use tax	924,800	924,800	1,058,049
Township road and bridge tax	766,900	766,900	763,344
Fire protection district reimbursement	548,000	548,000	632,983
Police consultant - schools	545,540	545,540	545,540
TIF Rebate	-	525,000	494,995
State highway maintenance	133,980	133,980	134,153
Personal property replacement tax	124,400	124,400	105,259
Grants	40,000	40,000	31,626
Other intergovernmental	90,500	90,500	78,750
Total intergovernmental	15,962,020	16,487,020	17,742,034

(This schedule is continued on the following page.)

(See independent auditor's report.)

## VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
(This schedule is continued from the previous page.)			
CHARGES FOR SERVICES			
Cable TV franchise fees	717,700	717,700	787,547
Plan review fees	153,450	153,450	180,113
Inspection fees	228,500	228,500	199,682
Special police service	107,800	107,800	131,171
Special fire service	24,800	24,800	14,308
Ambulance fees	1,199,500	1,199,500	1,164,800
Vehicle impound fees	356,200	356,200	223,000
Streetfest revenue	175,000	175,000	173,699
Rental income	120,000	120,000	136,500
Other charges for services	83,900	83,900	64,970
Total charges for services	3,166,850	3,166,850	3,075,790
FINES AND FORFEITS			
Circuit court fines	384,000	384,000	332,240
Parking fines	125,000	125,000	119,301
Compliance fines	226,000	226,000	197,949
Red light violation fines	400,000	400,000	677,452
Adjudication and other fines	24,600	24,600	34,221
Total fines and forfeits	1,159,600	1,159,600	1,361,163
INVESTMENT INCOME	250,000	250,000	260,139
MISCELLANEOUS			
Recoveries and refunds	90,000	90,000	100,026
Reimbursements	25,000	25,000	25,856
Donations	-	2,455	4,314
Other	530,595	5,595	9,465
Total miscellaneous	645,595	123,050	139,661
TOTAL REVENUES	\$ 48,978,460	\$ 48,980,915	\$ 50,779,585

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
<b>GENERAL GOVERNMENT</b>			
Mayor and council			
Personnel	\$ 211,575	\$ 212,920	\$ 191,171
Supplies and services	38,670	38,670	35,035
Boards and commissions			
Personnel	3,005	3,005	1,121
Supplies and services	65,490	71,272	63,035
Village clerk			
Personnel	178,150	178,602	175,436
Supplies and services	19,425	20,110	11,680
Village manager			
Personnel	794,770	800,315	785,977
Supplies and services	314,540	384,619	290,440
Finance and operations			
Personnel	616,940	654,208	608,635
Supplies and services	421,190	421,190	292,900
Legal			
Personnel	68,865	69,367	68,552
Supplies and services	436,400	436,400	362,016
Human resources			
Personnel	681,130	388,288	332,740
Supplies and services	37,550	37,550	26,504
Planning and zoning			
Personnel	486,295	487,857	480,010
Supplies and services	7,870	7,870	3,486
Information technology			
Personnel	855,100	857,130	843,815
Supplies and services	322,690	297,107	248,014
Liability insurance			
Supplies and services	1,337,125	1,337,125	1,337,125
Less administrative fees			
CDBG Fund	(73,675)	(73,675)	(73,675)
Waterworks fund	(135,000)	(135,000)	(135,000)
Sewerage fund	(346,000)	(346,000)	(346,000)
Refuse fund	(52,000)	(52,000)	(52,000)
Motor Vehicle Parking System fund	(103,000)	(103,000)	(103,000)
Total general government	6,187,105	5,993,930	5,448,017

(This schedule is continued on the following page.)

(See independent auditor's report.)

## VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
(This schedule is continued from the previous page.)			
PUBLIC SAFETY			
Community services			
Personnel	1,569,235	1,573,176	1,567,175
Supplies and services	150,570	149,238	98,244
Police			
Personnel	18,049,705	18,139,733	17,793,487
Supplies and services	1,421,450	1,424,742	1,378,885
Fire			
Personnel	14,574,910	14,681,604	14,708,671
Supplies and services	791,685	773,101	752,338
Total public safety	36,557,555	36,741,594	36,298,800
PUBLIC WORKS			
Engineering			
Personnel	377,540	379,396	375,559
Supplies and services	23,555	23,555	17,280
Public works			
Personnel	3,437,295	3,510,017	3,362,277
Supplies and services	2,395,410	2,414,724	2,095,783
Total public works	6,233,800	6,327,692	5,850,899
TOTAL EXPENDITURES	\$ 48,978,460	\$ 49,063,216	\$ 47,597,716

(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, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property tax	\$ 3,555,795	\$ 3,555,795	\$ 3,603,825
Intergovernmental			
Build america bond interest rebate	540,015	540,015	540,013
Investment income	12,010	12,010	6,019
Total revenues	4,107,820	4,107,820	4,149,857
EXPENDITURES			
Debt service			
Principal retirement	2,272,080	2,272,080	2,272,080
Interest	2,032,740	2,032,740	2,032,720
Fiscal charges	12,000	12,000	4,222
Total expenditures	4,316,820	4,316,820	4,309,022
NET CHANGE IN FUND BALANCE	\$ (209,000)	\$ (209,000)	(159,165)
FUND BALANCE, JANUARY 1			2,584,143
FUND BALANCE, DECEMBER 31			\$ 2,424,978

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 9,013,500	\$ 9,020,415	\$ 9,768,224
Miscellaneous	35,000	35,750	50,686
Total operating revenues	9,048,500	9,056,165	9,818,910
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	6,442,330	6,166,855	5,967,875
Administrative fees - General Fund	135,000	135,000	135,000
Total operating expenses excluding depreciation	6,577,330	6,301,855	6,102,875
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,471,170	2,754,310	3,716,035
DEPRECIATION	-	-	691,430
OPERATING INCOME	2,471,170	2,754,310	3,024,605
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,000	5,000	5,206
Interest and fiscal charges	(1,018,720)	(1,018,720)	(443,446)
Income (Expense) from joint venture	-	-	386,350
Total nonoperating revenues (expenses)	(1,013,720)	(1,013,720)	(51,890)
NET INCOME BEFORE TRANSFERS	1,457,450	1,740,590	2,972,715
Transfers (out)	(100,000)	(100,000)	(100,000)
CHANGE IN NET POSITION	\$ 1,357,450	\$ 1,640,590	2,872,715
NET POSITION, JANUARY 1 - AS RESTATED			20,011,402
NET POSITION, DECEMBER 31			\$ 22,884,117

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Water use fees			
Resident	\$ 6,772,000	\$ 6,772,000	\$ 7,440,863
Nonresident	1,663,000	1,669,915	1,710,128
Water penalties			
Resident	50,000	50,000	63,590
Nonresident	9,000	9,000	16,881
User charge			
Resident	431,000	431,000	445,909
Nonresident	26,000	26,000	8,897
System development surcharge	15,000	15,000	12,958
Water extension fee	15,000	15,000	22,666
Water connection fees	10,000	10,000	9,000
Water meter sales	15,000	15,000	12,429
Water turn-on/service fees	7,500	7,500	24,903
Total charges for services	9,013,500	9,020,415	9,768,224
Miscellaneous - reimbursements	35,000	35,750	50,686
TOTAL OPERATING REVENUES	\$ 9,048,500	\$ 9,056,165	\$ 9,818,910

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Personnel	\$ 469,520	\$ 470,530	\$ 433,584
Supplies and services	156,505	155,495	146,509
Engineering			
Personnel	103,240	103,240	105,484
Public works			
Personnel	949,255	949,255	984,754
Supplies and services	775,905	783,570	651,618
Water purchase-Northwest Water	2,900,000	2,832,674	2,823,085
Capital projects			
Water system	1,087,905	1,383,556	1,334,306
Less: Nonoperating			
Fixed assets capitalized	-	(511,465)	(511,465)
Total costs of sales and services	6,442,330	6,166,855	5,967,875
Administrative fees - General Fund	135,000	135,000	135,000
TOTAL OPERATING EXPENSES	\$ 6,577,330	\$ 6,301,855	\$ 6,102,875

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services	\$ 3,079,355	\$ 3,079,355	\$ 3,378,512
Miscellaneous	500	500	32,831
Total operating revenues	3,079,855	3,079,855	3,411,343
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,503,480	1,846,406	1,707,441
Administrative fees - General Fund	346,000	346,000	346,000
Total operating expenses excluding depreciation	1,849,480	2,192,406	2,053,441
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,230,375	887,449	1,357,902
DEPRECIATION	-	-	1,216,540
OPERATING INCOME (LOSS)	1,230,375	887,449	141,362
NONOPERATING REVENUES (EXPENSES)			
Investment income	4,000	4,000	13,361
Interest and fiscal charges	(1,225,320)	(1,225,320)	(418,431)
Total nonoperating revenues (expenses)	(1,221,320)	(1,221,320)	(405,070)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	9,055	(333,871)	(263,708)
Contributions	-	-	448,825
Transfers (out)	(50,000)	(50,000)	(50,000)
CHANGE IN NET POSITION	\$ (40,945)	\$ (383,871)	135,117
NET POSITION, JANUARY 1 - AS RESTATED			18,962,421
NET POSITION, DECEMBER 31			\$ 19,097,538

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Sewer use fees			
Resident	\$ 1,491,225	\$ 1,491,225	\$ 1,782,796
Nonresident	273,930	273,930	297,528
Sewer penalties			
Resident	27,500	27,500	27,337
Nonresident	2,000	2,000	2,340
Sewer connection fees	6,000	6,000	5,085
Surcharges			
Sewer separation	131,000	131,000	144,546
Fair Meadows	1,700	1,700	1,806
Flood control	1,146,000	1,146,000	1,116,139
Detention Fees	-	-	935
Total charges for services	3,079,355	3,079,355	3,378,512
Miscellaneous - reimbursements	500	500	32,831
TOTAL OPERATING REVENUES	\$ 3,079,855	\$ 3,079,855	\$ 3,411,343

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Engineering			
Personnel	\$ 121,245	\$ 121,245	\$ 120,330
Public works			
Personnel	509,145	509,145	478,258
Supplies and services	183,090	183,090	156,266
Capital projects			
Flood control	420,000	1,083,865	1,055,802
Less: Nonoperating			
Fixed assets capitalized	-	(577,785)	(577,785)
Sanitary sewer	270,000	850,006	797,730
Less: Nonoperating			
Fixed assets capitalized	-	(323,160)	(323,160)
Total costs of sales and services	1,503,480	1,846,406	1,707,441
Administrative fees - General Fund	346,000	346,000	346,000
TOTAL OPERATING EXPENSES	\$ 1,849,480	\$ 2,192,406	\$ 2,053,441

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Parking fees	\$ 646,500	\$ 646,500	\$ 678,488
Total operating revenues	646,500	646,500	678,488
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	676,530	690,044	519,636
Administrative fees - General Fund	52,000	52,000	52,000
Total operating expenses excluding depreciation	728,530	742,044	571,636
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(82,030)	(95,544)	106,852
DEPRECIATION	-	-	784,080
OPERATING INCOME (LOSS)	(82,030)	(95,544)	(677,228)
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,000	2,000	1,386
NET INCOME (LOSS) BEFORE TRANSFERS		(93,544)	(675,842)
Transfers (out)	-	(89,557)	(89,557)
CHANGE IN NET POSITION	\$ -	\$ (183,101)	(765,399)
NET POSITION, JANUARY 1			12,092,703
NET POSITION, DECEMBER 31			\$ 11,327,304

(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, 2012

	Original Budget	Final Budget	Actual
OPERATING EXPENSES			
Costs of sales and services			
Finance and operations			
Supplies and services	\$ 59,000	\$ 59,000	\$ 50,271
Public works			
Supplies and services	442,530	420,544	289,911
Capital projects			
Buildings and facilities	175,000	210,500	179,454
Total costs of sales and services	676,530	690,044	519,636
Administrative fees - General Fund	52,000	52,000	52,000
TOTAL OPERATING EXPENSES	\$ 728,530	\$ 742,044	\$ 571,636

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for services			
Refuse billing	\$ 4,562,160	\$ 4,562,160	\$ 4,518,425
Total operating revenues	4,562,160	4,562,160	4,518,425
OPERATING EXPENSES			
Refuse collection	4,525,760	4,525,760	4,327,979
Administrative fees - General Fund	103,000	103,000	103,000
Total operating expenses	4,628,760	4,628,760	4,430,979
OPERATING INCOME (LOSS)	(66,600)	(66,600)	87,446
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,500	3,500	5,463
NET INCOME (LOSS) BEFORE TRANSFERS	(63,100)	(63,100)	92,909
Transfers (out)	(100,000)	(100,000)	(100,000)
CHANGE IN NET POSITION	\$ (163,100)	\$ (163,100)	(7,091)
NET POSITION, JANUARY 1			1,967,459
NET POSITION, DECEMBER 31			\$ 1,960,368

(See independent auditor's report.)

## **Statistical Section**

## Statistical Section

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

<u>Contents</u>	<u>Pages(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 - 132
Revenue Capacity	
These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	133 - 137
Debt Capacity	
These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue debt in the future.	138 - 141
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.	142 - 143
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.	144 - 145

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

VILLAGE OF PALATINE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 13,245,415	\$ 101,812,134	\$ 100,693,938	\$ 105,405,740
Restricted	16,555,350	14,477,732	19,730,260	21,578,252
Unrestricted	(68,086,523)	988,732	15,647,897	14,979,825
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (38,285,758)</b>	<b>\$ 117,278,598</b>	<b>\$ 136,072,095</b>	<b>\$ 141,963,817</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 38,317,989	\$ 37,852,794	\$ 26,012,558	\$ 37,479,931
Restricted	-	-	-	-
Unrestricted	5,080,603	4,153,291	17,342,996	5,306,733
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 43,398,592</b>	<b>\$ 42,006,085</b>	<b>\$ 43,355,554</b>	<b>\$ 42,786,664</b>
<b>PRIMARY GOVERNMENT</b>				
Net investment in capital assets	\$ 51,563,404	\$ 139,664,928	\$ 126,706,496	\$ 142,885,671
Restricted	16,555,350	14,477,732	19,730,260	21,578,252
Unrestricted	(63,005,920)	5,142,023	32,990,893	20,286,558
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,112,834</b>	<b>\$ 159,284,683</b>	<b>\$ 179,427,649</b>	<b>\$ 184,750,481</b>

Data Source

Audited Financial Statements

2007	2008	2009	2010	2011	2012
\$ 92,401,441	\$ 101,570,852	\$ 133,517,262	\$ 133,599,587	\$ 129,862,356	\$ 134,215,974
24,347,626	21,004,875	42,399,832	40,641,243	10,854,118	3,233,577
35,686,515	24,652,055	(17,333,619)	(9,711,908)	27,281,648	33,174,261
\$ 152,435,582	\$ 147,227,782	\$ 158,583,475	\$ 164,528,922	\$ 167,998,122	\$ 170,623,812
\$ 32,624,663	\$ 38,558,066	\$ 38,891,700	\$ 35,931,798	\$ 35,235,617	\$ 43,155,964
-	-	-	-	-	-
14,999,979	12,593,058	11,648,072	15,456,420	17,683,868	12,113,363
\$ 47,624,642	\$ 51,151,124	\$ 50,539,772	\$ 51,388,218	\$ 52,919,485	\$ 55,269,327
\$ 125,026,104	\$ 140,128,918	\$ 172,408,962	\$ 169,531,385	\$ 165,097,973	\$ 177,371,938
24,347,626	21,004,875	42,399,832	40,641,243	10,854,118	3,233,577
50,686,494	37,245,113	(5,685,547)	5,744,512	44,965,516	45,287,624
\$ 200,060,224	\$ 198,378,906	\$ 209,123,247	\$ 215,917,140	\$ 220,917,607	\$ 225,893,139

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005
<b>EXPENSES</b>			
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			
Waterworks	5,589,517	6,214,408	5,862,991
Sewerage	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
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 61,501,717</b>	<b>\$ 65,542,187</b>	<b>\$ 63,539,388</b>
<b>PROGRAM REVENUES</b>			
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	10,533,075	10,899,117	11,605,683
Capital grants and contributions	665,597	386,201	461,311
Total governmental activities program revenues	16,541,788	18,204,517	18,862,239
Business-type activities			
Charges for services			
Waterworks	5,277,097	5,579,599	6,329,850
Sewerage	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
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 28,564,040</b>	<b>\$ 30,437,855</b>	<b>\$ 32,012,081</b>
<b>NET (EXPENSE) REVENUE</b>			
Governmental activities	\$ (33,106,856)	\$ (34,284,181)	\$ (31,611,280)
Business-type activities	169,179	(820,151)	83,973
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<b>\$ (32,937,677)</b>	<b>\$ (35,104,332)</b>	<b>\$ (31,527,307)</b>

Data Source

Audited Financial Statements

2006	2007	2008	2009	2010	2011	2012
\$ 7,346,275	\$ 9,008,572	\$ 9,191,571	\$ 8,314,739	\$ 7,911,734	\$ 8,092,022	\$ 5,687,081
28,713,081	29,416,464	31,825,692	33,898,460	35,204,860	37,174,518	39,154,692
8,643,238	9,080,835	13,227,490	10,720,807	10,000,129	11,346,788	10,978,933
9,779,022	5,943,316	17,188,453	1,539,146	6,828,477	7,618,221	7,785,928
4,295,123	4,340,856	3,710,426	3,411,066	4,190,376	4,965,687	4,782,927
58,776,739	57,790,043	75,143,632	57,884,218	64,135,576	69,197,236	68,389,561
5,692,588	5,876,757	6,354,122	6,188,396	6,121,039	7,199,466	6,851,401
1,788,004	2,468,787	3,904,841	3,391,245	3,103,688	3,063,914	3,688,412
1,395,069	1,535,188	1,566,202	1,431,482	1,405,859	1,344,734	1,355,716
4,006,515	4,178,546	4,279,643	4,227,437	4,218,165	4,388,685	4,430,979
12,882,176	14,059,278	16,104,808	15,238,560	14,848,751	15,996,799	16,326,508
\$ 71,658,915	\$ 71,849,321	\$ 91,248,440	\$ 73,122,778	\$ 78,984,327	\$ 85,194,035	\$ 84,716,069
\$ 4,379,572	\$ 4,135,624	\$ 4,024,203	\$ 4,192,225	\$ 4,129,923	\$ 3,988,510	\$ 3,178,125
2,518,276	2,810,527	2,864,677	3,750,916	3,345,737	4,167,979	4,107,608
263,374	252,771	231,618	259,356	242,032	1,001,900	2,150,261
11,928,962	12,186,740	11,675,004	10,971,042	12,581,080	12,679,313	12,743,700
479,231	880,338	6,342,160	1,592,266	3,465,779	1,726,883	605,818
19,569,415	20,266,000	25,137,662	20,765,805	23,764,551	23,564,585	22,785,512
5,934,839	6,471,798	6,161,045	6,417,950	7,208,992	9,084,694	9,818,910
2,257,277	2,681,760	2,823,386	3,128,333	3,189,687	3,250,125	3,411,343
621,311	629,866	663,178	630,319	654,485	679,455	678,488
4,083,059	4,403,667	4,662,852	4,414,604	4,426,123	4,649,761	4,518,425
-	-	-	-	-	12,320	-
-	-	-	4,271	208,347	90,997	448,825
12,896,486	14,187,091	14,310,461	14,595,477	15,687,634	17,767,352	18,875,991
\$ 32,465,901	\$ 34,453,091	\$ 39,448,123	\$ 35,361,282	\$ 39,452,185	\$ 41,331,937	\$ 41,661,503
\$ (39,207,324)	\$ (37,524,043)	\$ (50,005,970)	\$ (37,118,413)	\$ (40,371,025)	\$ (45,632,651)	\$ (45,604,049)
14,310	127,813	(1,794,347)	(643,083)	838,883	1,770,553	2,549,483
\$ (39,193,014)	\$ (37,396,230)	\$ (51,800,317)	\$ (37,761,496)	\$ (39,532,142)	\$ (43,862,098)	\$ (43,054,566)

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>			
Governmental activities			
Taxes			
Property	\$ 19,975,858	\$ 21,948,798	\$ 24,590,116
Home rule sales tax	1,988,927	4,296,091	4,641,188
Telecommunications	1,888,270	2,011,046	2,125,860
Electric utility use	-	-	-
Other	325,802	1,252,401	1,361,254
State shared income tax	4,057,697	4,189,384	4,919,232
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	33,620,810	35,947,333	37,549,151
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
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 31,683,970</b>	<b>\$ 35,374,977</b>	<b>\$ 38,814,647</b>
<b>CHANGE IN NET POSITION</b>			
Governmental activities	\$ 513,954	\$ 1,663,152	\$ 5,937,871
Business-type activities	(1,767,661)	(1,392,507)	1,349,469
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<b>\$ (1,253,707)</b>	<b>\$ 270,645</b>	<b>\$ 7,287,340</b>

Data Source

Audited Financial Statements



	2006	2007	2008	2009	2010	2011	2012
\$	28,324,991	\$ 29,490,106	\$ 33,005,614	\$ 33,667,265	\$ 32,191,912	\$ 33,563,321	\$ 32,904,361
	4,622,302	4,788,068	4,673,737	3,992,663	4,100,988	4,232,849	4,199,803
	2,378,621	2,987,002	2,870,797	2,834,118	2,796,032	2,462,499	2,550,703
	-	-	-	-	-	1,428,854	1,751,844
	1,438,442	1,449,746	1,467,906	1,286,211	1,280,923	1,248,610	1,267,148
	5,403,355	5,863,302	6,270,922	5,476,622	5,307,674	5,341,577	6,023,925
	1,928,010	2,211,847	1,081,574	400,701	305,545	285,881	321,140
	248,570	214,546	326,910	403,633	333,398	285,260	164,057
	-	231,191	171,738	50,333	-	-	-
	-	-	-	-	-	-	-
	754,755	760,000	-	-	-	253,000	339,557
	45,099,046	47,995,808	49,869,198	48,111,546	46,316,472	49,101,851	49,522,538
	238,653	291,401	150,061	31,731	9,563	13,714	25,416
	(89,098)	221,989	294,123	-	-	-	-
	22,000	-	-	-	-	-	-
	(754,755)	(760,000)	-	-	-	(253,000)	(339,557)
	(583,200)	(246,610)	444,184	31,731	9,563	(239,286)	(314,141)
\$	44,515,846	\$ 47,749,198	\$ 50,313,382	\$ 48,143,277	\$ 46,326,035	\$ 48,862,565	\$ 49,208,397
\$	5,891,722	\$ 10,471,765	\$ (136,772)	\$ 10,993,133	\$ 5,945,447	\$ 3,469,200	\$ 3,918,489
	(568,890)	(118,797)	(1,350,163)	(611,352)	848,446	1,531,267	2,235,342
\$	5,322,832	\$ 10,352,968	\$ (1,486,935)	\$ 10,381,781	\$ 6,793,893	\$ 5,000,467	\$ 6,153,831

VILLAGE OF PALATINE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006
<b>GENERAL FUND</b>				
Reserved	\$ 21,885	\$ 25,965	\$ 26,470	\$ 5,042,920
Unreserved	7,800,804	12,316,855	16,285,665	12,604,862
Nondisposable	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL GENERAL FUND</b>	<b>\$ 7,822,689</b>	<b>\$ 12,342,820</b>	<b>\$ 16,312,135</b>	<b>\$ 17,647,782</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved	\$ 19,172,957	\$ 21,650,756	\$ 19,858,828	\$ 28,720,235
Unreserved, reported in				
Special Revenue Funds	(2,426,919)	-	-	(5,267,911)
Capital Project Funds	4,454,190	-	-	-
Nondisposable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 21,200,228</b>	<b>\$ 21,650,756</b>	<b>\$ 19,858,828</b>	<b>\$ 23,452,324</b>

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

Data Source

Audited Financial Statements

2007	2008	2009	2010	2011*	2012
\$ 5,287,920	\$ 5,536,201	\$ 5,898,008	\$ 6,025,530	\$ -	\$ -
13,056,080	11,641,186	10,608,000	9,745,168	-	-
-	-	-	-	6,267,920	5,772,920
-	-	-	-	12,657,972	15,064,951
\$ 18,344,000	\$ 17,177,387	\$ 16,506,008	\$ 15,770,698	\$ 18,925,892	\$ 20,837,871
\$ 28,100,314	\$ 28,994,327	\$ 42,712,889	\$ 57,463,551	\$ -	\$ -
852,177	(1,874,480)	-	-	-	-
-	-	(106,775)	-	-	-
-	-	-	-	-	-
-	-	-	-	36,631,487	32,349,656
-	-	-	-	10,844,611	11,029,264
\$ 28,952,491	\$ 27,119,847	\$ 42,606,114	\$ 57,463,551	\$ 47,476,098	\$ 43,378,920

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006
<b>REVENUES</b>				
Taxes	\$ 32,339,563	\$ 38,202,894	\$ 41,982,423	\$ 46,392,377
Licenses and permits	2,686,698	3,212,245	3,121,288	3,242,695
Intergovernmental	7,587,384	7,326,489	8,355,118	9,075,448
Charges for services	763,501	2,051,636	2,021,009	1,842,979
Fines and forfeitures	1,091,158	716,827	741,524	885,018
Investment income	633,457	452,727	824,104	1,928,007
Contributions	-	-	-	-
Miscellaneous	561,739	1,509,635	486,533	547,182
Total revenues	45,663,500	53,472,453	57,531,999	63,913,706
<b>EXPENDITURES</b>				
General government	7,276,925	6,198,790	7,125,694	7,814,881
Public safety	23,025,770	24,522,768	25,640,194	27,386,129
Public works	4,837,569	7,179,264	7,217,325	6,729,375
Economic development	1,960,467	7,656,265	2,984,458	9,264,353
Capital outlay	8,925,400	3,886,664	2,796,534	2,874,863
Debt service				
Principal retirement	3,081,780	8,957,650	4,175,070	5,814,851
Interest	4,200,613	4,195,440	3,769,464	3,957,332
Fiscal charges	-	-	9,373	-
Total expenditures	53,308,524	62,596,841	53,718,112	63,841,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,645,024)	(9,124,388)	3,813,887	71,922
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued, at par	7,194,920	19,707,949	645,200	4,027,100
Refunding bonds issued, at par	-	-	-	-
Bond premium	-	109,363	17,014	-
Bond discount	-	(76,534)	-	-
Payment to refunded bond escrow agent	(6,100,499)	(6,858,647)	(653,227)	-
Proceeds from sale of capital assets	2,057,743	77,343	(608,839)	75,366
Transfers in	2,827,749	2,396,555	1,558,530	4,903,860
Transfers (out)	(2,778,585)	(1,633,760)	(2,746,330)	(4,149,105)
Total other financing sources (uses)	3,201,328	13,722,269	(1,787,652)	4,857,221
NET CHANGE IN FUND BALANCES	\$ (4,443,696)	\$ 4,597,881	\$ 2,026,235	\$ 4,929,143
Debt service as a percentage of noncapital expenditures	14.55%	21.67%	14.99%	15.51%

Data Source

Audited Financial Statements

	2007	2008	2009	2010	2011	2012
\$	48,653,181	\$ 51,676,949	\$ 50,488,804	\$ 50,087,153	\$ 42,936,134	\$ 42,673,859
	3,061,764	3,088,823	3,081,984	3,112,015	2,695,124	2,612,185
	9,924,521	9,520,180	9,374,441	12,810,025	21,894,742	21,449,463
	2,130,142	1,814,636	1,845,422	1,839,736	3,364,812	3,351,983
	893,496	1,061,999	1,948,079	1,256,149	944,747	1,395,806
	2,211,847	1,081,573	404,698	305,545	285,881	321,140
	-	6,165,959	1,000,000	-	-	-
	395,666	425,003	683,590	670,400	291,996	164,057
	67,270,617	74,835,122	68,827,018	70,081,023	72,413,436	71,968,493
	8,838,522	10,747,502	8,507,772	7,713,816	6,296,980	5,448,017
	28,822,573	31,524,578	31,678,221	33,638,662	36,499,775	36,627,642
	7,563,075	8,652,609	8,370,752	8,250,868	5,870,884	5,857,645
	2,952,388	17,188,453	1,504,577	6,828,477	5,776,274	7,999,863
	6,125,005	5,495,697	15,945,994	9,139,690	24,177,056	7,816,121
	8,537,919	14,250,146	12,649,263	5,493,745	5,708,490	6,403,904
	4,330,229	3,657,597	3,964,551	4,341,907	5,082,194	4,768,086
	153,978	-	294,487	-	160,195	91,906
	67,323,689	91,516,582	82,915,617	75,407,165	89,571,848	75,013,184
	(53,072)	(16,681,460)	(14,088,599)	(5,326,142)	(17,158,412)	(3,044,691)
	18,800,000	-	33,340,315	32,158,385	7,000,000	-
	-	-	-	-	850,000	5,025,000
	12,490	-	152,558	879,220	216,155	-
	(43,459)	-	-	-	-	-
	-	-	(4,678,260)	(13,950,839)	(865,438)	(4,939,073)
	231,191	171,738	88,594	61,483	3,172,436	325,429
	3,376,733	-	-	65,000	253,000	(3,269,890)
	(2,616,733)	-	(84,456)	(65,000)	-	-
	19,760,222	171,738	28,818,751	19,148,249	10,626,153	(2,858,534)
						Not = Entity
\$	19,707,150	\$ (16,509,722)	\$ 14,730,152	\$ 13,822,107	\$ (6,532,259)	\$ (5,903,225)
						Not = Entity
	20.02%	19.86%	23.63%	14.43%	14.89%	15.56%

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
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	1,264,709,389	393,756,787	156,269,545	NA	1,814,735,721	1.052	5,444,207,163
2006	1,325,694,182	365,482,373	150,517,156	NA	1,841,693,711	1.075	5,525,081,133
2007	1,584,575,451	415,869,885	179,266,208	NA	2,179,711,544	0.950	6,539,134,632
2008	1,737,493,759	403,925,657	187,266,934	NA	2,328,686,350	0.914	6,986,059,050
2009	1,900,562,138	367,743,939	163,729,362	NA	2,432,035,439	0.882	7,296,106,317
2010	1,696,347,388	324,004,088	161,853,695	NA	2,182,205,171	1.022	6,546,615,513
2011	NA	NA	NA	NA	1,987,066,782	1.121	5,961,200,346

NA = Not Available

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

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

Tax Levy Year	2002	2003	2004	2005
<b>TAX RATES</b>				
Village of Palatine				
Social Security	0.120	0.118	0.105	0.106
IMRF	-	0.042	0.044	0.057
Corporate (Police Protection)	0.226	0.250	0.229	0.221
Fire Protection	0.439	0.409	0.385	0.370
Fire Pension	0.053	0.058	0.055	0.056
Police Pension	0.055	0.067	0.071	0.061
Debt Service	0.241	0.242	0.195	0.181
Total Village of Palatine	1.134	1.186	1.084	1.052
School Districts				
Palatine C. C. S. D. #15	3.185	3.313	2.925	2.840
Junior College #512	0.295	0.310	0.279	0.281
Township H. S. D. #211	2.067	2.165	2.158	2.191
Park District	0.422	0.482	0.437	0.422
Library District	0.310	0.315	0.280	0.271
County				
County of Cook	0.690	0.630	0.593	0.533
Forest Preserve	0.061	0.059	0.060	0.060
Township				
Palatine Township	0.041	0.042	0.038	0.037
General Assistance	0.008	0.009	0.008	0.008
Road and Bridge	0.074	0.078	0.070	0.069
Other Districts				
Suburban T.B. Sanitarium	0.006	0.004	0.001	0.005
Northwest Mosquito	0.009	0.010	0.009	0.009
Sanitary District	0.371	0.361	0.347	0.315
Elections (ELCO)	-	0.029	-	0.014
<b>TOTAL TAX RATES</b>	<b>8.673</b>	<b>8.993</b>	<b>8.289</b>	<b>8.107</b>
<b>SHARE OF TOTAL TAX LEVIED BY THE VILLAGE</b>	<b>13.08%</b>	<b>13.19%</b>	<b>13.08%</b>	<b>12.98%</b>

Data Source  
Office of the County Clerk

2006	2007	2008	2009	2010	2011
0.110	0.093	0.091	0.087	0.097	0.109
0.057	0.054	0.052	0.054	0.060	0.060
0.226	0.221	0.217	0.216	0.241	0.233
0.370	0.316	0.301	0.215	0.239	0.233
0.064	0.061	0.056	0.085	0.110	0.148
0.084	0.086	0.081	0.112	0.149	0.154
0.164	0.119	0.116	0.113	0.126	0.184
1.075	0.950	0.914	0.882	1.022	1.121
2.673	2.435	2.385	2.307	2.603	2.943
0.288	0.260	0.256	0.258	0.295	0.334
2.261	1.972	1.928	1.916	2.204	2.482
0.448	0.406	0.419	0.408	0.468	0.517
0.280	0.246	0.240	0.229	0.198	0.222
0.379	0.446	0.415	0.394	0.423	0.462
0.057	0.053	0.051	0.049	0.051	0.058
0.039	0.035	0.035	0.034	0.039	0.044
0.009	0.008	0.008	0.008	0.010	0.012
0.072	0.064	0.063	0.061	0.070	0.079
0.005	-	-	-	-	-
0.009	0.008	0.008	0.008	0.009	0.010
0.284	0.263	0.252	0.261	0.274	0.320
-	0.012	-	0.021	-	0.025
7.879	7.158	6.974	6.836	7.666	8.629
13.64%	13.27%	13.11%	12.90%	13.33%	12.99%



VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Levy Year and Ten Levy Years Ago

Taxpayer	Tax Year 2011			Tax Year 2001		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
MidAmerica Asset Management	\$ 16,227,128	1	0.82%	N/A	N/A	N/A
Individual Taxpayers	14,739,015	2	0.74%	N/A	N/A	N/A
Wal-Mart	12,682,644	3	0.64%	N/A	N/A	N/A
Weber Stephen Products	12,298,721	4	0.62%	N/A	N/A	N/A
Bourbon Square Apartments	12,111,736	5	0.61%	N/A	N/A	N/A
Brookind Corporation (UPS)	9,973,308	6	0.50%	\$ 14,310,298	3	1.00%
Arlington Toyota	9,811,500	7	0.49%	N/A	N/A	N/A
Thinson Partners	9,557,008	8	0.48%	N/A	N/A	N/A
Village Park Palatine 300	8,648,133	9	0.44%	13,035,785	5	0.90%
Highland Management	7,334,821	10	0.37%	N/A	N/A	N/A
EQR RE Tax Department	N/A	N/A	N/A	21,797,091	1	1.50%
Concord Mills Estates	N/A	N/A	N/A	16,498,553	2	1.10%
Ecke LLC	N/A	N/A	N/A	14,013,904	4	0.90%
Mid America Park Place	N/A	N/A	N/A	12,049,336	6	0.80%
K-Mart Corporation	N/A	N/A	N/A	10,397,589	7	0.70%
Regency Plaza Partners	N/A	N/A	N/A	9,808,848	8	0.70%
Runaway Bay Ltd Partnership	N/A	N/A	N/A	9,686,428	9	0.60%
Square D Company	N/A	N/A	N/A	9,316,848	10	0.60%
	<u>\$ 113,384,014</u>		<u>5.71%</u>	<u>\$ 130,914,680</u>		<u>8.80%</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
2002	\$	16,242,234	\$ 15,983,224	98.41%	\$ 64,220	\$ 16,047,444	98.80%
2003		17,061,933	16,377,159	95.99%	404,724	16,781,883	98.36%
2004		18,187,861	17,671,039	97.16%	(66,928)	17,604,111	96.79%
2005		19,077,679	18,988,556	99.53%	(448,199)	18,540,357	97.18%
2006		19,798,961	17,473,576	88.26%	1,861,010	19,334,586	97.65%
2007		20,692,509	19,846,267	95.91%	203,125	20,049,392	96.89%
2008		21,282,714	18,913,144	88.87%	1,799,895	20,713,039	97.32%
2009		21,435,198	18,588,397	86.72%	2,415,379	21,003,776	97.99%
2010		22,288,003	21,350,808	95.80%	785,773	22,136,581	99.32%
2011		22,266,256	21,834,784	98.06%	-	21,834,127	98.06%

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business- Type Activities	Percent			
	General	TIF	Tax	Installment	General	Total	of Personal Income*	Per Capita*	
	Obligation Bonds	Revenue Bonds	Increment Notes		Obligation Bonds	Primary Government			
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	98,342,273	-	122,402	-	18,892,992	117,357,667	4.79%	1,722	
2012	91,969,327	-	116,859	-	17,526,482	109,612,668	4.45%	1,599	

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

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended	General Obligation Bonds		Less: Amounts		Total Primary Government	Percent of Estimated Actual Taxable	Per Capita*
	Governmental Activities	Business- Type Activities	Available in Debt Service Fund	Value of Property*			
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	98,342,273	18,892,992	2,584,143	114,651,122	1.74%	1,664	
2012	91,969,327	17,526,482	2,122,279	107,373,530	1.80%	1,566	

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

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

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2012

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 91,969,327	100.00%	\$ 91,969,327
School Districts			
Palatine Community District No. 15	28,585,805	51.20%	14,635,932
Township High School District No. 211	17,255,000	24.23%	4,180,887
Township High School District No. 214	48,305,000	0.02%	9,661
Community College District No. 512	185,775,000	9.63%	17,890,133
Total schools	279,920,805		36,716,613
Other than Schools			
Cook County	3,709,260,000	1.31%	48,591,306
Cook County Forest Preserve District	94,885,000	1.31%	1,242,994
Metropolitan Water Reclamation District	2,300,335,115	1.33%	30,594,457
Park Districts			
Arlington Heights Park District	23,434,550	0.06%	14,061
Palatine Park District	20,930,000	77.30%	16,178,890
Salt Creek Park District	4,473,000	53.09%	2,374,716
Total other than schools	6,153,317,665		98,996,424
Total Overlapping Governmental Activities Debt	6,433,238,470		135,713,037
Total Direct and Overlapping Governmental Activities Debt	\$6,525,207,797		\$ 227,682,364

(1) Determined by ratio of assessed valuation of property subject to taxation in the Village to valuation of property subject to taxation in overlapping unit. The 2011 EAV is the most current available.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2012

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The Village is a home rule municipality.

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

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

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

VILLAGE OF PALATINE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2003	65,479	\$ 2,007,651,619	\$ 30,661	5.5%
2004	65,920	2,021,173,120	30,661	4.9%
2005	65,920	2,021,173,120	30,661	4.5%
2006	65,920	2,021,173,120	30,661	3.3%
2007	65,920	2,021,173,120	30,661	3.8%
2008	65,920	2,021,173,120	30,661	4.9%
2009	65,920	2,021,173,120	30,661	8.3%
2010	68,557	2,463,595,795	35,935	8.5%
2011	68,557	2,463,595,795	35,935	7.9%
2012	68,557	2,463,595,795	35,935	7.0%

Data Source

US Census Bureau

Illinois Department of Employment Security

# VILLAGE OF PALATINE, ILLINOIS

## PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2012			2002		
	Rank	Approx. No. of Employees	Percentage of Total Village Population	Rank	Approx. No. of Employees	Percentage of Total Village Population
Palatine School District 15	1	2,200	3.21%	3	1,200	1.83%
Township School District 211	2	1,600	2.33%	4	974	1.49%
United Parcel Service	3	1,000	1.46%	1	2,000	3.05%
United States Postal Service	4	1,000	1.46%	2	2,000	3.05%
Community College District 512	5	700	1.02%	5	800	1.22%
Schneider Electric - Square D	6	350	0.51%	7	200	0.30%
Village of Palatine	7	343	0.50%	6	376	0.57%
Weber-Stephen Products	8	200	0.29%	8	160	0.24%
Arlington Plating	9	150	0.22%	9	160	0.24%
Intec Group, Inc.	10	150	0.22%	10	130	0.20%

Data Source

Village Records



VILLAGE OF PALATINE, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GENERAL GOVERNMENT</b>										
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	7.5	7.0	7.0	7.0	6.0	6.0	6.0	6.0
Finance and Operations	18.0	16.0	16.0	17.0	17.0	17.0	17.0	15.0	13.0	12.0
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	4.0	4.0	4.0	4.0	4.0	4.0	2.5
Information systems	9.5	7.5	8.0	8.0	8.5	8.5	10.0	9.5	7.0	7.0
Planning and Zoning	5.5	4.5	5.5	5.0	5.0	5.0	5.0	4.5	4.5	4.5
<b>PUBLIC SAFETY</b>										
Community services	20.5	18.0	19.0	19.0	20.0	21.0	19.5	16.5	14.5	15.5
Police										
Sworn personnel	110.0	106.0	107.0	109.0	110.0	112.0	112.0	111.0	110.0	109.0
Civilians	33.0	32.0	31.0	31.0	31.0	31.0	31.0	31.0	31.5	31.5
Fire										
Sworn personnel	96.0	95.0	95.0	95.0	95.0	95.0	95.0	93.0	92.0	91.0
Civilians	12.5	9.5	11.0	11.0	11.0	11.0	11.0	10.5	9.5	9.5
<b>PUBLIC WORKS</b>										
Engineering	7.5	6.5	6.5	6.5	6.5	7.0	6.5	7.0	6.0	5.0
Public Works	65.0	59.0	57.5	58.5	58.5	60.0	60.0	59.0	58.0	59.0

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

OPERATING INDICATORS										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PUBLIC SAFETY										
Police										
Physical arrests	2,617	4,087	6,758	N/A	2,417	2,162	2,308	2,224	1,657	1,506
Parking violations	10,752	13,766	7,274	N/A	631	7,388	7,315	6,908	6,264	4,364
Traffic violations	14,937	10,264	19,199	N/A	5,415	2,214	11,473	11,616	10,680	9,928
Fire										
Emergency responses	6,752	6,277	6,568	6,891	7,401	7,257	7,020	7,233	7,510	7,680
PUBLIC WORKS										
Water										
Number of connections	17,500	17,500	17,500	17,500	19,597	19,464	19,658	19,644	19,473	19,481
Avg daily consumption	7.47M	7.09M	7.68M	6.77M	7.02M	6.71M	6.44M	6.44M	6.47M	6.93M

CAPITAL ASSET STATISTICS										
	2003	2004	2005	2006	2007*	2008	2009	2010	2011	2012
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	22	28	29	32	26	25	25	28	28
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire engines	7	7	7	7	5	7	7	7	7	7
PUBLIC WORKS										
Streets and highways										
Streets (miles)	160	160	160	160	160	160	160	160	160	160
Number of bridges	6	6	6	6	6	6	6	6	6	6
Waterworks										
Water mains (miles)	200	200	200	200	140	140	156	156	156	156
Fire hydrants	2,500	2,500	3,200	NA	2,050	2,050	2,060	2,060	2,060	2,060
Sewerage										
Sanitary sewers (miles)	200	200	200	200	145	145	145	145	145	145
Storm sewers (miles)	200	220	220	220	220	221	225	225	225	225

\* Restated GASB values.

Data Source

Village Records

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

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
STATEMENT OF INDEBTEDNESS  
December 31, 2012

	Amount	As Per Cent of		Per Capita
		Assessed Value	Estimated True Value	( 2010 Special Census Pop. 68,557)
Taxable real property, 2011				
Assessed valuation	\$ 1,987,066,782	100.00%	33.33%	\$ 28,984
Estimated true value	5,961,200,346	300.00%	100.00%	86,952
Total general obligation bonded debt (1):	109,243,239	5.50%	1.83%	1,593
Less: Self-Supporting	(70,503,173)	-3.55%	-1.18%	(1,028)
Net general obligation bonded debt	38,740,066	1.95%	0.65%	565
Overlapping bonded debt payable from property taxes (2):				
Schools	36,716,612	1.85%	0.62%	536
Other than schools	98,996,423	4.98%	1.66%	1,444
Total overlapping bonded debt	135,713,035	6.83%	2.28%	1,980
Total net direct and overlapping bonded debt	\$ 174,453,101	8.78%	2.93%	\$ 2,545

**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 \$70,503,173 or 64.5% is considered self-supporting.

(2) Overlapping bonded debt as of June 2012.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
RETIREMENT SCHEDULE OF OUTSTANDING VILLAGE GENERAL OBLIGATION DEBT  
December 31, 2012

Due 12/1	Principal Maturities (1)					
	Series 1989 (3)	Series 2003 (2 Issues)	Series 2004 (2 Issues)	Series 2005 (1 Issue)	Series 2007 (5 Issues)	Series 2008 (1 Issue)
2013	-	350,452	910,000	830,000	1,110,000	170,000
2014	1,581,129	-	535,000	-	1,160,000	175,000
2015	2,606,050	-	580,000	-	1,305,000	185,000
2016	1,505,608	-	575,000	-	1,360,000	195,000
2017	-	-	620,000	-	1,485,000	205,000
2018	-	-	635,000	-	1,195,000	215,000
2019	-	-	650,000	-	1,255,000	225,000
2020	-	-	690,000	-	1,315,000	235,000
2021	-	-	-	-	1,390,000	250,000
2022	-	-	-	-	1,345,000	260,000
2023	-	-	-	-	700,000	275,000
2024	-	-	-	-	740,000	290,000
2025	-	-	-	-	780,000	305,000
2026	-	-	-	-	820,000	320,000
2027	-	-	-	-	-	340,000
2028	-	-	-	-	-	355,000
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
	\$ 5,692,787	\$ 350,452	\$ 5,195,000	\$ 830,000	\$ 15,960,000	\$ 4,000,000

**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 \$5,895,000 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; \$116,859 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 \$104,590,842 outstanding principal at December 31, 2012, the Village estimates that \$70,503,173 (64.5%) is self-supporting from non-property tax sources.

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

Data Source

Village Records

Series 2009 (7 Issues)	Series 2010 (4 Issues)	Series 2011 (2 Issues)	Series 2012 (1 Issue)	Total Maturities (2)	
				Amount	%
1,150,000	2,925,000	150,000	95,000	7,690,452	7.0%
1,195,000	2,850,000	650,000	505,000	8,651,129	7.9%
1,610,000	3,710,000	200,000	510,000	10,706,050	9.8%
980,000	2,340,000	1,000,000	515,000	8,470,608	7.8%
1,780,000	565,000	1,050,000	525,000	6,230,000	5.7%
2,225,000	590,000	900,000	540,000	6,300,000	5.8%
2,410,000	615,000	900,000	555,000	6,610,000	6.1%
2,465,000	650,000	900,000	570,000	6,825,000	6.2%
3,285,000	675,000	1,000,000	595,000	7,195,000	6.6%
3,455,000	705,000	1,000,000	615,000	7,380,000	6.8%
1,930,000	-	100,000	-	3,005,000	2.8%
2,000,000	725,000	-	-	3,755,000	3.4%
2,095,000	735,000	-	-	3,915,000	3.6%
780,000	1,275,000	-	-	3,195,000	2.9%
805,000	1,325,000	-	-	2,470,000	2.3%
860,000	1,340,000	-	-	2,555,000	2.3%
890,000	1,400,000	-	-	2,290,000	2.1%
-	2,200,000	-	-	2,200,000	2.0%
-	2,300,000	-	-	2,300,000	2.1%
-	2,400,000	-	-	2,400,000	2.2%
-	2,500,000	-	-	2,500,000	2.3%
-	2,600,000	-	-	2,600,000	2.4%
<b>\$ 29,915,000</b>	<b>\$ 34,425,000</b>	<b>\$ 7,850,000</b>	<b>\$ 5,025,000</b>	<b>\$ 109,243,239</b>	<b>100.0%</b>

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, 2012

Village Issue		Ratio to Estimated Actual Value				Per Capita		
						Direct and		Population Estimate
		Direct Debt		Overlapping Debt		Overlapping Debt		
		Excluding		Excluding		Excluding		
		Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	Including Self-Supporting	Self-Supporting (1)	
Sale Date	Amount	Supporting	(1)	Supporting	(1)	Supporting	(1)	
February 17, 2004	\$ 12,425,000	1.80%	0.59%	4.30%	3.09%	\$ 2,899	\$ 2,086	65,920
December 6, 2004 (3)	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 (2)	16,600,000	1.65%	0.31%	3.52%	2.18%	3,496	2,166	65,920
May 26, 2010 (2)	19,870,000	1.45%	0.27%	3.18%	2.00%	3,360	2,117	65,920
August 9, 2010 (2)	19,745,000	1.69%	0.52%	3.41%	2.24%	3,619	2,375	65,920
June 20, 2011 (3)	7,850,000	1.64%	0.61%	3.47%	2.44%	3,844	2,701	65,920
December 3, 2012 (2)	5,025,000	1.89%	0.71%	4.17%	2.99%	4,243	2,597	68,557

**Notes:**

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

Data Source

Official Statements

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
DETAILED OVERLAPPING BONDED INDEBTEDNESS PAYABLE FROM PROPERTY TAXES  
December 31, 2012

Governmental Unit	Percent of Village's Real Property in Taxing Body	Gross Debt (1)	Percent of Debt Applicable to the Village of Palatine (2)	Village of Palatine Share of Debt
<b>School Districts</b>				
Palatine Community District No. 15	100.0%	28,585,805	51.20%	14,635,932
Township High School District No. 211	99.9%	17,255,000	24.23%	4,180,887
Township High School District No. 214	0.1%	48,305,000	0.02%	9,661
Community College District No. 512	100.0%	185,775,000	9.63%	17,890,133
Total schools		<u>279,920,805</u>		<u>36,716,613</u>
<b>Other than Schools</b>				
Cook County	100.0%	3,709,260,000	1.31%	48,591,306
Cook County Forest Preserve District	100.0%	94,885,000	1.31%	1,242,994
Metropolitan Water Reclamation District	100.0%	2,300,335,115	1.33%	30,594,457
<b>Park Districts</b>				
Arlington Heights Park District	0.1%	23,434,550	0.06%	14,061
Palatine Park District	94.2%	20,930,000	77.30%	16,178,890
Salt Creek Park District	5.7%	4,473,000	53.09%	2,374,716
Total other than schools		<u>6,153,317,665</u>		<u>98,996,424</u>
Total Overlapping Governmental Activities Debt		<u>\$ 6,433,238,470</u>		<u>\$ 135,713,037</u>

**Notes:**

(1) As of June 2012.

(2) Overlapping debt percentages based on 2011 EAV, the most current available.

Data Source

Office of the County Clerk



VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
EQUALIZED ASSESSED VALUATION FOR TAXING PURPOSES  
December 31, 2012

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%
2011	1,987,066,782	213,010,709	2,200,077,491	-5.9%

**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".

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
TAX RATES PER \$100 EQUALIZED ASSESSED VALUATION  
December 31, 2012

Tax Levy Year	2007	2008	2009	2010	2011
<b>TAX RATES</b>					
Village of Palatine (1)					
Social Security	\$ 0.093	\$ 0.091	\$ 0.087	\$ 0.097	\$ 0.109
IMRF	0.054	0.052	0.054	0.060	0.060
Corporate (Police Protection)	0.221	0.217	0.216	0.241	0.233
Fire Protection	0.316	0.301	0.215	0.239	0.233
Fire Pension	0.061	0.056	0.085	0.110	0.148
Police Pension	0.086	0.081	0.112	0.149	0.154
Debt Service	0.119	0.116	0.113	0.126	0.184
Total Village of Palatine	0.950	0.914	0.882	1.022	1.121
School Districts					
Palatine C. C. S. D. #15	2.435	2.385	2.307	2.603	2.943
Junior College #512	0.260	0.256	0.258	0.295	0.334
Township H. S. D. #211	1.972	1.928	1.916	2.204	2.482
Park District	0.406	0.419	0.408	0.468	0.517
Library District	0.246	0.240	0.229	0.198	0.222
County					
County of Cook	0.446	0.415	0.394	0.423	0.462
Forest Preserve	0.053	0.051	0.049	0.051	0.058
Township					
Palatine Township	0.035	0.035	0.034	0.039	0.044
General Assistance	0.008	0.008	0.008	0.010	0.012
Road and Bridge	0.064	0.063	0.061	0.070	0.079
Other Districts					
Northwest Mosquito	0.008	0.008	0.008	0.009	0.010
Sanitary District	0.263	0.252	0.261	0.274	0.320
Elections (ELCO)	0.012	-	0.021	-	0.025
<b>TOTAL TAX RATE (2)</b>	<b>\$ 7.158</b>	<b>\$ 6.974</b>	<b>\$ 6.836</b>	<b>\$ 7.666</b>	<b>\$ 8.629</b>
<b>SHARE OF TOTAL TAX LEVIED BY THE VILLAGE</b>	<b>13.27%</b>	<b>13.11%</b>	<b>12.90%</b>	<b>13.33%</b>	<b>12.99%</b>

**Notes:**

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

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

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
TAX EXTENSIONS AND COLLECTIONS  
December 31, 2012

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
2002	\$ 16,242,234	\$ 15,983,224	98.41%	\$ 64,220	\$ 16,047,444	98.80%
2003	17,061,933	16,377,159	95.99%	404,724	16,781,883	98.36%
2004	18,187,861	17,671,039	97.16%	(66,928)	17,604,111	96.79%
2005	19,077,679	18,988,556	99.53%	(448,199)	18,540,357	97.18%
2006	19,798,961	17,473,576	88.26%	1,861,010	19,334,586	97.65%
2007	20,692,509	19,846,267	95.91%	203,125	20,049,392	96.89%
2008	21,282,714	18,913,144	88.87%	1,799,895	20,713,039	97.32%
2009	21,435,198	18,588,397	86.72%	2,415,379	21,003,776	97.99%
2010	22,288,003	21,350,808	95.80%	785,773	22,136,581	99.32%
2011	22,266,256	21,834,784	98.06%	-	21,834,127	98.06%

**Note:**

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

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
TAX BASE DISTRIBUTION BY PROPERTY CLASSIFICATION  
December 31, 2012

Property Classification	2007	2008	2009	2010	2010
Residential	\$ 1,584,575,451	\$ 1,737,493,759	\$ 1,900,562,138	\$ 1,696,347,388	NA
Commercial	415,869,885	403,925,657	367,743,939	324,004,088	NA
Industrial/Railroad/Farm	179,266,208	187,266,934	163,729,362	161,853,695	NA
Net for General Taxing Purposes	2,179,711,544	2,328,686,350	2,432,035,439	2,182,205,171	1,987,066,782
Incremental Valuation (2)	173,156,610	194,197,517	171,135,223	155,066,131	213,010,709
Total for all Taxing Purposes	\$ 2,352,868,154	\$ 2,522,883,867	\$ 2,603,170,662	\$ 2,337,271,302	\$ 2,200,077,491
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".

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
TEN LARGEST TAXPAYERS  
December 31, 2012

Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
MidAmerica Asset Management	Apartments	\$ 16,227,128	1	0.82%
Individual Taxpayers	Apartments	14,739,015	2	0.74%
Wal-Mart	Retail Store	12,682,644	3	0.64%
Weber Stephen Products	Corporate Headquarters	12,298,721	4	0.62%
Bourbon Square Apartments	Apartments	12,111,736	5	0.61%
Brookind Corporation (UPS)	United Parcel Service	9,973,308	6	0.50%
Arlington Toyota	Automobile Retail	9,811,500	7	0.49%
Thinson Partners	Commercial Real Estate	9,557,008	8	0.48%
Village Park Palatine 300	Apartments	8,648,133	9	0.44%
Highland Management	Commercial Real Estate	<u>7,334,821</u>	10	<u>0.37%</u>
		<u>\$ 113,384,014</u>		<u>5.71%</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 2011 is the most current available.

Data Source

Office of the County Treasurer

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2012

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

	2008	2009	2010	2011	2012	CY 2013 Budget (2)
<b>REVENUES</b>						
Taxes	\$ 33,821,916	\$ 31,796,000	\$ 33,226,384	\$ 26,009,684	\$ 25,588,613	\$ 25,952,200
Licenses and permits	3,088,823	3,081,984	3,112,015	2,695,124	2,612,185	2,602,900
Intergovernmental	7,537,063	6,750,546	6,675,206	16,891,419	17,742,034	17,382,059
Charges for services	1,768,547	1,812,561	1,768,925	3,106,138	3,075,790	3,041,500
Fines and forfeits	1,061,999	1,856,800	1,239,105	922,119	1,361,163	1,199,500
Investment income	493,591	307,689	248,896	250,177	260,139	250,000
Miscellaneous	182,944	354,154	378,982	285,258	139,661	120,600
Sale of capital assets	-	-	-	1,115,680	-	-
Transfers	-	-	65,000	253,000	-	-
Total revenues	47,954,883	45,959,734	46,714,513	51,528,599	50,779,585	50,548,759
<b>EXPENDITURES</b>						
General government	10,747,502	8,507,772	7,713,816	6,296,980	5,448,017	6,834,790
Public safety	31,524,578	31,678,221	33,445,430	36,211,371	36,298,800	37,160,410
Public works	6,849,416	6,360,644	6,290,597	5,865,054	5,850,899	6,471,775
Transfers	-	84,456	-	-	1,269,890	-
Total expenditures	49,121,496	46,631,093	47,449,843	48,373,405	48,867,606	50,466,975
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	(1,166,613)	(671,359)	(735,330)	3,155,194	1,911,979	\$ 81,784
<b>FUND BALANCE, JANUARY 1</b>						
	18,344,000	17,177,387	16,506,028	15,770,698	18,925,892	
<b>FUND BALANCE, DECEMBER 31</b>						
	\$ 17,177,387	\$ 16,506,028	\$ 15,770,698	\$ 18,925,892	\$ 20,837,871	

**Notes:**

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

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

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

GENERAL FUND

December 31, 2012

<i>Balance Sheet (1)</i>					
	2008	2009	2010	2011	2012
<b>ASSETS</b>					
Cash and investments	\$ 10,761,900	\$ 8,684,369	\$ 3,642,204	\$ 8,086,602	\$ 11,790,228
Receivables					
Property taxes	18,696,914	19,008,383	21,569,355	18,680,223	19,240,191
Other	384,847	492,897	498,339	642,072	665,701
Due from other governments	3,221,289	3,714,502	5,152,404	5,098,543	4,248,491
Accrued interest	-	-	-	-	4,255
Due from other funds	5,624,926	5,855,238	6,022,920	6,310,506	5,796,201
Prepaid items	-	116,643	-	-	-
All other assets	3,281	3,445	2,610	-	-
<b>TOTAL ASSETS</b>	<b>\$ 38,693,157</b>	<b>\$ 37,875,477</b>	<b>\$ 36,887,832</b>	<b>\$ 38,817,946</b>	<b>\$ 41,745,067</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	820,624	344,057	205,776	230,321	311,396
Deferred revenues	18,394,293	18,494,720	19,339,080	18,419,595	19,151,250
All other liabilities	2,300,853	2,530,672	1,572,278	1,242,138	1,444,550
<b>TOTAL LIABILITIES</b>	<b>21,515,770</b>	<b>21,369,449</b>	<b>21,117,134</b>	<b>19,892,054</b>	<b>20,907,196</b>
<b>FUND BALANCE</b>					
Reserved	5,536,201	5,898,008	6,025,530	-	-
Unreserved	11,641,186	10,608,020	9,745,168	-	-
Nonspendable	-	-	-	6,267,920	5,772,920
Unassigned	-	-	-	12,657,972	15,064,951
<b>TOTAL FUND BALANCE</b>	<b>17,177,387</b>	<b>16,506,028</b>	<b>15,770,698</b>	<b>18,925,892</b>	<b>20,837,871</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 38,693,157</b>	<b>\$ 37,875,477</b>	<b>\$ 36,887,832</b>	<b>\$ 38,817,946</b>	<b>\$ 41,745,067</b>

**Notes:**

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

Data Source

Village Records

VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12  
COMBINED STATEMENT - ALL FUNDS (1)  
December 31, 2012

	<i>Fund Balances/Net Position</i>				
	2008	2009	2010	2011	2012
<b>Governmental Fund Types</b>					
General	\$ 17,177,387	\$ 16,506,028	\$ 15,770,698	\$ 18,925,892	\$ 20,837,871
Special Revenue	6,380,060	25,798,256	27,539,398	31,085,574	26,930,968
Debt Service	10,690,591	6,861,017	6,960,461	2,584,143	2,424,978
Capital Projects	10,049,496	9,946,841	22,663,692	13,806,381	14,022,974
	44,297,534	59,112,142	72,934,249	66,401,990	64,216,791
<b>Proprietary Fund Types</b>					
Enterprise Funds	51,151,124	50,539,772	51,388,218	52,919,485	55,269,327
Internal Service Funds	4,801,474	5,464,253	5,993,247	6,423,340	5,770,827
	55,952,598	56,004,025	57,381,465	59,342,825	61,040,154
<b>Fiduciary Fund Types (2):</b>					
Pension Trust	70,254,671	75,994,551	85,077,541	90,307,659	99,838,988
<b>Total All Funds (Memo Only)</b>	<b>\$ 170,504,803</b>	<b>\$ 191,110,718</b>	<b>\$ 215,393,255</b>	<b>\$ 216,052,474</b>	<b>\$ 225,095,933</b>
	<i>Cash and Investments</i>				
	2008	2009	2010	2011	2012
<b>Fund</b>					
General	\$ 10,761,900	\$ 8,684,369	\$ 3,642,204	\$ 8,086,602	\$ 11,790,228
Special Revenue	5,795,211	9,092,889	5,750,145	10,473,718	8,935,962
Debt Service	10,603,036	6,764,193	6,616,983	2,534,147	2,410,097
Capital Projects	9,981,396	9,999,921	23,714,633	16,140,765	14,463,602
Enterprise Funds	8,981,400	5,781,482	6,978,001	9,730,991	11,671,448
Internal Service Funds	5,118,599	6,270,014	6,864,246	7,255,691	7,402,263
Pension Trust	69,853,954	75,760,213	84,351,732	89,928,459	99,608,926
<b>Total All Funds (Memo Only)</b>	<b>\$ 121,095,496</b>	<b>\$ 122,353,081</b>	<b>\$ 137,917,944</b>	<b>\$ 144,150,373</b>	<b>\$ 156,282,526</b>

(1) These condensed financial statements for the years ending December 31, 2008 - 2012, 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, 2012, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2008 - 2012. 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, 2012, and the results of operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

(2) Excludes the Village's Agency Funds.

Data Source

Village Records



VILLAGE OF PALATINE, ILLINOIS

DISCLOSURES REQUIRED BY SEC RULE 15C2-12

CAPITAL ASSETS

December 31, 2012

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	Governmental	Business
	Activities	Type
	Activities	Activities
Land	\$ 9,576,900	\$ 2,906,138
Land - Rights of way	139,806,925	-
Machinery & equipment	8,890,700	2,243,090
Buildings & improvements	38,682,175	22,880,492
Streets	25,950,755	-
Bridges	1,596,735	-
Sanitary sewer system	-	25,048,845
Storm sewer system	-	33,125,710
Water system	-	17,248,270
	<hr/> 224,504,190	<hr/> 103,452,545
Less: Accumulated depreciation	<hr/> 27,846,620	<hr/> 54,422,245
Net investment in capital assets	<hr/> \$ 196,657,570	<hr/> \$ 49,030,300

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Data Source

Village Records