

PALATINE PARK DISTRICT

Annual Financial Report

For the Year Ended December 31, 2010

Administrative Offices

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**Palatine Park District
Audit Report
For the Year Ended December 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Palatine Park District
Palatine, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements and schedules of revenues, expenditures and changes in fund balance – budget and actual for major General and Special Revenue Funds of the **Palatine Park District** as of and for the year ended December 31, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Park District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, major funds, and remaining fund information of the Palatine Park District as of December 31, 2010, and the results of its operations of those activities and funds and cash flows, where applicable, and the budgetary comparison for the major funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and schedule of funding progress listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supplementary information and other financial schedules in the accompanying table of contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements of the Palatine Park District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the statistical data listed in the table of contents and, therefore, express no opinion thereon.

Selden Fox, Ltd.

June 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Our discussion and analysis of the Palatine Park District's (Park District) financial performance provides an overview of the Park District's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the Park District's financial statements, which begin on page 12.

Financial Highlights

- The Park District's total revenues exceeded total expenditures, on the accrual basis of accounting by \$2,305,935 for the year. In addition, a prior period restatement was made to increase beginning net assets by \$857,910 to reverse an overstatement of accumulated depreciation booked in error. The combined result of the current year activity and the prior period restatement was to increase total net assets by 4.62 percent from the previous year. This increase is net of an expense of \$1,479,457 for depreciation of capital assets, and does not include expenses for the purchase of capital assets of \$1,965,172 and the payment of bond principal of \$755,000. Governmental Funds fund balances increased by \$1,336,118.
- The Park District's Equalized Assessed Valuation increased from \$2.884 billion in 2008 to \$2.989 billion in 2009. The tax levy remained primarily consistent with the prior year.
- Tax Revenue collected by Cook County was once again very late in 2010. Over \$1,400,000 of 2009 tax receipts were collected in early 2011, and recorded as revenue and a receivable at December 31, 2010.

Overview of the Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Park District's modified accrual basis of accounting.

Government-wide financial statements: The *statement of net assets* and the *statement of activities* (on pages 12 and 13) provide information about the activities of the Park District as a whole and present a longer term view of the Park District's finances.

Fund financial statements. Fund financial statements (starting on page 14) focus on the individual parts of the Park District's government. Fund financial statements also report the Park District's operations in more detail than the government-wide statements by providing information about the Park District's most significant ("major") funds. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending.

Notes to the financial statements. The notes to the financial statements (starting on page 26) are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Overview of the Financial Statements (cont'd)

Required supplementary information. This Management's Discussion and Analysis (starting on page 3) and the General Fund and Recreation Fund budgetary comparison schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements"). A schedule of funding progress for the Illinois Municipal Retirement Fund and a schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and Recreation Fund are included beginning on page 45.

Other supplementary information. This part of the annual report (starting on page 50) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Park District's annual report.

Basis of accounting. The Park District has elected to present its government-wide financial statements on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognized revenues, expenses, and their related assets and liabilities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Park District's reporting entity presentation. This annual report includes all activities for which the Park District is fiscally responsible. These activities, defined as the Park District's reporting entity, are operated within separate legal entities that make up the primary government. The Park District's reporting entity does not include component units.

Government-wide statement of net assets and the statement of activities. Our financial analysis of the Park District as a whole begins on page 12. The *government-wide financial statements* are presented on pages 12 and 13. One of the most important questions asked about the Park District's finances is, "Is the Park District in a better financial position at the end of this fiscal year, compared to last year?" The *statement of net assets* and the *statement of activities* report information about the Park District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets and liabilities resulting from the use of the accrual basis of accounting.* These two statements report the Park District's net assets and changes in them. You can think of the Park District's net assets—the difference between assets and liabilities—as one way to measure the Park District's financial health or financial position. Over time, increases or decreases in the Park District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Park District's property tax base and the condition of the Park District's facilities, to assess the overall health of the Park District.

Overview of the Financial Statements (cont'd)

The *statement of net assets* and the *statement of activities* are usually divided into three kinds of activities: governmental, business-type, and component unit activities. Governmental activities include the Park District's basic services, such as general government and recreation administration. Business-type activities include services for which customers are charged a fee to help cover all or most of the cost of those services. Component-unit activities include those functions performed by separate legal entities reported alongside the main government. The Park District does not have any component units.

Fund financial statements. The Fund Financial Statements begin on page 14 and provide detailed information about the most significant funds – not the Park District as a whole. Some funds are required to be established by state law or by bond requirements. However, the Park District's Board of Commissioners established certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. There are three possible fund types, which are as follows:

Governmental Funds: All of the Park District's basic services are reported in *governmental funds*, which focus on how money flows into and out of these funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The *governmental fund* statements provide a detailed short-term view of the Park District's general government operations and the basic services it provides. *Governmental fund* information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Park District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the *statement of net assets* and the *statement of activities*) and *governmental funds* in reconciliation at the bottom of the fund financial statements. The Park District considers the General Fund and the Recreation Fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled "Other governmental funds."

Proprietary Funds. *Proprietary funds* are often used to report services for which a government charges fees. The Park District has two proprietary funds: Palatine Hills Golf Course and Palatine Stables. Proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Park District's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows.

Fiduciary Funds. The Park District currently does not have any fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity, such as pension plan assets, assets held per trust agreements, and similar arrangements.

Government-wide Financial Analysis

The Park District's combined net assets, resulting from accrual basis transactions, increased from \$66,326,288 to \$69,678,842 between fiscal years 2009 and 2010.

Condensed Statement of Net Assets

	December 31,	
	<u>2010</u>	<u>2009</u>
Governmental Activities		
Assets:		
Current and other assets	\$ 32,038,033	\$ 30,853,751
Capital assets:		
Nondepreciable	29,937,474	39,647,589
Depreciable (net)	<u>28,636,563</u>	<u>17,743,038</u>
Total assets	<u>90,612,070</u>	<u>88,244,378</u>
Liabilities:		
Other liabilities	1,898,228	2,128,090
Noncurrent liabilities:		
Due within one year	795,000	755,000
Due in more than one year	<u>18,240,000</u>	<u>19,035,000</u>
Total liabilities	<u>20,933,228</u>	<u>21,918,090</u>
Net assets:		
Invested in capital assets, net of related debt	39,539,037	37,600,627
Unrestricted	<u>30,139,805</u>	<u>28,725,661</u>
Total net assets	<u>\$ 69,678,842</u>	<u>\$ 66,326,288</u>

(cont'd)

Government-wide Financial Analysis (cont'd)

Condensed Statement of Net Assets (cont'd)

	December 31,	
	<u>2010</u>	<u>2009</u>
Business-type Activities		
Assets:		
Current and other assets	\$ 736,235	\$ 771,200
Capital assets:		
Nondepreciable	1,500,166	1,500,166
Depreciable (net)	<u>1,127,262</u>	<u>1,075,297</u>
Total assets	<u>3,363,663</u>	<u>3,346,663</u>
Liabilities:		
Other liabilities	1,348,493	1,142,784
Noncurrent liabilities:		
Due within one year	-	-
Due in more than one year	<u>-</u>	<u>-</u>
Total liabilities	<u>1,348,493</u>	<u>1,142,784</u>
Net assets:		
Invested in capital assets, net of related debt	2,627,428	2,575,463
Unrestricted	<u>(612,258)</u>	<u>(371,584)</u>
Total net assets	<u>\$ 2,015,170</u>	<u>\$ 2,203,879</u>

Government-wide Financial Analysis (cont'd)

For the year ended December 31, 2010, net assets of the Palatine Park District resulting from modified accrual basis transactions changed as follows:

Changes in Net Assets—Accrual Basis

Governmental Activities:

	<u>2009</u>	<u>2010</u>	<u>Percentage Change 2009-2010</u>
Revenues:			
Program receipts:			
Fees for services	\$ 5,492,537	\$ 6,708,699	22.1 %
Grants and donations	1,364	1,716	25.8
General receipts:			
Property taxes	12,338,625	12,710,351	3.0
Replacement taxes	149,449	161,140	7.3
Interest	530,597	166,384	(68.6)
Tower	112,599	95,377	(15.3)
Miscellaneous	783,919	725,554	(7.4)
Total revenues	<u>\$ 19,409,090</u>	<u>\$ 20,569,221</u>	6.0 %
Expenses:			
General	\$ 14,579,924	\$ 15,133,988	3.8 %
IMRF	458,984	523,623	14.1
Social Security	503,151	507,738	0.9
Liability insurance	358,021	323,628	(9.6)
Audit	11,500	11,900	3.5
Bond and interest	1,097,659	1,492,495	36.0
Total expenses	17,009,239	17,993,372	5.8 %
Revenues over expenses before transfers	2,399,851	2,575,849	7.3
Transfers	79,000	79,010	0.0
Prior period restatement	<u>2,294,932</u>	<u>697,695</u>	(69.6)
Change in net assets	<u>\$ 4,773,783</u>	<u>\$ 3,352,554</u>	(29.8) %

Government-wide Financial Analysis (cont'd)

Changes in Net Assets—Accrual Basis (cont'd)

Business-type Activities:

	2009	2010	Percentage Change 2009-2010
Revenues:			
Program receipts:			
Fees for services	\$ 1,865,134	\$ 1,811,256	(2.9) %
Grants and donations	-	8,640	100.0
General receipts:			
Property taxes	-	-	-
Replacement taxes	-	-	-
Interest	8,242	1,713	(79.2)
Miscellaneous	15,336	27,376	78.5
Total revenues	\$ 1,888,712	\$ 1,848,985	(2.1) %
Expenses:			
General	\$ 2,273,210	\$ 2,118,899	(6.8) %
IMRF			
Social Security			
Liability insurance			
Audit			
Bond and interest			
Total expenses	\$ 2,273,210	\$ 2,118,899	(6.8) %

Revenues were somewhat consistent from 2009 to 2010, taking into account the real estate tax receivable of \$1,400,000. Interest rates continued to drop in 2010. The policy of the Park Board of Commissioners for investments is primarily to ensure the security of the principal. The tax rate decreased from .419 cents (for taxes levied for 2008, collected in 2009) to .408 cents (for taxes levied for 2009, collected in 2010). Village Ordinance contributions increased from \$19,818 in 2009 to \$27,823 in 2010. Palatine Stables posted a decrease in fund balance of approximately \$85,000. Palatine Hills Golf Course posted a loss of approximately \$263,000; expenses decreased 3%, revenues decreased 1%.

Falcon Park Recreation Center completed its first year of operations in 2010. Both the indoor turf and the gym were popular with the residents and Celtic Soccer (the Park District's soccer affiliate). The banquet services were also a popular choice with residents and showed a gross profit of \$43,139 (before overhead). Final figures at year-end showed that after a subsidy of \$66,000 for Palatine Northeast programs (formerly Palatine Opportunity Center), Falcon Park Recreation Center netted \$27,000. As the economy continued in the deepest recession since 1929, Park District management conservatively put many projects on hold and reduced staff temporarily through attrition. These measures were successful in keeping the Park District in a

Government-wide Financial Analysis (cont'd)

very good financial position. Insurance costs have increased in the past years. The Park District has chosen a self-insured plan; there is a level of risk involved in choosing a self-insured plan for health insurance; annual expenses at some time may spike due to large claims. The Park Board of Commissioners has reviewed the risk and made the determination that choosing a self-insured plan is in the Park District's best interest at this time.

To aid in the understanding of the Statement of Activities on page 13, some additional explanation is given. Of particular interest is that the format is significantly different from a typical Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expenditure) / Receipt. This type of format highlights the relative financial burden of each of the functions on the Park District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Business-type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from accrual basis transactions, it should be noted that neither Palatine Hills Golf Course nor Palatine Stables receives any tax receipts. The Park Board of Commissioners reviews this policy from time to time, and at some time in the future may revise that decision. At the current time, the Park Board of Commissioners has authorized a loan from the General Fund to Palatine Hills Golf Course for capital expenditures, eliminating the need for the Golf Course to issue Alternate Revenue bonds, determining that it is in the best interest of the Park District as a whole.

Financial Analysis of the Park District's Funds

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

On the modified accrual basis of accounting, the General Fund reported revenues of \$7,014,299 and expenditures of \$7,765,058 resulting in a decrease of \$750,759 before other financing sources. The change in fund balance is due to final payments of the construction of a 49,000 square foot recreation center at Falcon Park.

The Pools Fund reported revenues of \$626,429 and expenditures of \$754,302, resulting in a decrease of \$127,873. The Pools Fund was subsidized with a transfer of \$142,000 from the Recreation Fund.

Capital Asset and Debt Administration

Capital assets – Accrual basis. At year end, the Park District had \$61,201,465 invested in capital assets, net of depreciation, including land, buildings, furniture, and equipment.

Long-term debt – Accrual basis. At December 31, 2010, the Park District had \$19,035,000 in long-term debt arising from the accrual basis transactions compared to \$19,790,000 at December 31, 2009.

At December 31, 2010, the outstanding debt consisted of \$4,485,000 General Obligation Bonds issued for the purchase of land at Falcon Park, \$5,275,000 General Obligation Bonds issued for the reconstruction of Birchwood Pool, \$6,525,000 Alternate Revenue Bonds issued for the construction of Falcon Park Recreation Center, and \$2,750,000 General Obligation Bonds issued for the construction of Falcon Park Recreation Center.

Economic Factors and Next Year's Budget

For the upcoming fiscal year ending December 31, 2011, the Park District's operating budget is consistent with this year. The General Fund revenues are expected to be stable.

Expenditures are expected to include normal cost-of-living increases.

Requests for Information

This report is designed to provide our citizens, taxpayers, patrons, and creditors with a general overview of the Park District's finances and to demonstrate the Park District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's office at 250 East Wood Street, Palatine, IL 60067 or telephone at (847) 991-0333.

BASIC FINANCIAL STATEMENTS

**Palatine Park District
Statement of Net Assets
December 31, 2010**

Assets	Governmental Activities	Business-type Activities	Total
Current:			
Cash and investments	\$ 16,851,193	\$ 736,235	\$ 17,587,428
Receivables, net:			
Property tax	13,871,090	-	13,871,090
CARE accounts	30,616	-	30,616
Internal balances	1,285,134	(1,285,134)	-
Total current assets	32,038,033	(548,899)	31,489,134
Noncurrent:			
Capital assets not subject to depreciation	29,937,474	1,500,166	31,437,640
Capital assets, net of depreciation	28,636,563	1,127,262	29,763,825
Total noncurrent assets	58,574,037	2,627,428	61,201,465
Total assets	90,612,070	2,078,529	92,690,599
Liabilities			
Current:			
Accounts payable	378,449	47,451	425,900
Accrued payroll	73,569	9,741	83,310
Accrued vacation	335,134	-	335,134
Accrued interest	356,131	-	356,131
Bonds payable, current	795,000	-	795,000
Due to affiliates	286,480	-	286,480
Unearned program revenue	468,465	6,167	474,632
Total current liabilities	2,693,228	63,359	2,756,587
Non-current liabilities - bonds payable	18,240,000	-	18,240,000
Total liabilities	20,933,228	63,359	20,996,587
Net Assets			
Investment in capital assets, net of related debt	39,539,037	2,627,428	42,166,465
Unrestricted	30,139,805	(612,258)	29,527,547
Total net assets	\$ 69,678,842	\$ 2,015,170	\$ 71,694,012

See accompanying notes.

**Palatine Park District
Balance Sheet - Governmental Funds
December 31, 2010**

Assets	<u>General</u>	<u>Recreation</u>	<u>Bond and Interest</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash and investments	\$ 9,764,078	\$ 5,412,638	\$ -	\$ 1,342,527	\$ 16,519,243
Receivables:					
Property taxes, net	7,166,808	2,657,567	1,868,244	2,178,471	13,871,090
CARE	-	30,616	-	-	30,616
Due from other funds	1,318,035	-	-	-	1,318,035
Total assets	\$ 18,248,921	\$ 8,100,821	\$ 1,868,244	\$ 3,520,998	\$ 31,738,984
Liabilities and Fund Balances					
Accounts payable	\$ 214,830	\$ 149,562	\$ -	\$ 14,057	\$ 378,449
Accrued payroll	39,206	33,906	-	457	73,569
Due to affiliates	-	286,480	-	-	286,480
Due to other funds	105,249	-	26,078	-	131,327
Deferred property tax revenue	6,446,078	2,387,500	1,668,163	1,962,250	12,463,991
Deferred program revenue	-	468,465	-	-	468,465
Total liabilities	6,805,363	3,325,913	1,694,241	1,976,764	13,802,281
Fund balances:					
Unreserved - Undesignated	11,443,558	-	-	-	11,443,558
Unreserved - Special Revenue Funds	-	4,774,908	-	1,292,522	6,067,430
Unreserved - Debt Service Fund	-	-	174,003	-	174,003
Unreserved - Capital Projects Fund	-	-	-	75,991	75,991
Unreserved - Permanent Fund	-	-	-	175,721	175,721
Total fund balances	11,443,558	4,774,908	174,003	1,544,234	17,936,703
Total liabilities and fund balances	\$ 18,248,921	\$ 8,100,821	\$ 1,868,244	\$ 3,520,998	\$ 31,738,984

See accompanying notes.

**Palatine Park District
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 December 31, 2010**

Total fund balance - governmental funds (page 15)	\$ 17,936,703
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,574,037
Interest expense is not subject to accrual in governmental funds.	(356,131)
Revenues are recognized for governmental activities when earned, regardless of when collected, and not deferred on the statement of net assets.	12,463,991
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(19,035,000)
Compensated absences	(335,134)
Internal service funds are used to manage the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	<u>430,376</u>
Net assets of governmental activities (page 12)	<u>\$ 69,678,842</u>

See accompanying notes.

Palatine Park District
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended December 31, 2010

	General	Recreation	Bond and Interest	Nonmajor Funds	Total
Revenues:					
Property taxes	\$ 6,235,825	\$ 2,338,013	\$ 1,729,976	\$ 1,871,149	\$ 12,174,963
Replacement taxes	141,140	-	-	20,000	161,140
TIF excess taxes	186,249	-	-	-	186,249
Recreational programs	-	4,327,380	-	626,429	4,953,809
Interest income	165,875	-	-	186	166,061
Grants and contributions	-	1,716	-	-	1,716
Tower revenue	95,377	-	-	-	95,377
Other income	189,833	545,702	-	-	735,535
Total revenues	7,014,299	7,212,811	1,729,976	2,517,764	18,474,850
Expenditures:					
Current:					
Personnel services	2,687,626	3,439,924	-	601,919	6,729,469
Contractual services	800,209	1,478,253	-	1,938,515	4,216,977
Medical insurance	1,143,044	33,949	-	-	1,176,993
Casualty insurance	167,467	-	-	-	167,467
Commodities	385,403	577,115	-	128,366	1,090,884
Debt service:					
Principal	250,000	-	1,101,500	-	1,351,500
Interest	342,937	-	568,234	-	911,171
Capital outlay	1,985,483	134,454	-	46,955	2,166,892
Contingencies	2,889	-	-	-	2,889
Total expenditures	7,765,058	5,663,695	1,669,734	2,715,755	17,814,242
Revenues over (under) expenditures before other financing sources (uses)	(750,759)	1,549,116	60,242	(197,991)	660,608

(cont'd)

Palatine Park District
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds (cont'd)
For the Year Ended December 31, 2010

	General	Recreation	Bond and Interest	Nonmajor Funds	Total
Other financing sources (uses):					
Issuance of debt	\$ 596,500	\$ -	\$ -	\$ -	\$ 596,500
Transfers in	854,760	-	-	142,000	996,760
Transfers out	-	(904,525)	-	(13,225)	(917,750)
Total other financing sources (uses)	<u>1,451,260</u>	<u>(904,525)</u>	<u>-</u>	<u>128,775</u>	<u>675,510</u>
Net changes in fund balances	<u>700,501</u>	<u>644,591</u>	<u>60,242</u>	<u>(69,216)</u>	<u>1,336,118</u>
Fund balances, beginning of the year	<u>10,743,057</u>	<u>4,130,317</u>	<u>113,761</u>	<u>1,613,450</u>	<u>16,600,585</u>
Fund balances, end of the year	<u>\$ 11,443,558</u>	<u>\$ 4,774,908</u>	<u>\$ 174,003</u>	<u>\$ 1,544,234</u>	<u>\$ 17,936,703</u>

See accompanying notes.

**Palatine Park District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010**

Net change in fund balances - total governmental funds (page 20) \$ 1,336,118

Amounts reported for governmental activities in the statement of activities (pages 13) are different because:

Governmental funds report capital outlays as expenditures while governmental activities capitalize them and report depreciation expense to allocate those expenditures over the life of the assets:

Capital outlay	1,965,172
Depreciation	(1,479,457)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,351,500
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Proceeds from bonds issued are recorded as an other financing source in the governmental funds, but are recorded as a liability in the statement of net assets.	(596,500)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	349,141
--	---------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities.	(249,864)
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not recorded in the governmental funds:	
Decrease in accrued interest expense	15,176
Increase in compensated absences	(36,427)
	(21,251)

Change in net assets of governmental activities (page 13)	<u>\$ 2,654,859</u>
---	---------------------

See accompanying notes.

**Palatine Park District
Proprietary Funds
Statement of Fund Net Assets
December 31, 2010**

Assets	<u>Palatine Hills Golf Course</u>	<u>Palatine Stables</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
Current assets:				
Cash	\$ -	\$ 736,235	\$ 736,235	\$ 331,950
Due from other funds	-	-	-	105,249
Total current assets	<u>-</u>	<u>736,235</u>	<u>736,235</u>	<u>437,199</u>
Noncurrent assets:				
Capital assets not subject to depreciation	550,000	950,166	1,500,166	-
Other capital assets, net of depreciation	754,640	372,622	1,127,262	-
Total noncurrent assets	<u>1,304,640</u>	<u>1,322,788</u>	<u>2,627,428</u>	<u>-</u>
Total assets	<u>1,304,640</u>	<u>2,059,023</u>	<u>3,363,663</u>	<u>437,199</u>
Liabilities				
Current liabilities:				
Accounts payable	30,251	17,200	47,451	-
Accrued payroll	5,903	3,838	9,741	-
Due to other funds	1,285,134	-	1,285,134	6,823
Unearned program revenue	-	6,167	6,167	-
Total current liabilities	<u>1,321,288</u>	<u>27,205</u>	<u>1,348,493</u>	<u>6,823</u>
Net Assets				
Investment in capital assets, net of related debt	1,304,640	1,322,788	2,627,428	-
Unrestricted	(1,321,288)	709,030	(612,258)	430,376
Total net assets	<u>\$ (16,648)</u>	<u>\$ 2,031,818</u>	<u>\$ 2,015,170</u>	<u>\$ 430,376</u>

See accompanying notes.

**Palatine Park District
Proprietary Funds
Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended December 31, 2010**

	<u>Palatine Hills Golf Course</u>	<u>Palatine Stables</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
Operating revenues	\$ 1,147,277	\$ 691,355	\$ 1,838,632	\$ 1,154,723
Operating expenses:				
Personnel services	702,664	326,395	1,029,059	-
Contractual services	237,944	157,821	395,765	-
Medical insurance	75,000	37,050	112,050	-
Commodities	255,252	173,013	428,265	-
Capital outlay	1,880	481	2,361	-
Depreciation	101,556	49,773	151,329	-
Medical claims	-	-	-	1,404,910
Contingencies	70	-	70	-
Total operating expenses	<u>1,374,366</u>	<u>744,533</u>	<u>2,118,899</u>	<u>1,404,910</u>
Loss from operations	(227,089)	(53,178)	(280,267)	(250,187)
Nonoperating income - interest income	-	1,713	1,713	323
Loss before transfers	(227,089)	(51,465)	(278,554)	(249,864)
Capital contribution	8,640	-	8,640	-
Transfers out	(45,010)	(34,000)	(79,010)	-
Changes in net assets	<u>(263,459)</u>	<u>(85,465)</u>	<u>(348,924)</u>	<u>(249,864)</u>
Net assets, beginning of the year, as previously reported	165,954	2,037,925	2,203,879	680,240
Restatement of beginning net assets	80,857	79,358	160,215	-
Net assets, beginning of the year, as restated	<u>246,811</u>	<u>2,117,283</u>	<u>2,364,094</u>	<u>680,240</u>
Net assets, end of the year	<u>\$ (16,648)</u>	<u>\$ 2,031,818</u>	<u>\$ 2,015,170</u>	<u>\$ 430,376</u>

See accompanying notes.

**Palatine Park District
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2010**

	<u>Palatine Hills Golf Course</u>	<u>Palatine Stables</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
Cash flows from operating activities:				
Receipts from customers	\$ 1,147,277	\$ 692,850	\$ 1,840,127	\$ 1,154,723
Payments to suppliers	(548,121)	(369,832)	(917,953)	(1,404,910)
Payments to employees	(701,328)	(325,696)	(1,027,024)	-
Net cash from operating activities	<u>(102,172)</u>	<u>(2,678)</u>	<u>(104,850)</u>	<u>(250,187)</u>
Cash flows from capital and related financing activities - capital assets purchased	<u>(34,442)</u>	<u>-</u>	<u>(34,442)</u>	<u>-</u>
Cash flows from noncapital financing activities:				
Advances from other funds	181,624	-	181,624	-
Transfers to other funds	(45,010)	(34,000)	(79,010)	-
Net cash from noncapital financing activities	<u>136,614</u>	<u>(34,000)</u>	<u>102,614</u>	<u>-</u>
Cash flows from investing activities - interest received	<u>-</u>	<u>1,713</u>	<u>1,713</u>	<u>323</u>
Net decrease in cash	-	(34,965)	(34,965)	(249,864)
Cash:				
Beginning of year	<u>-</u>	<u>771,200</u>	<u>771,200</u>	<u>581,814</u>
End of year	<u>\$ -</u>	<u>\$ 736,235</u>	<u>\$ 736,235</u>	<u>\$ 331,950</u>

(cont'd)

**Palatine Park District
Proprietary Funds
Statement of Cash Flows (cont'd)
For the Year Ended December 31, 2010**

	<u>Palatine Hills Golf Course</u>	<u>Palatine Stables</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
Reconciliation of operating loss to net cash from operating activities:				
Operating loss	\$ (227,089)	\$ (53,178)	\$ (280,267)	\$ (250,187)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	101,556	49,773	151,329	-
(Increase) decrease in:				
Accounts payable	22,025	(1,467)	20,558	-
Accrued payroll	1,336	699	2,035	-
Unearned program revenue	-	1,495	1,495	-
Net cash from operating activities	<u>\$ (102,172)</u>	<u>\$ (2,678)</u>	<u>\$ (104,850)</u>	<u>\$ (250,187)</u>

See accompanying notes.

**Palatine Park District
Notes to the Financial Statements**

I. Summary of Significant Accounting Policies

A. The Reporting Entity

The Palatine Park District, Cook County, Illinois is duly organized and existing under the provisions of the laws of the state of Illinois, and is operating under the provisions of the Park District Code of the state of Illinois, approved July 8, 1947, and all laws amendatory thereto. The Park District operates under the commissioner–director form of government (an elected Board of five Park District commissioners), and provides a variety of recreational facilities, programs and services, park management, capital development and general administration. The Park District follows the provisions of Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement 14." The financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Park District has concluded that no entities meet the criteria of Statement 39 for inclusion as a component unit. Likewise, the Park District is not required to be included as a component unit of any other entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government. They include all funds of the reporting entity except for fiduciary funds, where applicable. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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.

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

B. Government-wide and Fund Financial Statements (cont'd)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 contributions 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 as general revenues.

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Funds are organized as major funds or non-major funds within the governmental and proprietary fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

**Palatine Park District
Notes to the Financial Statements (cont'd)**

I. Summary of Significant Accounting Policies (cont'd)

B. Government-wide and Fund Financial Statements (cont'd)

Governmental fund types are those through which most governmental functions of the Park District are financed. The Park District's expendable financial resources (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination. A brief explanation of the Park District's governmental funds follows:

General Fund – The General Fund is the general operating fund of the Park District. It is used to account for all financial resources except those required, legally or by sound financial management, to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes.

Funds included in this fund category are:

Recreation	Special Recreation
Insurance	Swimming Pool
Audit	Retirement
Museum	

Capital Projects Fund – The Acquisition and Improvement Fund is a capital projects fund used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund – The Bond and Interest Fund is a debt service fund used to account for the accumulation of resources for the payment of long-term debt principal, interest and related costs.

Permanent Fund – The Working Cash Fund can be used to pay for general government expenditures if tax revenue is temporarily unavailable. Upon receipt of tax revenue, the general fund must repay this permanent fund.

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

B. Government-wide and Fund Financial Statements (cont'd)

Proprietary Funds (Business-type Activities)

Enterprise Funds – Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, where the intent of the Park District is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Park District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Park District has two enterprise funds, the Palatine Hills Golf Course and the Palatine Stables.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Park District has elected not to follow subsequent private-sector guidance.

Major Funds

The Park District reports the following major governmental funds:

The General Fund – The General Fund accounts for the Park District's primary operating activities.

The Recreation Fund – The Recreation Fund accounts for the operations of the recreation programs offered to residents. Financing is provided by a specific annual property tax levy to the extent user charges are not sufficient to provide such financing.

The Bond and Interest Fund accounts for the accumulation of resources for the payment of long-term debt principal, interest and related costs.

The Park District reports the following major proprietary funds:

Palatine Hills Golf Course – The Palatine Hills Golf Course Fund accounts for the operations and maintenance of an 18-hole golf course.

**Palatine Park District
Notes to the Financial Statements (cont'd)**

I. Summary of Significant Accounting Policies (cont'd)

B. Government-wide and Fund Financial Statements (cont'd)

Palatine Stables – The Palatine Stables Fund accounts for the operations and maintenance of the horsemanship training facility.

Non-Major Funds – The Park District reports the following non-major funds:

Insurance	Retirement Tax
Audit	Bond and Interest
Museum	Acquisition and Improvement
Special Recreation	Working Cash
Swimming Pool	

The Park District reports the following internal service funds:

Medical Claims
Flexible Spending

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

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred or the economic asset is used, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Palatine Hills Golf Course and the Palatine Stables are charges to residents for use of facilities and instruction. Operating expenses for enterprise funds include the cost of providing the facilities and instruction, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Park District considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences, claims and judgments, which are recorded only when the payment is due.

Property taxes, recreational program fees, facility rental, and interest earned are susceptible to accrual. Replacement income tax collected and held by the state at year end on behalf of the Park District is also recognized as revenue. Other receipts become measurable and available when cash is received, and are recognized at that time.

D. Use of Estimates

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

E. Assets, Liabilities and Equity

1. Deposits and Investments

Statutes authorize the Park District to invest in the following:

- Bonds, notes, certificates of indebtedness, Treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Bonds, notes, debentures or similar obligations of the United States of America or its agencies.

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

E. Assets, Liabilities and Equity (cont'd)

1. Deposits and Investments (cont'd)

- Savings accounts, certificates of deposit, time accounts, or other investments constituting direct obligations of a bank as defined by the Illinois Banking Act. Securities legally issuable by savings and loan associations incorporated under the laws of any state of the United States. Share accounts and share certificates of a credit union chartered under the laws of the state of Illinois or the United States, provided the principal office of the credit union is located within the state of Illinois. Short-term discount obligations of the Federal National Mortgage Association (FNMA). Investments may be made only in financial institutions that are insured by the Federal Deposit Insurance Corporation and other applicable law for credit unions.
- Short-term obligations (maturing within 180 days of dates of purchase) of corporations with assets exceeding five hundred million dollars (\$500,000,000). Such obligations must be rated, at the time of purchase, at one of the three highest classifications established by at least two standard rating services. This type of obligation is limited to one-third of the Park District's funds available for investment, and cannot exceed 10% of the corporation's outstanding obligation.
- Money market mutual funds registered under the Investment Company Act of 1940 which invest only in bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States as to principal and interest, and agrees to repurchase such obligations. In addition, the Park District may also invest in a fund managed, operated and administered by a bank.
- Repurchase agreements of government securities subject to The Government Securities Act of 1986.
- State of Illinois Funds and Illinois Park District Liquid Asset Fund.

Investments are stated at fair value. Investment income is allocated based on fund investment balances.

**Palatine Park District
Notes to the Financial Statements (cont'd)**

I. Summary of Significant Accounting Policies (cont'd)

E. Assets, Liabilities and Equity (cont'd)

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

The Park District's property taxes are required to be levied by ordinance. A certified copy of the levy ordinance must be filed with the county clerk not later than the last Tuesday in December of each year. Taxes are due and collectible in two installments on March and September of the following year. Property taxes attach as an enforceable lien on property as of January 1.

3. Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column of the government-wide financial statements. The Park District defines capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair 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 assets' 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 governmental activities is not capitalized.

Property and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 35 years
Improvements	10 – 20 years
Machinery and equipment	3 – 15 years
Furniture and fixtures	10 – 20 years
Vehicles	5 – 10 years

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

E. Assets, Liabilities and Equity (cont'd)

4. Compensated Absences

Park District employees earn vacation time in varying amounts depending on length of service with the Park District. Vacation is awarded at the beginning of the fiscal year, and must be used within the fiscal year. Full-time, year-round employees will be granted 96 hours sick leave per year, and may be accumulated up to a maximum of 480 hours. After maximum accumulation, hourly employees shall be paid three and one-half hours at their regular rate for each eight hours granted but not taken. Salaried employees shall be paid .021% of their annual salary for each hour granted but not taken.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight-line method that approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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 debt service expenditures.

6. Deferred Property Tax Revenue

Property tax revenues are recorded on the "deferred method." Because of the extraordinarily long period of time between the levy date and the receipt of tax distributions from the county collector, property taxes are not "available" to finance the current year's expenditures. For those funds on the modified accrual basis of accounting, the current year's tax levy is recorded as property taxes receivable and deferred tax revenue.

Palatine Park District
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities and Equity (cont'd)

7. Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of restricted or invested in capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation, or are legally segregated by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Palatine Park District
Notes to the Financial Statements (cont'd)

II. Detailed Notes on All Funds

A. Bank Deposits

At year end, the carrying amount of the Park District's deposits with financial institutions was \$3,362,872, and the bank balance was \$3,978,361. The bank balance consists of \$2,230,854 held in interest-bearing accounts and \$1,747,507 in non-interest bearing accounts. The entire bank balances are fully covered by federal depository insurance. In addition, the Park District had cash on hand of \$600.

At December 31, 2010, investments consist of certificates of deposit and Illinois Funds carried at cost, which approximate fair value. The Park District's investment in certificates of deposit totaled \$13,946,000, of which \$12,382,000 matures in 2011 and \$1,564,000 matures in 2012. Illinois funds at year end totaled \$277,956.

Interest Rate Risk – This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Park District's investment policy specifically addresses interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations, and investing primarily in shorter-term securities, money market mutual funds or similar investment pools.

Credit Risk – Generally, credit risk is the risk that an issuer of a debt type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The Park District does not have any investments at December 31, 2010 that are rated. The Park District's investment policy addresses credit risk by limiting investments to the safest type of securities, prequalifying financial institutions or broker/dealers, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, a government will not be able to recover its deposits. In accordance with its investment policy, all Park District deposits with financial institutions are fully insured or collateralized by approved securities pledged to the Park District.

Palatine Park District
Notes to the Financial Statements (cont'd)

II. Detailed Notes on All Funds (cont'd)

B. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Restated Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010
Governmental Activities				
Capital assets not subject to depreciation:				
Land	\$ 29,879,136	\$ 26,500	\$ -	\$ 29,905,636
Construction in progress	9,768,453	879,275	(10,615,890)	31,838
Total capital assets not subject to depreciation	39,647,589	905,775	(10,615,890)	29,937,474
Capital assets subject to depreciation:				
Buildings	27,656,215	10,774,307	-	38,430,522
Land improvements	13,175,810	281,907	-	13,457,717
Equipment	4,784,424	527,141	(50,401)	5,261,164
Furniture and fixtures	2,987,575	91,932	-	3,079,507
Total capital assets subject to depreciation	48,604,024	11,675,287	(50,401)	60,228,910
Less accumulated depreciation for:				
Buildings	(17,087,120)	(721,287)	-	(17,808,407)
Improvements	(7,131,523)	(390,819)	-	(7,522,342)
Equipment	(3,286,283)	(310,436)	50,401	(3,546,318)
Furniture and fixtures	(2,658,365)	(56,915)	-	(2,715,280)
Total accumulated depreciation	(30,163,291)	(1,479,457)	50,401	(31,592,347)
Total capital assets being depreciated, net	18,440,733	10,195,830	-	28,636,563
Governmental activities capital assets, net	\$ 58,088,322	\$ 11,101,605	\$ (10,615,890)	\$ 58,574,037

**Palatine Park District
Notes to the Financial Statements (cont'd)**

II. Detailed Notes on All Funds (cont'd)

B. Capital Assets (cont'd)

	Restated balance January 1, 2010	Additions	Retirements	Balance December 31, 2010
Business-type Activities				
Capital assets, not subject to depreciation – land	\$ 1,500,166	\$ -	\$ -	\$ 1,500,166
Capital assets, subject to depreciation:				
Buildings	3,787,962	-	-	3,787,962
Improvements	1,119,147	8,640	-	1,127,787
Equipment	1,828,592	34,442	-	1,863,034
Total capital assets subject to depreciation	6,735,701	43,082	-	6,778,783
Less accumulated depreciation for:				
Buildings	(2,857,066)	(81,606)	-	(2,938,672)
Improvements	(1,045,297)	(29,938)	-	(1,075,235)
Equipment	(1,597,829)	(39,785)	-	(1,637,614)
Total accumulated depreciation	(5,500,192)	(151,329)	-	(5,651,521)
Total capital assets subject to depreciation, net	1,235,509	(108,247)	-	1,127,262
Business-type activities' capital assets, net	\$ 2,735,675	\$ (108,247)	\$ -	\$ 2,627,428

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

Governmental Activities	
General government	\$ 614,742
Recreation	864,715
Total depreciation expense, governmental activities	<u>\$ 1,479,457</u>
Business-type Activities	
Palatine Hills Golf Course	\$ 101,556
Palatine Hills Stables	49,773
Total depreciation expense, business-type activities	<u>\$ 151,329</u>

**Palatine Park District
Notes to the Financial Statements (cont'd)**

II. Detailed Notes on All Funds (cont'd)

C. Interfund Receivables and Payables

The following interfund receivables and payables as of December 31, 2010 are expected to be liquidated in the next year during the normal course of operations:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Palatine Hills Golf Course	\$ 1,285,134
Medical claims	General	105,249
General	Flexible spending	6,823
General	Bond and interest	<u>26,078</u>
Total all funds		<u>\$ 1,423,284</u>

D. Long-term Debt

A summary of changes in the debt commitments of the District for the year ended December 31, 2010 is as follows:

	<u>Balance December 31, 2009</u>	<u>New Issues</u>	<u>Principal Paid</u>	<u>Balance December 31, 2010</u>	<u>Due within One Year</u>
Governmental Activities					
March 1, 2004	\$ 4,745,000	\$ -	\$ 260,000	\$ 4,485,000	\$ 270,000
June 15, 2006	5,520,000	-	245,000	5,275,000	260,000
November 18, 2008A	6,775,000	-	250,000	6,525,000	265,000
November 18, 2008B	2,750,000	-	-	2,750,000	-
March 22, 2010	<u>-</u>	<u>596,500</u>	<u>596,500</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 19,790,000</u>	<u>\$ 596,500</u>	<u>\$ 1,351,500</u>	<u>\$ 19,035,000</u>	<u>\$ 795,000</u>

**Palatine Park District
Notes to the Financial Statements (cont'd)**

II. Detailed Notes on All Funds (cont'd)

D. Long-term Debt (cont'd)

The District's bonds payable as of December 31, 2010 are as follows:

General Obligation Bonds:

A general obligation bond issue dated March 1, 2004 provides for principal payments between \$270,000 and \$435,000 annually, with the balance payable on December 1, 2023. Interest is payable June 15 and December 15 at rates ranging from 3.60% to 4.50%.	\$ 4,485,000
A general obligation bond issue dated June 15, 2006 provides for principal payments between \$260,000 and \$705,000 annually, with the balance payable on December 1, 2021. Interest is payable June 1 and December 1 at rates ranging from 4.10% to 4.70%.	5,275,000
A general obligation bond (alternate revenue source) issue dated November 18, 2008, Series A, provides for principal payments between \$130,000 and \$1,260,000 annually, with the balance payable on December 1, 2026. Interest is payable June 1 and December 1 at rates ranging from 4.55% to 5.75%.	6,525,000
A general obligation bond issue dated November 18, 2008, Series B, provides for principal payments between \$290,000 and \$890,000 annually, commencing December 1, 2022 with the balance payable on December 1, 2027. Interest is payable June 1 and December 1 at rates ranging from 4.625% to 4.8%.	2,750,000
	<u>\$ 19,035,000</u>

The debt service to maturity on outstanding debt is as follows:

Year Ended	Principal	Interest	Total
2011	\$ 795,000	873,163	1,668,163
2012	835,000	834,229	1,669,229
2013	875,000	793,777	1,668,777
2014	915,000	752,145	1,667,145
2015	955,000	710,291	1,665,291
2016 – 2020	5,460,000	2,872,049	8,332,049
2021 – 2025	6,760,000	1,588,097	8,348,097
2026 – 2027	2,440,000	159,840	2,599,840
	<u>\$ 19,035,000</u>	<u>\$ 8,583,591</u>	<u>\$ 27,618,591</u>

**Palatine Park District
Notes to the Financial Statements (cont'd)**

III. Other Information

A. Risk Management – Property, Casualty and Liability

The Palatine Park District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and net income losses.

Since 1987, the Palatine Park District has been a member of the Metro Risk Management Agency (MRMA), a joint risk management pool of park districts through which property, general liability, automobile liability, crime, boiler and machinery, public officials', and workers' compensation coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The following table is a summary of the coverage in effect for the period April 1, 2010 through April 1, 2011.

<u>Coverage</u>	<u>Insurer/Policy #</u>	<u>Limits</u>	<u>Retention</u>
Property	St. Paul Travelers KTK-CMB-123D438-0-10	\$213,429,235 Blanket Limit	\$150,000 Deductible
Boiler and Machinery	St. Paul Travelers M5J-BME1-430K8615-TIL-09	\$100,000,000 Any One Accident	\$1,000 Per Occurrence
Crime	Hartford Insurance Company of Illinois 83BPEAD6098 Continuous Until Cancelled	\$200,000 Public Theft \$100,000 Theft Disappearance, Destruction \$100,000 Depositors' Forgery \$200,000 Faithful Performance of Duties	\$2,500 Per Occurrence \$2,500 Per Occurrence \$2,500 Per Occurrence \$2,500 Per Occurrence
Excess Workers' Compensation and Employer's Liability	Safety National Casualty Corporation SP4041747	\$20,000 Excess Limit \$1,000,000 Employer Limit	\$400,000 Self Insured Retention
General Liability Coverage A - Public Entity	Essex Insurance Company MPEIEX0036-10-00	\$10,000,000 Per Occurrence Per Member District	\$250,000 Self Insured Retention
General Liability Coverage B - Public Officials		\$10,000,000 Per Occurrence Per Member District	\$250,000 Self Insured Retention

Note: Only the highest retention applies in the event of a multiple coverage part loss and/or a multiple claimant loss.

**Palatine Park District
Notes to the Financial Statements (cont'd)**

III. Other Information (cont'd)

B. Joint Ventures, Jointly Governed Organizations and Related Organizations

Joint Venture – The Park District, along with fifteen other area park districts, has entered into a joint agreement to provide cooperative recreational programs and other activities for handicapped and impaired individuals. Each member agency shares equally in the Association, and generally provides funding based on up to 0.0400 cents per \$100 of its equalized assessed valuation. The Park District contributed \$458,303 to the Association during the current fiscal year. The Park District does not have a direct financial interest in the Association and, therefore, its investment therein is not reported within the financial statements. Upon dissolution of the Association, the assets, if any, shall be divided among the members in accordance with an equitable formula, as determined by a unanimous vote of the Board of Directors of the Association.

A complete separate financial statement for the Association can be obtained from the Northwest Special Recreation Association's administrative offices at Park Central, Suite 205, 3000 West Central Road, Rolling Meadows, Illinois 60008.

C. Employee Retirement Plan

Plan Description – The Park District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Park District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy – As set by statute, the Park District's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to members' contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 11.30 percent of annual covered payroll. The Park District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost – For 2010, the Park District's annual pension cost of \$559,723 for the regular plan was equal to the Park District's required actual contributions. Trend information for the three years ended 2008, 2009 and 2010 is as follows:

**Palatine Park District
Notes to the Financial Statements (cont'd)**

III. Other Information (cont'd)

C. Employee Retirement Plan (cont'd)

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 450,622	100 %	\$ 0
2009	475,311	100	0
2010	559,723	100	0

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Park District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Park District's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level of projected payroll on an open 30 year basis.

Funded Status and Funding Progress – As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 78.57 percent funded. The actuarial liability for benefits was \$15,446,410 and the actuarial value of assets was \$12,136,958, resulting in an underfunded actuarial liability (UAAL) of \$3,309,452. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$4,953,300 and the ratio of the UAAL to the covered payroll was 67 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Palatine Park District
Notes to the Financial Statements (cont'd)

III. Other Information (cont'd)

D. Deferred Compensation Plan

The Park District offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all Park District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All funds are held in trust and administered by an outside third-party trustee for the exclusive benefit of participants and their beneficiaries. The Park District is not required to make a contribution to the plan.

E. Prior Period Adjustment

A prior period adjustment was made to the beginning net assets of governmental activities and business-type activities in the statement of activities to reverse an overstatement of accumulated depreciation in the prior year.

F. Subsequent Events

Subsequent to year end, the Park District entered into contracts for architectural and construction manager services for the renovation of Eagle Pool totaling \$277,500 and \$264,350, respectively. The Park District also approved the issuance of General Obligation Alternate Revenue Bonds, Series 2011, not to exceed \$3,750,000 to finance this renovation.

Subsequent to year end, the Park District approved the purchase of a lightning detection system at a cost of \$151,350.

Subsequent to year end, the Park District entered into a contract for golf cart rental at an annual cost of \$38,308 for five years. The Park District also approved the purchase of nine pieces of golf course equipment totaling \$146,315.

Subsequent to year end, the Park District approved contracts for the installation of two artificial turf fields totaling \$1,361,525, which will be reimbursed in full by the Celtic Soccer program.

REQUIRED SUPPLEMENTARY INFORMATION

**Palatine Park District
Illinois Municipal Retirement Fund
Required Supplementary Information -
Schedule of Funding Progress
December 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 12,136,958	\$ 15,446,410	\$ 3,309,452	78.57%	\$ 4,953,300	66.81%
12/31/09	11,331,232	14,894,780	3,563,548	76.08%	4,961,494	71.82%
12/31/08	10,887,798	13,370,705	2,482,907	81.43%	4,617,029	53.78%
12/31/07	11,190,647	12,070,846	880,199	92.71%	4,322,358	20.36%
12/31/06	9,802,976	10,729,777	926,801	91.36%	4,103,474	22.59%

See independent auditor's report.

**Palatine Park District
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 6,059,350	\$ 6,059,350	\$ 6,235,825	\$ 176,475
Replacement taxes	160,000	160,000	141,140	(18,860)
TIF excess taxes	170,000	170,000	186,249	16,249
Interest income	200,000	200,000	165,875	(34,125)
Grants and contributions	75,500	75,500	-	(75,500)
Developer donations	7,500	7,500	-	(7,500)
Tower revenue	86,950	86,950	95,377	8,427
Other income	236,850	236,850	189,833	(47,017)
Total revenues	6,996,150	6,996,150	7,014,299	18,149
Expenditures:				
Current:				
Personnel services	2,791,050	2,786,550	2,687,626	98,924
Contractual services	1,018,350	1,018,350	800,209	218,141
Medical insurance	1,181,400	1,181,400	1,143,044	38,356
Casualty insurance	236,250	236,250	167,467	68,783
Commodities	419,500	419,500	385,403	34,097
Debt Service:				
Principal	250,000	250,000	250,000	-
Interest	343,000	343,000	342,937	63
Capital outlay	2,369,700	2,369,700	1,985,483	384,217
Contingencies	6,000	6,000	2,889	3,111
Total expenditures	8,615,250	8,610,750	7,765,058	845,692
Revenues under expenditures before other financing sources	(1,619,100)	(1,614,600)	(750,759)	863,841

(cont'd)

**Palatine Park District
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (cont'd)
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Other financing sources:				
Issuance of bonds	\$ 585,000	\$ 585,000	\$ 596,500	\$ 11,500
Transfers in	762,525	762,525	854,760	92,235
Total other financing sources	<u>1,347,525</u>	<u>1,347,525</u>	<u>1,451,260</u>	<u>103,735</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (271,575)</u>	<u>\$ (267,075)</u>	<u>700,501</u>	<u>\$ 967,576</u>
Fund balance, beginning of the year			<u>10,743,057</u>	
Fund balance, end of the year			<u>\$ 11,443,558</u>	

See independent auditor's report.

**Palatine Park District
Recreation Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 2,271,300	\$ 2,271,300	\$ 2,338,013	\$ 66,713
Program revenue	4,822,950	4,822,950	4,327,380	(495,570)
Grants and donations	-	-	1,716	1,716
Other income	398,650	398,650	545,702	147,052
Total revenues	7,492,900	7,492,900	7,212,811	(280,089)
Expenditures:				
Current:				
Personnel services	3,527,645	3,493,145	3,439,924	53,221
Contractual services	1,791,600	1,791,600	1,478,253	313,347
Medical insurance	22,800	22,800	33,949	(11,149)
Commodities	548,340	612,340	577,115	35,225
Capital outlay	139,250	139,250	134,454	4,796
Contingencies	13,350	13,350	-	13,350
Total expenditures	6,042,985	6,072,485	5,663,695	408,790
Revenues over expenditures before other financing uses	1,449,915	1,420,415	1,549,116	128,701
Other financing uses - transfer out	(919,300)	(919,300)	(904,525)	14,775
Revenues over expenditures and other financing uses	\$ 530,615	\$ 501,115	644,591	\$ 143,476
Fund balance, beginning of the year			4,130,317	
Fund balance, end of the year			\$ 4,774,908	

See independent auditor's report.

Palatine Park District
Notes to Required Supplementary Information

Budgetary Information

The Board of Commissioners followed these procedures in establishing the budgetary data reflected in the financial statements. Prior to December 31, the Director submits to the Board of Commissioners a proposed operating budget for the upcoming fiscal year commencing January 1. The operating budget includes proposed expenditures and the means for financing. The budgetary operations of the Park District are governed by appropriation laws detailed in the Illinois Park District Code. Notice is given, and public meetings are conducted to obtain taxpayer comments. The Board may add to, subtract from, or change appropriations, but may not change the form of the budget. Prior to the end of the first quarter of each fiscal year, the budget is legally enacted through the passage of an annual combined budget and appropriation ordinance.

Budgets for the General, Special Revenue, Debt Service, Capital Projects and Enterprise Funds are legally adopted on a basis consistent with generally accepted accounting principles. Expenditures may not legally exceed appropriations at the fund level. Any expenditure in excess of the legally adopted appropriation must be approved by the Park District Board through "a supplemental appropriation." Supplemental appropriations were not required during fiscal year 2011.

After the first six months of any fiscal year, the Park District Board may, by a two-thirds vote, amend the initially approved appropriation ordinance. Unused appropriations lapse at the end of the fiscal year. Expenditures legally may not exceed the total of appropriations and beginning fund balance at the fund level. Management can make transfers between individual expenditure categories of a fund (i.e., services, utilities, etc.) for up to 10% of the budgeted amount. However, Board of Commissioner's approval is required in order for management to make transfers between different funds.

Budgetary information for individual funds is prepared on the same basis as the general purpose financial statements. The budget is prepared in accordance with the Illinois Park District Code and is derived from the combined annual budget and appropriation ordinance of the Park District. Working budgets are prepared for all governmental fund types. All budgets are prepared based on the annual fiscal year of the Park District. Budgetary funds are controlled by an integrated budgetary accounting system in accordance, where applicable, with various legal requirements which govern the Park District.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

**Palatine Park District
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010**

	Special Revenue Funds				Swimming Pool	Retirement Tax	Capital Projects	Permanent Fund	Total
	Insurance	Audit	Museum	Special Recreation			Acquisition and Improvement	Working Cash	
Assets									
Cash	\$ 474,345	\$ 8,686	\$ 33,542	\$ 141,854	\$ 67,656	\$ 362,161	\$ 78,562	\$ 175,721	\$ 1,342,527
Property tax receivable	334,237	15,092	115,760	541,110	-	1,172,272	-	-	2,178,471
Total assets	\$ 808,582	\$ 23,778	\$ 149,302	\$ 682,964	\$ 67,656	\$ 1,534,433	\$ 78,562	\$ 175,721	\$ 3,520,998
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ 7,652	\$ -	\$ 1,402	\$ 304	\$ 2,128	\$ -	\$ 2,571	\$ -	\$ 14,057
Accrued payroll	-	-	-	-	457	-	-	-	457
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred property tax revenue	300,000	13,000	103,700	486,550	-	1,059,000	-	-	1,962,250
Total liabilities	307,652	13,000	105,102	486,854	2,585	1,059,000	2,571	-	1,976,764
Fund balance:									
Unreserved, Special Revenue Funds	500,930	10,778	44,200	196,110	65,071	475,433	-	-	1,292,522
Unreserved, Capital Projects Funds	-	-	-	-	-	-	75,991	-	75,991
Unreserved, Permanent Funds	-	-	-	-	-	-	-	175,721	175,721
Total fund balance	500,930	10,778	44,200	196,110	65,071	475,433	75,991	175,721	1,544,234
Total liabilities and fund balance	\$ 808,582	\$ 23,778	\$ 149,302	\$ 682,964	\$ 67,656	\$ 1,534,433	\$ 78,562	\$ 175,721	\$ 3,520,998

See independent auditor's report.

**Palatine Park District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2010**

	Special Revenue Funds			
	Insurance	Audit	Museum	Special Recreation
Revenues:				
Property taxes	\$ 298,831	\$ 17,746	\$ 104,350	\$ 469,471
Replacement taxes	-	-	-	-
Recreation program	-	-	-	-
Interest income	-	-	-	-
Total revenues	298,831	17,746	104,350	469,471
Expenditures:				
Current:				
Personnel services	-	-	74,084	-
Contractual services	316,068	11,900	12,552	458,503
Commodities	7,560	-	687	-
Capital outlay	-	-	-	37,118
Total expenditures	323,628	11,900	87,323	495,621
Revenues over (under) expenditures before other financing sources (uses)	(24,797)	5,846	17,027	(26,150)
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	(13,225)	-
Total other financing sources (uses)	-	-	(13,225)	-
Net changes in fund balance	(24,797)	5,846	3,802	(26,150)
Fund balance, beginning of the year,	525,727	4,932	40,398	222,260
Fund balance, end of the year	\$ 500,930	\$ 10,778	\$ 44,200	\$ 196,110

See independent auditor's report.

	Swimming Pool	Retirement Tax	Capital Projects	Permanent Fund	Total
			Acquisition and Improvement	Working Cash	
	\$ -	\$ 980,751	\$ -	\$ -	\$ 1,871,149
	-	20,000	-	-	20,000
	626,429	-	-	-	626,429
	-	-	186	-	186
	626,429	1,000,751	186	-	2,517,764
	527,835	-	-	-	601,919
	96,511	1,031,361	11,620	-	1,938,515
	120,119	-	-	-	128,366
	9,837	-	-	-	46,955
	754,302	1,031,361	11,620	-	2,715,755
	(127,873)	(30,610)	(11,434)	-	(197,991)
	142,000	-	-	-	142,000
	-	-	-	-	(13,225)
	142,000	-	-	-	128,775
	14,127	(30,610)	(11,434)	-	(69,216)
	50,944	506,043	87,425	175,721	1,613,450
	\$ 65,071	\$ 475,433	\$ 75,991	\$ 175,721	\$ 1,544,234

**Palatine Park District
Insurance Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - property taxes	\$ 339,500	\$ 339,500	\$ 298,831	\$ (40,669)
Expenditures - current:				
Insurance premiums	365,000	365,000	316,068	48,932
Commodities	<u>10,000</u>	<u>10,000</u>	<u>7,560</u>	<u>2,440</u>
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>323,628</u>	<u>51,372</u>
Revenues under expenditures	<u>\$ (35,500)</u>	<u>\$ (35,500)</u>	<u>(24,797)</u>	<u>\$ 10,703</u>
Fund balance, beginning of the year			<u>525,727</u>	
Fund balance, end of the year			<u>\$ 500,930</u>	

See independent auditor's report.

**Palatine Park District
Audit Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - property taxes	\$ 17,500	\$ 17,500	\$ 17,746	\$ 246
Expenditures - current - contractual services	<u>18,000</u>	<u>18,000</u>	<u>11,900</u>	<u>6,100</u>
Revenues over (under) expenditures	<u>\$ (500)</u>	<u>\$ (500)</u>	5,846	<u>\$ 6,346</u>
Fund balance, beginning of the year			<u>4,932</u>	
Fund balance, end of the year			<u>\$ 10,778</u>	

See independent auditor's report.

**Palatine Park District
Museum Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues - property taxes	\$ 100,350	\$ 100,350	\$ 104,350	\$ 4,000
Expenditures:				
Current:				
Personnel services	73,400	73,400	74,084	(684)
Contractual services	16,250	16,250	12,552	3,698
Commodities	1,950	1,950	687	1,263
Capital outlay	750	750	-	750
Total expenditures	92,350	92,350	87,323	5,027
Revenues over expenditures before other financing uses	8,000	8,000	17,027	9,027
Other financing uses - transfer out	(13,225)	(13,225)	(13,225)	-
Changes in net assets	\$ (5,225)	\$ (5,225)	3,802	\$ 9,027
Fund balance, beginning of the year			40,398	
Fund balance, end of the year			\$ 44,200	

See independent auditor's report.

**Palatine Park District
Special Recreation Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues - property taxes	\$ 444,600	\$ 444,600	\$ 469,471	\$ 24,871
Expenditures - current:				
Contractual services	504,130	504,130	458,503	45,627
Capital outlay	-	-	37,118	(37,118)
Total expenditures	504,130	504,130	495,621	8,509
Revenues under expenditures	\$ (59,530)	\$ (59,530)	(26,150)	\$ 33,380
Fund balance, beginning of the year			222,260	
Fund balance, end of the year			\$ 196,110	

See independent auditor's report.

**Palatine Park District
Swimming Pool Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues - recreational program revenue	\$ 654,400	\$ 654,400	\$ 626,429	\$ (27,971)
Expenditures:				
Current:				
Personnel services	529,600	529,600	527,835	1,765
Contractual services	139,400	139,400	96,511	42,889
Commodities	78,600	78,600	120,119	(41,519)
Capital outlay	8,800	8,800	9,837	(1,037)
Total expenditures	756,400	756,400	754,302	2,098
Revenues under expenditures before other financing sources	(102,000)	(102,000)	(127,873)	(25,873)
Other financing sources - transfer in	170,000	170,000	142,000	(28,000)
Changes in net assets	\$ 68,000	\$ 68,000	14,127	\$ (53,873)
Fund balance, beginning of the year			50,944	
Fund balance, end of the year			\$ 65,071	

See independent auditor's report.

**Palatine Park District
Retirement Tax Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 951,800	\$ 951,800	\$ 980,751	\$ 28,951
Replacement taxes	20,000	20,000	20,000	-
Total revenues	971,800	971,800	1,000,751	28,951
Expenditures - current:				
IMRF - employer portion	542,000	542,000	523,623	18,377
FICA - employer portion	538,900	538,900	507,738	31,162
Total expenditures	1,080,900	1,080,900	1,031,361	49,539
Revenues under expenditures	\$ (109,100)	\$ (109,100)	(30,610)	\$ 78,490
Fund balance, beginning of the year			506,043	
Fund balance, end of the year			\$ 475,433	

See independent auditor's report.

**Palatine Park District
Acquisition and Improvement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues - interest income	\$ 500	\$ 500	\$ 186	\$ (314)
Expenditures - current:				
Contractual services	-	15,500	11,620	3,880
Commodities	11,000	-	-	-
Total expenditures	11,000	15,500	11,620	3,880
Revenues under expenditures	\$ (10,500)	\$ (15,000)	(11,434)	\$ 3,566
Fund balance, beginning of the year			87,425	
Fund balance, end of the year			\$ 75,991	

See independent auditor's report.

**Palatine Park District
Bond and Interest Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues - property taxes	\$ 1,668,050	\$ 1,668,050	\$ 1,729,976	\$ 61,926
Expenditures:				
Debt service:				
Principal	1,090,000	1,090,000	1,101,500	(11,500)
Interest	568,200	568,200	568,234	(34)
Total expenditures	1,658,200	1,658,200	1,669,734	(11,534)
Revenues over expenditures	\$ 9,850	\$ 9,850	60,242	\$ 50,392
Fund balance, beginning of the year			113,761	
Fund balance, end of the year			\$ 174,003	

See independent auditor's report.

**Palatine Park District
Palatine Hills Golf Course Fund
Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Fees	\$ 1,449,500	\$ 1,449,500	\$ 1,121,812	\$ (327,688)
Other income	250	250	25,465	25,215
Total operating revenues	<u>1,449,750</u>	<u>1,449,750</u>	<u>1,147,277</u>	<u>(302,473)</u>
Operating expenses:				
Personnel services	683,123	683,123	702,664	(19,541)
Contractual services	284,400	284,400	237,944	46,456
Medical insurance	75,000	75,000	75,000	-
Commodities	259,450	259,450	255,252	4,198
Debt Service	60,264	60,264	-	60,264
Capital outlay	30,600	30,600	1,880	28,720
Depreciation	-	-	101,556	(101,556)
Contingencies	-	-	70	(70)
Total operating expenses	<u>1,392,837</u>	<u>1,392,837</u>	<u>1,374,366</u>	<u>18,471</u>
Operating income (loss)	56,913	56,913	(227,089)	(284,002)
Capital contribution	-	-	8,640	8,640
Transfer out	(45,000)	(45,000)	(45,010)	(10)
Changes in net assets	<u>\$ 11,913</u>	<u>\$ 11,913</u>	<u>(263,459)</u>	<u>\$ (275,372)</u>
Net assets, beginning of the year, as previously reported			165,954	
Restatement of beginning net assets			<u>80,857</u>	
Net assets, beginning of the year, as restated			<u>246,811</u>	
Net assets (deficit), end of the year			<u>\$ (16,648)</u>	

See independent auditor's report.

**Palatine Park District
Palatine Stables Fund
Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Program revenue	\$ 723,500	\$ 723,500	\$ 688,275	\$ (35,225)
Facility rentals - borders	850	850	762	(88)
Tack shop	300	300	408	108
Other income	3,000	3,000	1,910	(1,090)
Total operating revenues	<u>727,650</u>	<u>727,650</u>	<u>691,355</u>	<u>(36,295)</u>
Operating expenses:				
Current:				
Personnel services	335,550	335,550	326,395	9,155
Contractual services	177,640	177,640	157,821	19,819
Medical insurance	37,050	37,050	37,050	-
Commodities	169,630	169,630	173,013	(3,383)
Capital outlay	-	-	481	(481)
Depreciation	-	-	49,773	(49,773)
Total operating expenses	<u>719,870</u>	<u>719,870</u>	<u>744,533</u>	<u>(24,663)</u>
Income (loss) from operations	7,780	7,780	(53,178)	(60,958)
Nonoperating income - interest	15,000	15,000	1,713	(13,287)
Income (loss) before transfers	22,780	22,780	(51,465)	(74,245)
Transfer out	(34,000)	(34,000)	(34,000)	-
Changes in net assets	<u>\$ (11,220)</u>	<u>\$ (11,220)</u>	<u>(85,465)</u>	<u>\$ (74,245)</u>
Net assets, beginning of the year, as previously reported			2,037,925	
Restatement of beginning net assets			<u>79,358</u>	
Net assets, beginning of the year, as restated			<u>2,117,283</u>	
Net assets, end of the year			<u>\$ 2,031,818</u>	

See independent auditor's report.

**Palatine Park District
Internal Service Funds
Combining Statement of Fund Net Assets
December 31, 2010**

Assets	<u>Medical Claims Fund</u>	<u>Flexible Spending Fund</u>	<u>Total</u>
Cash	\$ 319,060	\$ 12,890	\$ 331,950
Due from other funds	105,249	-	105,249
Total assets	<u>424,309</u>	<u>12,890</u>	<u>437,199</u>
 Liabilities			
Due to other funds	-	6,823	6,823
Total liabilities	<u>-</u>	<u>6,823</u>	<u>6,823</u>
 Net Assets			
Unrestricted	424,309	6,067	430,376
Total net assets	<u>\$ 424,309</u>	<u>\$ 6,067</u>	<u>\$ 430,376</u>

See independent auditor's report.

**Palatine Park District
Internal Service Funds
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
For the Year Ended December 31, 2010**

	<u>Medical Claims Fund</u>	<u>Flexible Spending Fund</u>	<u>Total</u>
Operating revenues - Park District funding	\$ 1,120,000	\$ 34,723	\$ 1,154,723
Total operating revenues	<u>1,120,000</u>	<u>34,723</u>	<u>1,154,723</u>
Operating expenses - medical claims	1,366,092	38,818	1,404,910
Total expenditures	<u>1,366,092</u>	<u>38,818</u>	<u>1,404,910</u>
Operating loss	(246,092)	(4,095)	(250,187)
Non-operating revenue - interest income	255	68	323
Total non-operating revenues	<u>255</u>	<u>68</u>	<u>323</u>
Changes in net assets	(245,837)	(4,027)	(249,864)
Net assets, beginning of year	670,146	10,094	680,240
Net assets, end of year	<u>\$ 424,309</u>	<u>\$ 6,067</u>	<u>\$ 430,376</u>

See independent auditor's report.

**Palatine Park District
Statistical Comparison of Property Taxes
Levied to Collected - 2000 to 2009
December 31, 2010**

	Tax				
	2009	2008	2007	2006	2005
Assessed valuation	\$ 2,989,098,584	\$ 2,884,202,835	\$ 2,712,684,046	\$ 2,296,046,624	\$ 2,285,545,404
Tax rates:					
Corporate Fund	\$ 0.2091	\$ 0.2135	\$ 0.2145	\$ 0.2387	\$ 0.2348
Liability Insurance Fund	0.0100	0.0121	0.0123	0.0206	0.0133
Audit Fund	0.0006	0.0004	0.0004	0.0004	0.0003
Recreation Fund	0.0784	0.0810	0.0832	0.0922	0.0889
Museum Fund	0.0035	0.0036	0.0038	0.0041	0.0037
Special Recreation Fund	0.0158	0.0143	0.0148	0.0153	0.0174
Bond and Interest Fund	0.0575	0.0596	0.0416	0.0367	0.0231
Retirement Fund	0.0329	0.0340	0.0348	0.0395	0.0398
	<u>\$ 0.4078</u>	<u>\$ 0.4185</u>	<u>\$ 0.4054</u>	<u>\$ 0.4475</u>	<u>\$ 0.4213</u>
Tax extensions:					
Corporate Fund	\$ 6,250,205	\$ 6,157,773	\$ 5,818,707	\$ 5,480,663	\$ 5,366,461
Liability Insurance Fund	298,909	348,988	333,660	472,985	303,977
Audit Fund	17,934	11,536	10,850	9,184	6,856
Recreation Fund	2,343,453	2,336,204	2,256,953	2,116,954	2,031,849
Museum Fund	104,618	103,831	103,081	94,137	84,565
Special Recreation Fund	472,049	412,000	401,291	350,200	397,581
Bond and Interest Fund	1,719,826	1,718,062	1,129,601	842,765	528,547
Retirement Fund	983,412	980,628	944,013	906,937	909,646
	<u>\$ 12,190,406</u>	<u>\$ 12,069,022</u>	<u>\$ 10,998,156</u>	<u>\$ 10,273,825</u>	<u>\$ 9,629,482</u>
Collections	<u>\$ 10,386,661</u>	<u>\$ 11,909,531</u>	<u>\$ 10,796,925</u>	<u>\$ 9,966,536</u>	<u>\$ 9,435,137</u>
Percentage of extensions collected	<u>85.20%</u>	<u>98.68%</u>	<u>98.17%</u>	<u>97.01%</u>	<u>97.98%</u>

	Year				
	2004	2003	2002	2001	2000
Assessed valuation	\$ 2,121,062,749	\$ 1,806,907,223	\$ 1,828,214,791	\$ 1,706,876,357	\$ 1,413,569,368
Tax rates:					
Corporate Fund	\$ 0.2395	\$ 0.2641	\$ 0.2588	\$ 0.2530	\$ 0.2988
Liability Insurance Fund	0.0111	0.0141	0.0128	0.0117	0.0212
Audit Fund	0.0004	0.0003	0.0005	0.0003	0.0004
Recreation Fund	0.0943	0.1079	0.1087	0.1012	0.1189
Museum Fund	0.0044	0.0042	0.0014	0.0043	0.0057
Special Recreation Fund	0.0149	0.0107	0.0082	0.0328	0.0283
Bond and Interest Fund	0.0306	0.0387	0.0095	0.0251	0.0102
Retirement Fund	0.0412	0.0413	0.0219	0.0264	0.0212
	<u>\$ 0.4364</u>	<u>\$ 0.4813</u>	<u>\$ 0.4218</u>	<u>\$ 0.4548</u>	<u>\$ 0.5047</u>
Tax extensions:					
Corporate Fund	\$ 5,080,356	\$ 4,772,041	\$ 4,731,419	\$ 4,319,063	\$ 4,224,123
Liability Insurance Fund	234,840	254,773	234,011	199,980	299,970
Audit Fund	8,240	5,420	9,141	5,959	5,353
Recreation Fund	2,000,487	1,949,652	1,987,269	1,727,605	1,680,539
Museum Fund	92,700	75,890	25,595	73,730	79,992
Special Recreation Fund	315,336	193,640	149,913	559,944	399,960
Bond and Interest Fund	650,042	698,509	173,823	428,240	144,440
Retirement Fund	873,440	746,252	400,378	449,955	300,172
	<u>\$ 9,255,441</u>	<u>\$ 8,696,177</u>	<u>\$ 7,711,549</u>	<u>\$ 7,764,476</u>	<u>\$ 7,134,549</u>
Collections	<u>\$ 9,206,840</u>	<u>\$ 8,382,651</u>	<u>\$ 7,599,907</u>	<u>\$ 7,538,039</u>	<u>\$ 6,821,378</u>
Percentage of extensions collected	<u>99.47%</u>	<u>96.39%</u>	<u>98.55%</u>	<u>97.08%</u>	<u>95.61%</u>

See independent auditor's report.