

# **FY 2011 ANNUAL TAX INCREMENT FINANCE REPORT**



STATE OF ILLINOIS  
COMPTROLLER  
JUDY BAAR TOPINKA

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Name of Municipality: Village of Palatine Reporting Fiscal Year: **2011**  
County: Cook Fiscal Year End: **12/31/2011**  
Unit Code: 016/430/32

### **TIF Administrator Contact Information**

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

I attest to the best of my knowledge, this report of the redevelopment project areas in: City/Village of Palatine is complete and accurate at the end of this reporting Fiscal year under the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] Or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6 10 et. seq.] *BLW*

Written signature of TIF Administrator

Date \_\_\_\_\_

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

**FILL OUT ONE FOR EACH TIF DISTRICT**

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

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

Name of Redevelopment Project Area:	Downtown Area TIF
Primary Use of Redevelopment Project Area*:	Combination/Mixed
If "Combination/Mixed" List Component Types:	Retail, Residential, Other Co
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one):	
Tax Increment Allocation Redevelopment Act <u>X</u>	Industrial Jobs Recovery Law _____

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)]		
<b>If yes, please enclose the amendment labeled Attachment A</b>	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)]		X
<b>Please enclose the CEO Certification labeled Attachment B</b>		
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)]		X
<b>Please enclose the Legal Counsel Opinion labeled Attachment C</b>		
Were there any activities undertaken in furtherance of the objectives of the redevelopment plan, including any project implemented in the preceding fiscal year and a description of the activities undertaken? [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)]		
<b>If yes, please enclose the Activities Statement labeled Attachment D</b>		X
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)]		
<b>If yes, please enclose the Agreement(s) labeled Attachment E</b>	X	
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)]		
<b>If yes, please enclose the Additional Information labeled Attachment F</b>	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)]		
<b>If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G</b>	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)]		
<b>If yes, please enclose the Joint Review Board Report labeled Attachment H</b>	X	
Were any obligations issued by municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)]		
<b>If yes, please enclose the Official Statement labeled Attachment I</b>		X
Was analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage? [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)]		
<b>If yes, please enclose the Analysis labeled Attachment J</b>	X	
Cumulatively, have deposits equal or greater than \$100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2)]		
<b>If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K</b>		X
Cumulatively, have deposits of incremental revenue equal to or greater than \$100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9)]		
<b>If yes, please enclose a certified letter statement reviewing compliance with the Act labeled Attachment L</b>		X
A list of all intergovernmental agreements in effect in FY 2010, to which the municipality is a part, and an accounting of any money transferred or received by the municipality during that fiscal year pursuant to those intergovernmental agreements. [65 ILCS 5/11-74.4-5 (d) (10)]		
<b>If yes, please enclose list only of the intergovernmental agreements labeled Attachment M</b>	X	

\* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.

**SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))****Provide an analysis of the special tax allocation fund.**

	<b>Reporting Year</b>	<b>Cumulative</b>
Fund Balance at Beginning of Reporting Period	\$ 15,193,216	

**Revenue/Cash Receipts Deposited in Fund During Reporting FY:**

			<b>% of Total</b>
Property Tax Increment	\$ 5,904,383	\$ 37,678,527	38%
State Sales Tax Increment	\$	\$	0%
Local Sales Tax Increment	\$	\$	0%
State Utility Tax Increment	\$	\$	0%
Local Utility Tax Increment	\$	\$	0%
Interest	\$ 2,885	\$ 909,235	1%
Land/Building Sale Proceeds	\$	\$ 1,252,260	1%
Bond Proceeds	\$ 892,495	\$ 55,672,970	56%
Transfers from Municipal Sources	\$ 894,173	\$ 4,444,892	4%
Private Sources	\$	\$	0%
Other (identify source _____; if multiple other sources, attach schedule)	\$	\$	0%

**Total Amount Deposited in Special Tax Allocation****Fund During Reporting Period** \$ 7,693,936**Cumulative Total Revenues/Cash Receipts** \$ 99,957,884 100%**Total Expenditures/Cash Disbursements** (Carried forward from Section 3.2) \$ 8,357,922**Distribution of Surplus** \$ -**Total Expenditures/Disbursements** \$ 8,357,922**NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS** \$ (663,986)**FUND BALANCE, END OF REPORTING PERIOD** \$ 14,529,230

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

**SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))**  
**ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND**  
(by category of permissible redevelopment cost, amounts expended during reporting period)

**FOR AMOUNTS >\$10,000 SECTION 3.2 B MUST BE COMPLETED**

**Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]**

	Reporting Fiscal Year
1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)	
Legal & Other Professional Fees	31,223
	\$ 31,223
2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6)	
	\$ -
3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3)	
	\$ -
4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4)	
Rehabilitation, Reconstruction and Repairs	684,636
	\$ 684,636
5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)	
Infrastructure Improvements (streets, watermains, etc.)	1,698,611
	\$ 1,698,611
6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY	
	\$ -





### Section 3.2 B

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

There were no vendors, including other municipal funds, paid in excess of \$10,000 during the current reporting period.

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

**Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period  
(65 ILCS 5/11-74.4-5 (d) (5) (D) and 65 ILCS 5/11-74.6-22 (d) (5) (D))**

**FUND BALANCE, END OF REPORTING PERIOD**

\$	14,529,230
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	Amount of Original Issuance	Amount Designated
<b>1. Description of Debt Obligations</b>		
General Obligation Bond Taxable Series of 2003	\$ 2,975,000	\$ 435,000
General Obligation Bond Tax Increment Series of 2003	\$ 990,000	\$ 246,733
General Obligation Bond Series of 2004	\$ 1,900,000	\$ 150,000
General Obligation Bond Taxable Series of 2004A	\$ 7,500,000	\$ 5,505,000
General Obligation Bond Series of 2004D	\$ 5,080,000	\$ 4,830,000
General Obligation Bond Series of 2007A	\$ 365,000	\$ 365,000
General Obligation Bond Series of 2007B	\$ 7,335,000	\$ 5,875,000
General Obligation Bond Series of 2009E	\$ 8,500,000	\$ 8,500,000
General Obligation Bond Refunding Series of 2010B	\$ 12,555,000	\$ 11,010,000
General Obligation Bond Refunding Series of 2011B	\$ 850,000	\$ 850,000

<b>Total Amount Designated for Obligations</b>	\$ 48,050,000	\$ 37,766,733
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**2. Description of Project Costs to be Paid**

<b>Total Amount Designated for Project Costs</b>	\$	-

<b>TOTAL AMOUNT DESIGNATED</b>	\$ 37,766,733
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<b>SURPLUS*/(DEFICIT)</b>	\$ (23,237,503)
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\* NOTE: If a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing districts (See

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

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

X **No property was acquired by the Municipality Within the Redevelopment Project Area**

**Property Acquired by the Municipality Within the Redevelopment Project Area**

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

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

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

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

**SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)**

Please include a brief description of each project.

**No Projects Were Undertaken by the Municipality Within the Redevelopment Project Area**

	<b>11/1/99 to Date</b>	<b>Estimated Investment for Subsequent Fiscal Year</b>	<b>Estimated Cost of the Total Project</b>
<b>TOTAL:</b>			
Private Investment Undertaken (See Instructions)	\$ 304,248,320	\$ 425,000	\$ 304,673,320
Public Investment Undertaken	\$ 69,115,253	\$ 1,955,000	\$ 73,080,253
Ratio of Private/Public Investment	4.40		4.17
<b>Project 1: General Development</b>			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 2,373,628	\$ -	\$ 2,373,628
Ratio of Private/Public Investment	0.00		0.00
<b>Project 2: Wellington Court</b>			
Private Investment Undertaken (See Instructions)	\$ 6,000,000	\$ -	\$ 6,000,000
Public Investment Undertaken	\$ 400,000	\$ -	\$ 400,000
Ratio of Private/Public Investment	15.00		15.00
<b>Project 3: Downtown Traffic Study</b>			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 72,024	\$ -	\$ 72,024
Ratio of Private/Public Investment	0.00		0.00
<b>Project 4: Groves of Palatine</b>			
Private Investment Undertaken (See Instructions)	\$ 98,000,000	\$ -	\$ 98,000,000
Public Investment Undertaken	\$ 3,976,850	\$ -	\$ 3,976,850
Ratio of Private/Public Investment	24.64		24.64
<b>Project 5: Gateway Center</b>			
Private Investment Undertaken (See Instructions)	\$ 18,000,000	\$ -	\$ 18,000,000
Public Investment Undertaken	\$ 18,273,000	\$ -	\$ 18,273,000
Ratio of Private/Public Investment	0.99		0.99
<b>Project 6: Wood Street Watermain</b>			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 251,200	\$ -	\$ 251,200
Ratio of Private/Public Investment	0.00		0.00
<b>Project 7: Downtown Streetscape</b>			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 1,321,201	\$ -	\$ 1,321,201
Ratio of Private/Public Investment	0.00		0.00
<b>Project 8: Street Improvements</b>			
Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 1,467,000	\$ -	\$ 1,467,000
Ratio of Private/Public Investment	0.00		0.00

**Project 9: Hummel Bldg (Block 19)**

Private Investment Undertaken (See Instructions)	\$ 6,000,000	\$ -	\$ 6,000,000
Public Investment Undertaken	\$ 1,732,013	\$ -	\$ 1,732,013
Ratio of Private/Public Investment	3.46		3.46

**Project 10: Providence (Block 31)**

Private Investment Undertaken (See Instructions)	\$ 42,000,000	\$ -	\$ 42,000,000
Public Investment Undertaken	\$ 9,349,933	\$ -	\$ 9,349,933
Ratio of Private/Public Investment	4.49		4.49

**Project 11: Palatine Station - Toll Brothers**

Private Investment Undertaken (See Instructions)	\$ 35,000,000	\$ -	\$ 35,000,000
Public Investment Undertaken	\$ 164,831	\$ -	\$ 164,831
Ratio of Private/Public Investment	212.34		212.34

**Project 12: Brownstones Phase 1 - Hummel**

Private Investment Undertaken (See Instructions)	\$ 4,000,000	\$ -	\$ 4,000,000
Public Investment Undertaken	\$ 1,374,300	\$ -	\$ 1,374,300
Ratio of Private/Public Investment	2.91		2.91

**Project 13: Block 27**

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 5,759,310	\$ 25,000	\$ 5,784,310
Ratio of Private/Public Investment	0.00		0.00

**Project 14: Brownstones Phase 2 - Hummel**

Private Investment Undertaken (See Instructions)	\$ 5,000,000	\$ -	\$ 5,000,000
Public Investment Undertaken	\$ 900,000	\$ -	\$ 900,000
Ratio of Private/Public Investment	5.56		5.56

**Project 15: Downtown Infrastructure**

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 234,000	\$ -	\$ 234,000
Ratio of Private/Public Investment	0.00		0.00

**Project 16: Benchmark**

Private Investment Undertaken (See Instructions)	\$ 21,000,000	\$ -	\$ 21,000,000
Public Investment Undertaken	\$ 2,098,500	\$ -	\$ 2,098,500
Ratio of Private/Public Investment	10.01		10.01

**Project 17: Preserves of Palatine**

Private Investment Undertaken (See Instructions)	\$ 30,000,000	\$ -	\$ 30,000,000
Public Investment Undertaken	\$ 2,089,963	\$ -	\$ 2,089,963
Ratio of Private/Public Investment	14.35		14.35

**Project 18: Metropolitan**

Private Investment Undertaken (See Instructions)	\$ 13,000,000	\$ -	\$ 13,000,000
Public Investment Undertaken	\$ 1,952,000	\$ -	\$ 1,952,000
Ratio of Private/Public Investment	6.66		6.66

**Project 19: Music Room**

Private Investment Undertaken (See Instructions)	\$ 1,000,000	\$ -	\$ 1,000,000
Public Investment Undertaken	\$ 125,000	\$ -	\$ 125,000
Ratio of Private/Public Investment	8.00		8.00

**Project 20: 19 South Bothwell**

Private Investment Undertaken (See Instructions)	\$ 675,000	\$ -	\$ 675,000
Public Investment Undertaken	\$ 190,000	\$ -	\$ 190,000
Ratio of Private/Public Investment	3.55		3.55

**Project 21: Lamplighters**

Private Investment Undertaken (See Instructions)	\$ 1,000,000	\$ -	\$ 1,000,000
Public Investment Undertaken	\$ 302,000	\$ -	\$ 302,000
Ratio of Private/Public Investment	3.31		3.31

**Project 22: Mexico Uno**

Private Investment Undertaken (See Instructions)	\$ 580,000	\$ -	\$ 580,000
Public Investment Undertaken	\$ 482,000	\$ -	\$ 482,000
Ratio of Private/Public Investment	1.20		1.20

**Project 23: 4 North Plum Grove Road**

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 301,500	\$ -	\$ 301,500
Ratio of Private/Public Investment	0.00		0.00

**Project 24: Stratford**

Private Investment Undertaken (See Instructions)	\$ 7,115,820	\$ -	\$ 7,115,820
Public Investment Undertaken	\$ 900,000	\$ -	\$ 900,000
Ratio of Private/Public Investment	7.91		7.91

**Project 25: Heritage (Smith St Condo/Brownstones)**

Private Investment Undertaken (See Instructions)	\$ 15,575,000	\$ 425,000	\$ 16,000,000
Public Investment Undertaken	\$ 1,850,000	\$ 250,000	\$ 2,100,000
Ratio of Private/Public Investment	8.42		7.62

**Project 26: Palatine Road Construction**

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 5,650,000	\$ 1,675,000	\$ 9,325,000
Ratio of Private/Public Investment	0.00		0.00

**Project 27: Mint Julep**

Private Investment Undertaken (See Instructions)	\$ 2,500	\$ -	\$ 2,500
Public Investment Undertaken	\$ 10,000	\$ -	\$ 10,000
Ratio of Private/Public Investment	0.25		0.25

**Project 28: Harris/Divito Acquisition**

Private Investment Undertaken (See Instructions)	\$ -	\$ -	\$ -
Public Investment Undertaken	\$ 5,500,000	\$ -	\$ 5,500,000
Ratio of Private/Public Investment	0.00		0.00

**Project 29: Bauer's Brauhaus**

Private Investment Undertaken (See Instructions)	\$ 300,000	\$ -	\$ 300,000
Public Investment Undertaken	\$ 15,000	\$ 5,000	\$ 30,000
Ratio of Private/Public Investment	20.00		10.00

**Optional: Information in the following sections is not required by law, but would be helpful in evaluating the performance of TIF in Illinois.**

## SECTION 6

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

Year redevelopment project area was designated	Base EAV	Reporting Fiscal Year EAV
1999	\$ 23,256,863	\$ 101,200,130

List all overlapping tax districts in the redevelopment project area.

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

X The overlapping taxing districts did not receive a surplus.

Overlapping Taxing District	Surplus Distributed from redevelopment project area to overlapping districts
\$	-
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## SECTION 7

Provide information about job creation and retention

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

## SECTION 8

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

<table border="1"> <tr> <td><b>Optional Documents</b></td><td><b>Enclosed</b></td><td></td></tr> <tr> <td>Legal description of redevelopment project area</td><td></td><td></td></tr> <tr> <td>Map of District</td><td></td><td></td></tr> </table>			<b>Optional Documents</b>	<b>Enclosed</b>		Legal description of redevelopment project area			Map of District		
<b>Optional Documents</b>	<b>Enclosed</b>										
Legal description of redevelopment project area											
Map of District											

## CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Jim Schwantz, the duly elected Mayor and Chief Executive Officer of the Village of Palatine, County of Cook, State of Illinois, do hereby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning January 1, 2011 and ending December 31, 2011.

Jim Schwantz  
Mayor



Date

6/20/12

## CERTIFICATION BY THE VILLAGE ATTORNEY

This will confirm that I am the duly appointed Village Attorney of the Village of Palatine, County of Cook, State of Illinois. I have reviewed all information provided to me by the Village of Palatine staff and consultants. I find that the Village has conformed to all the applicable requirements of the Illinois Tax Increment Redevelopment Allocation Act set forth thereunder for the fiscal year beginning January 1, 2011 and ending December 31, 2011, to the best of my knowledge and belief.

  
\_\_\_\_\_  
Robert C. Kenny  
Village Attorney

  
\_\_\_\_\_  
Date

## **Activities Undertaken in Furtherance of the Objectives of the Redevelopment Plan**

Reestablished the Downtown TIF District Facade Improvement Grant Program. This program would be based on a matching reimbursement grant of up to 50% for qualifying exterior building improvements, such as windows, doors, awnings, and attached lighting and signage. The grant amount would be based on \$400 per linear foot of the building's frontage on a public street (with a maximum grant amount of \$50,000 per building).

Continued construction activities on the Palatine/Plum Grove Road Project.

Continued development of streetscape/railwalk for commuter/shopper traffic.

NEW ISSUE

SIGNED  
COPY

Investment Ratings:  
Moody's Investors Service ... Aa1  
Standard & Poor's Corporation ... AA+

ADDENDUM DATED JUNE 20, 2011  
OFFICIAL STATEMENT DATED JUNE 7, 2011

**\$7,000,000**

**VILLAGE OF PALATINE**  
Cook County, Illinois  
General Obligation Bonds, Series 2011A

**AMOUNTS, MATURITIES, INTEREST RATES AND PRICES OR YIELDS**

Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number
\$475,000..2014		2.000%	1.250%	696089 YY1	\$ 900,000..2019*		3.000%	2.700%	696089 ZD6
25,000..2015		2.000%	1.500%	696089 YZ8	900,000..2020*		3.000%	2.900%	696089 ZE4
825,000..2016		3.000%	1.750%	696089 ZA2	1,000,000..2021		3.125%	3.125%	696089 ZF1
875,000..2017		3.000%	2.050%	696089 ZB0	1,000,000..2022		3.250%	3.250%	696089 ZG9
900,000..2018		3.000%	2.400%	696089 ZC8	100,000..2023		3.250%	3.400%	696089 ZH7

*\*These maturities have been priced to call.*

The Official Statement of the Village dated June 7, 2011 (the "Official Statement") with respect to the 2011A Bonds is incorporated by reference herein and made a part hereof. The "Final Official Statement" of the Village with respect to the 2011A Bonds as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission shall be comprised of the following:

1. Official Statement dated June 7, 2011; and
2. This Addendum dated June 20, 2011.

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations with respect to the 2011A Bonds other than as contained in the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. Certain information contained in the Final Official Statement may be obtained from sources other than records of the Village and, while believed to be reliable, is not guaranteed as to completeness. NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE THEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE DATE THEREOF.

The Village has authorized preparation of the Final Official Statement containing pertinent information relative to the 2011A Bonds and the Village. Copies of that Final Official Statement can be obtained from the Underwriter, as defined herein. Additional information may also be obtained from the Village or from the independent public finance consultants to the Village:

Established 1954

***Speer Financial, Inc.***

INDEPENDENT PUBLIC FINANCE CONSULTANTS

ONE NORTH LASALLE STREET/SUITE 4100 • CHICAGO, ILLINOIS 60602

312-346-3700

## ADDITIONAL INFORMATION

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

## DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding \$119,486,772 principal amount of general obligation debt. The Village also has outstanding \$1,488,420 of redevelopment notes. The Village does not expect to issue additional general obligation debt in the foreseeable future.

### General Obligation Bonded Debt(1) (Principal Only) (Continued)

Calendar Year	Total Outstanding Debt	The Bonds	Less: the Refunded Bonds	Total Debt	Cumulative Principal Retired	
					Amount	Percent
2011 .....	\$ 7,337,249	\$ 0	\$ 0	\$ 7,337,249	\$ 7,337,249	6.12%
2012 .....	8,126,281	0	0	8,126,281	15,463,530	12.90%
2013 .....	7,595,452	150,000	(150,000)	7,595,452	23,058,982	19.24%
2014 .....	6,832,473	650,000	(175,000)	7,307,473	30,366,455	25.34%
2015 .....	8,033,137	200,000	(175,000)	8,058,137	38,424,592	32.06%
2016 .....	5,102,180	1,000,000	(175,000)	5,927,180	44,351,772	37.01%
2017 .....	7,110,000	1,050,000	(175,000)	7,985,000	52,336,772	43.67%
2018 .....	5,375,000	900,000	0	6,275,000	58,611,772	48.91%
2019 .....	5,700,000	900,000	0	6,600,000	65,211,772	54.41%
2020 .....	5,930,000	900,000	0	6,830,000	72,041,772	60.11%
2021 .....	6,210,000	1,000,000	0	7,210,000	79,251,772	66.13%
2022 .....	6,410,000	1,000,000	0	7,410,000	86,661,772	72.31%
2023 .....	2,905,000	100,000	0	3,005,000	89,666,772	74.82%
2024 .....	3,755,000	0	0	3,755,000	93,421,772	77.95%
2025 .....	3,915,000	0	0	3,915,000	97,336,772	81.22%
2026 .....	3,195,000	0	0	3,195,000	100,531,772	83.88%
2027 .....	2,470,000	0	0	2,470,000	103,001,772	85.94%
2028 .....	2,555,000	0	0	2,555,000	105,556,772	88.08%
2029 .....	2,290,000	0	0	2,290,000	107,846,772	89.99%
2030 .....	2,200,000	0	0	2,200,000	110,046,772	91.82%
2031 .....	2,300,000	0	0	2,300,000	112,346,772	93.74%
2032 .....	2,400,000	0	0	2,400,000	114,746,772	95.74%
2033 .....	2,500,000	0	0	2,500,000	117,246,772	97.83%
2034 .....	2,600,000	0	0	2,600,000	119,846,772	100.00%
Total ....	\$112,846,772	\$7,850,000	\$(850,000)	\$119,846,772		

Note: (1) Source: the Village.

### Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Estimated Actual	Per Capita (2003 Special Census 65,920)
Village's EAV of Taxable Property, 2009 .....	\$2,432,035,439	100.00%	33.33%	\$ 36,893.74
Estimated Actual Value, 2009 .....	\$7,296,106,317	300.00%	100.00%	\$110,681.22
Total General Obligation Bonded Debt(1) .....	\$ 119,846,772	4.93%	1.64%	\$ 1,818.06
Less: Self-Supporting(1) .....	(75,315,972)	(3.10%)	(1.03%)	(1,142.54)
Net General Obligation Bonded Debt(1) .....	\$ 44,530,800	1.83%	0.61%	\$ 675.53
Overlapping Bonded Debt(2):				
Schools .....	\$ 40,752,636	1.68%	0.56%	\$ 618.21
Others .....	92,760,657	3.81%	1.27%	1,407.17
Total Overlapping Bonded Debt .....	\$ 133,513,293	5.49%	1.83%	\$ 2,025.38
Total Net Direct and Overlapping Bonded Debt(1)	\$ 18,044,093	7.32%	2.44%	\$ 2,700.91

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Note: (1) Includes the Bonds and excludes the Refunded Bonds.  
(2) Overlapping bonded debt as of March 30, 2011.

Village of Palatine  
Downtown TIF

## INVESTMENT RATINGS

The 2011A Bonds have been rated "Aa1" by Moody's Investors Service ("Moody's") and "AA+" from Standard & Poor's Investors Service ("S&P"). The Village has supplied certain information and material concerning the 2011A Bonds and the Village to Moody's and S&P as part of its applications for investment ratings on the 2011A Bonds. Generally, such rating services base their ratings on such information and material, and also on such investigations, studies and assumptions that they may undertake independently. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by such rating services if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the secondary market price of the 2011A Bonds. An explanation of the significance of investment ratings may be obtained from the rating agencies: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658; and Standard & Poor's Investors Service, 55 Water Street, New York, New York 10041, telephone 212-238-2000.

## UNDERWRITING

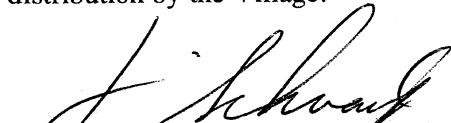
The 2011A Bonds were offered for sale by the Village at a public, competitive sale on June 20, 2011. The best bid submitted at the sale was submitted by Morgan Keegan & Company, Inc., Memphis, Tennessee (the "2011A Underwriter"). The Village awarded the contract for sale of the 2011A Bonds to the 2011A Underwriter at a price of \$7,110,048.00. The 2011A Underwriter has represented to the Village that the 2011A Bonds have been subsequently re-offered to the public initially at the yields set forth in this Addendum.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The Village has designated the 2011A Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265 (b) (3) of the Code.

## AUTHORIZATION

The Official Statement dated June 7, 2011, and this Addendum dated June 20, 2011, for the \$7,000,000 General Obligation Bonds, Series 2011A, have been prepared under the authority of the Village and have been authorized for distribution by the Village.



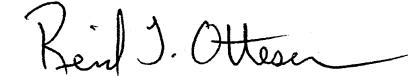
JIM SCHWANTZ

*Mayor*

VILLAGE OF PALATINE  
Cook County, Illinois

/s/

/s/



REID T. OTTESEN

*Village Manager*

VILLAGE OF PALATINE  
Cook County, Illinois

**APPENDIX A**  
**BOND OPINION**

July 7, 2011

**The Mayor and Village Council  
of the Village of Palatine, Illinois**

**Dear Members:**

We have examined a record of proceedings relating to the issuance of \$7,000,000 principal amount of General Obligation Bonds, Series 2011A (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 20, 2011 and entitled: "Ordinance Authorizing the Issuance of General Obligation Bonds, Series 2011A and General Obligation Refunding Bonds, Series 2011B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July 7, 2011 and bear interest from their date payable on December 1, 2011 and semiannually thereafter on each June 1 and December 1.

The Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2014	\$ 475,000	2.000%
2015	25,000	2.000
2016	825,000	3.000
2017	875,000	3.000
2018	900,000	3.000
2019	900,000	3.000
2020	900,000	3.000
2021	1,000,000	3.125
2022	1,000,000	3.250
2023	100,000	3.250

The Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2018 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

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

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

Pursuant to the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

LG/be

**NEW ISSUE****SIGNED  
COPY**

Investment Ratings:  
 Moody's Investors Service ... Aa1  
 Standard & Poor's Corporation ... AA+

**ADDENDUM DATED JUNE 20, 2011**  
**OFFICIAL STATEMENT DATED JUNE 7, 2011**

**\$850,000**  
**VILLAGE OF PALATINE**  
**Cook County, Illinois**  
**General Obligation Refunding Bonds, Series 2011B**

**AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS**

Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number
\$150,000.....	2013	3.000%	1.150%	696089 ZL8	\$175,000.....	2016	3.000%	1.900%	696089 ZP9
175,000.....	2014	3.000%	1.400%	696089 ZM6	175,000.....	2017	3.000%	2.300%	696089 ZQ7
175,000.....	2015	3.000%	1.700%	696089 ZN4					

The Official Statement of the Village dated June 7, 2011 (the "Official Statement") with respect to the 2011B Bonds is incorporated by reference herein and made a part hereof. The "Final Official Statement" of the Village with respect to the 2011B Bonds as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission shall be comprised of the following:

1. Official Statement dated June 7, 2011; and
2. This Addendum dated June 20, 2011.

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations with respect to the 2011B Bonds other than as contained in the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. Certain information contained in the Final Official Statement may be obtained from sources other than records of the Village and, while believed to be reliable, is not guaranteed as to completeness. NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE THEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE VILLAGE SINCE THE DATE THEREOF.

The Village has authorized preparation of the Final Official Statement containing pertinent information relative to the 2011B Bonds and the Village. Copies of that Final Official Statement can be obtained from the Underwriter, as defined herein. Additional information may also be obtained from the Village or from the independent public finance consultants to the Village:

Established 1954  
**Speer Financial, Inc.**  
 INDEPENDENT PUBLIC FINANCE CONSULTANTS  
 ONE NORTH LASALLE STREET/SUITE 4100 • CHICAGO, ILLINOIS 60602  
 312-346-3700

## ADDITIONAL INFORMATION

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

## DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding \$119,486,772 principal amount of general obligation debt. The Village also has outstanding \$1,488,420 of redevelopment notes. The Village does not expect to issue additional general obligation debt in the foreseeable future.

### General Obligation Bonded Debt(1) (Principal Only) (Continued)

Calendar Year	Total Outstanding Debt	The Bonds	Less: the Refunded Bonds	Total Debt	Cumulative Principal Retired	
					Amount	Percent
2011 .....	\$ 7,337,249	\$ 0	\$ 0	\$ 7,337,249	\$ 7,337,249	6.12%
2012 .....	8,126,281	0	0	8,126,281	15,463,530	12.90%
2013 .....	7,595,452	150,000	(150,000)	7,595,452	23,058,982	19.24%
2014 .....	6,832,473	650,000	(175,000)	7,307,473	30,366,455	25.34%
2015 .....	8,033,137	200,000	(175,000)	8,058,137	38,424,592	32.06%
2016 .....	5,102,180	1,000,000	(175,000)	5,927,180	44,351,772	37.01%
2017 .....	7,110,000	1,050,000	(175,000)	7,985,000	52,336,772	43.67%
2018 .....	5,375,000	900,000	0	6,275,000	58,611,772	48.91%
2019 .....	5,700,000	900,000	0	6,600,000	65,211,772	54.41%
2020 .....	5,930,000	900,000	0	6,830,000	72,041,772	60.11%
2021 .....	6,210,000	1,000,000	0	7,210,000	79,251,772	66.13%
2022 .....	6,410,000	1,000,000	0	7,410,000	86,661,772	72.31%
2023 .....	2,905,000	100,000	0	3,005,000	89,666,772	74.82%
2024 .....	3,755,000	0	0	3,755,000	93,421,772	77.95%
2025 .....	3,915,000	0	0	3,915,000	97,336,772	81.22%
2026 .....	3,195,000	0	0	3,195,000	100,531,772	83.88%
2027 .....	2,470,000	0	0	2,470,000	103,001,772	85.94%
2028 .....	2,555,000	0	0	2,555,000	105,556,772	88.08%
2029 .....	2,290,000	0	0	2,290,000	107,846,772	89.99%
2030 .....	2,200,000	0	0	2,200,000	110,046,772	91.82%
2031 .....	2,300,000	0	0	2,300,000	112,346,772	93.74%
2032 .....	2,400,000	0	0	2,400,000	114,746,772	95.74%
2033 .....	2,500,000	0	0	2,500,000	117,246,772	97.83%
2034 .....	2,600,000	0	0	2,600,000	119,846,772	100.00%
Total ....	\$112,846,772	\$7,850,000	\$(850,000)	\$119,846,772		

Note: (1) Source: the Village.

### Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Estimated Actual	Per Capita (2003 Special Census 65,920)
Village's EAV of Taxable Property, 2009.....	\$2,432,035,439	100.00%	33.33%	\$ 36,893.74
Estimated Actual Value, 2009.....	\$7,296,106,317	300.00%	100.00%	\$110,681.22
Total General Obligation Bonded Debt(1).....	\$ 119,846,772	4.93%	1.64%	\$ 1,818.06
Less: Self-Supporting(1).....	(75,315,972)	(3.10%)	(1.03%)	(1,142.54)
Net General Obligation Bonded Debt(1).....	\$ 44,530,800	1.83%	0.61%	\$ 675.53
Overlapping Bonded Debt(2):				
Schools.....	\$ 40,752,636	1.68%	0.56%	\$ 618.21
Others.....	92,760,657	3.81%	1.27%	1,407.17
Total Overlapping Bonded Debt.....	\$ 133,513,293	5.49%	1.83%	\$ 2,025.38
Total Net Direct and Overlapping Bonded Debt(1)	\$ 18,044,093	7.32%	2.44%	\$ 2,700.91

7

Note: (1) Includes the Bonds and excludes the Refunded Bonds.

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

FY 2011

Attachment I

Village of Palatine  
Downtown TIF

## INVESTMENT RATINGS

The 2011B Bonds have been rated "Aa1" by Moody's Investors Service ("Moody's") and "AA+" from Standard & Poor's Investors Service ("S&P"). The Village has supplied certain information and material concerning the 2011B Bonds and the Village to Moody's and S&P as part of its applications for investment ratings on the 2011B Bonds. Generally, such rating services base their ratings on such information and material, and also on such investigations, studies and assumptions that they may undertake independently. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by such rating services if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the secondary market price of the 2011B Bonds. An explanation of the significance of investment ratings may be obtained from the rating agencies: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658; and Standard & Poor's Investors Service, 55 Water Street, New York, New York 10041, telephone 212-238-2000.

## UNDERWRITING

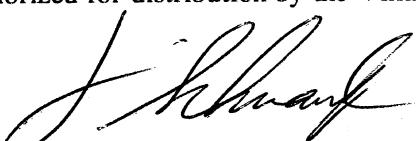
The 2011B Bonds were offered for sale by the Village at a public, competitive sale on June 20, 2011. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "2011B Underwriter"). The Village awarded the contract for sale of the 2011B Bonds to the 2011B Underwriter at a revised price of \$882,739.41. The 2011B Underwriter has represented to the Village that the 2011B Bonds have been subsequently re-offered to the public initially at the yields set forth in this Addendum.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

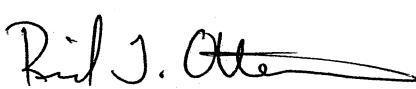
The Village has designated the 2011B Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265 (b) (3) of the Code.

## AUTHORIZATION

The Official Statement dated June 7, 2011, and this Addendum dated June 20, 2011, for the \$850,000 General Obligation Refunding Bonds, Series 2011B, have been prepared under the authority of the Village and have been authorized for distribution by the Village.

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

/s/

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

**APPENDIX A**  
**BOND OPINION**

July 7, 2011

**The Mayor and Village Council  
of the Village of Palatine, Illinois**

**Dear Members:**

We have examined a record of proceedings relating to the issuance of \$850,000 principal amount of General Obligation Refunding Bonds, Series 2011B (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 20, 2011 and entitled: "Ordinance Authorizing the Issuance of General Obligation Bonds, Series 2011A and General Obligation Refunding Bonds, Series 2011B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July 7, 2011 and bear interest from their date at the rate of three percent (3.00%) per annum, payable on December 1, 2011 and semiannually thereafter on each June 1 and December 1.

The Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2013	\$150,000
2014	175,000
2015	175,000
2016	175,000
2017	175,000

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

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds, we have relied on the verification report of Dunbar, Breitweiser & Company, LLP, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Pursuant to the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

LG/be

**New Issue**

Date of Sale: June 20, 2011

Series 2011A Bonds: 10:15 – 10:30 A.M., C.D.T. (*Open Speer Auction*)  
Series 2011B Bonds: 10:45 – 11:00 A.M., C.D.T. (*Closed Speer Auction*)

**Investment Ratings:**

Moody's Investors Service ...  
Standard & Poor's ...  
(*Ratings Requested*)

**Official Statement**

*The delivery of the Bonds is subject to the opinion of Katten Muchin Rosenman LLP, Bond Counsel, to the effect that under existing law, interest on the Bonds is not includable in the gross income of the owners hereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing corporate minimum taxable income for purposes of the corporate alternative minimum tax. See "TAX EXEMPTION" herein.*



**VILLAGE OF PALATINE**

Cook County, Illinois

**\$7,000,000 General Obligation Bonds, Series 2011A**  
**\$885,000\* General Obligation Refunding Bonds, Series 2011B**

**Dated: Date of Delivery**

**Book-Entry      Bank Qualified**

**Due: Serially As Detailed Herein**

The \$7,000,000 General Obligation Bonds, Series 2011A (the "2011A Bonds") and the \$885,000\* General Obligation Refunding Bonds, Series 2011B (the "2011B Bonds," and together with the 2011A Bonds, the "Bonds") are being issued by the Village of Palatine, Cook County, Illinois (the "Village"). Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity and series will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 1 as detailed herein.

**OPTIONAL REDEMPTION**

The 2011A Bonds due on or after December 1, 2019, are callable in whole or in part on any date on or after December 1, 2018, at a price of par and accrued interest. If less than all the 2011A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. The 2011B Bonds are non-callable. See "**OPTIONAL REDEMPTION**" herein.

**PURPOSE, LEGALITY AND SECURITY**

The 2011A Bond proceeds will be used to finance certain capital improvements in the Village, to fund approximately 29 months of capitalized interest on the 2011A Bonds, and to pay the costs of issuance of the 2011A Bonds. See "**PLAN OF FINANCING – The 2011A Bonds**" herein.

The 2011B Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2004, and to pay the costs of issuance of the 2011B Bonds. See "**PLAN OF FINANCING – The 2011B Bonds**" herein.

In the opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, the Bonds will constitute valid and legally binding general obligations of the Village payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies.

The Village intends to designate the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Official Statement is dated June 7, 2011, and has been prepared under the authority of the Village. An electronic copy of this Official Statement is available from the [www.speerfinancial.com](http://www.speerfinancial.com) web site under "Debt Auction Center/Competitive Sales Calendar". Additional copies may be obtained from Mr. Paul D. Mehring, Finance Director, Village of Palatine, 200 East Wood Street, Palatine, Illinois 60067, or from the Independent Public Finance Consultants to the Village:

Established 1954

**Speer Financial, Inc.**

**INDEPENDENT PUBLIC FINANCE CONSULTANTS**

ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602

Telephone: (312) 346-3700; Facsimile: (312) 346-8833

[www.speerfinancial.com](http://www.speerfinancial.com)



*\*Subject to change.*

Village of Palatine, Cook County, Illinois  
\$7,000,000 General Obligation Bonds, Series 2011A  
\$885,000\* General Obligation Refunding Bonds, Series 2011B  
\*Subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Village from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed near final as of the date hereof (or the date of any such supplement or correction) by the Village.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

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

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

## BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Official Statement, which is provided for the convenience of potential investors and which, together with the Bid Forms and Official Notices and Sale, should be reviewed in their entirety by potential investors. The following descriptions apply equally to the 2011A Bonds and the 2011B Bonds. Other terms specific to each series are provided separately herein.

<b>Issuer:</b>	Village of Palatine, Cook County, Illinois.
<b>Dated Date:</b>	Date of delivery (expected to be on or about July 7, 2011).
<b>Interest Due:</b>	Each June 1 and December 1, commencing December 1, 2011.
<b>Authorization:</b>	The Village is a home rule unit under the 1970 Illinois Constitution, has no statutory debt limit, and is not required to seek referendum approval to issue the Bonds.
<b>Security:</b>	The Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.
<b>Investment Ratings:</b>	Investment ratings for the Bonds have been requested from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P") and Moody's Investors Service, New York, New York ("Moody's").
<b>Tax Exemption:</b>	Katten Muchin Rosenman LLP, will provide an opinion as to the tax exemption of the Bonds as discussed under " <b>TAX EXEMPTION</b> " in this Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
<b>Bank Qualification:</b>	The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See " <b>QUALIFIED TAX-EXEMPT OBLIGATIONS</b> " herein.
<b>Bond Registrar/Paying Agent:</b>	Wells Fargo Bank, N.A., Chicago, Illinois.
<b>Delivery:</b>	The Bonds are expected to be delivered on or about July 7, 2011.
<b>Book-Entry Form:</b>	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See <b>APPENDIX B</b> herein.
<b>Denomination:</b>	\$5,000 or integral multiples thereof.
<b>Financial Advisor:</b>	Speer Financial, Inc., Chicago, Illinois.

Village of Palatine, Cook County, Illinois  
 \$7,000,000 General Obligation Bonds, Series 2011A  
 \$885,000\* General Obligation Refunding Bonds, Series 2011B  
 \*Subject to change.

### The 2011A Bonds

**Issue:** \$7,000,000 General Obligation Bonds, Series 2011A.

**Principal Due:** Serially each December 1, commencing December 1, 2014, through December 1, 2023, as detailed below.

**Optional Redemption:** The 2011A Bonds maturing on or after December 1, 2019, are callable in whole or in part on any date on or after December 1, 2018, at a price of par and accrued interest. If less than all the 2011A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See “OPTIONAL REDEMPTION” herein.

**Purpose:** The 2011A Bond proceeds will be used to finance certain capital improvements in the Village, to fund approximately 29 months of capitalized interest on the 2011A Bonds, and to pay the costs of issuance of the 2011A Bonds. See “PLAN OF FINANCING – The 2011A Bonds” herein.

#### AMOUNTS\*, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number
\$475,000	. 2014				\$ 900,000	.. 2019			
25,000	. 2015				900,000	.. 2020			
825,000	. 2016				1,000,000	.. 2021			
875,000	. 2017				1,000,000	.. 2022			
900,000	. 2018				100,000	.. 2023			

*Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.*

*\*Subject to movement among maturities.*

### The 2011B Bonds

**Issue:** \$885,000\* General Obligation Refunding Bonds, Series 2011B.

**Principal Due:** Serially each December 1, commencing December 1, 2011, through December 1, 2017, as detailed below.

**No Optional Redemption:** The 2011B Bonds are non-callable.

**Purpose:** The 2011B Bond proceeds will be used to advance refund a portion of the Village’s outstanding General Obligation Bonds, Series 2004, and to pay the costs of issuance of the 2011B Bonds. See “PLAN OF FINANCING – The 2011B Bonds” herein.

#### AMOUNTS\*, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount*	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount*	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number
\$ 5,000	..... 2011				\$180,000	..... 2015			
10,000	..... 2012				175,000	..... 2016			
160,000	..... 2013				175,000	..... 2017			
180,000	..... 2014								

*\*Subject to change.*

*Village of Palatine, Cook County, Illinois  
\$7,000,000 General Obligation Bonds, Series 2011A  
\$885,000\* General Obligation Refunding Bonds, Series 2011B  
\*Subject to change.*

**VILLAGE OF PALATINE  
Cook County, Illinois**

**VILLAGE COUNCIL**

Jim Schwantz  
*Mayor*

Jim Clegg  
Aaron B. Del Mar  
Brad Helms

Kollin Kozlowski  
Scott Lamerand  
Gregory J. Solberg

**OFFICIALS**

Margaret R. Duer  
*Village Clerk*

Reid T. Ottesen  
*Village Manager*

Paul D. Mehring  
*Finance Director*

Robert C. Kenny, Esq.  
*Village Attorney*

**THE VILLAGE**

**Overview**

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

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

**Organization and Services**

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

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

The Village employs 350 full-time and 36 part-time/seasonal employees. This represents a reduction of 17 employees since January 1, 2009. The Palatine Police Department is comprised of 111 sworn officers and 30 civilian personnel. The police officers had a three-year contract that expired December 31, 2010. The parties anticipate a new three-year contract will be ratified by June 30, 2011. The Palatine Fire Department operates from five stations and is comprised of 93 sworn fire fighters and 5 civilian personnel. The fire fighters have a one-year contract expiring December 31, 2011. The Village operates a water distribution and sewage collection system, consisting of approximately 200 miles of mains and a storage capacity of 21.5 million gallons. The public works department is staffed by 51 employees of which 41 are unionized and had a three-year contract that expired on December 31, 2010. The parties anticipate a new two-year contract will be ratified by June 30, 2011. Lake Michigan water is obtained from the Northwest Water Commission and sewerage treatment is the responsibility of the Metropolitan Water Reclamation District, each a separate unit of government or agency.

### **Community Life**

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

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

### **Education**

Elementary and secondary education is provided by Palatine Community Consolidated School District Number 15 and Palatine Township High School District Number 211. District 15 is the third largest elementary school district in Illinois, serves a population of approximately 112,740 and has an enrollment of approximately 12,000. District 15 has fifteen elementary schools, four junior high schools, and one alternative school. Township High School District 211 is the largest high school district in Illinois with 12,878 students in its five high schools, two of which are located in the Village.

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

*Village of Palatine, Cook County, Illinois*  
*\$7,000,000 General Obligation Bonds, Series 2011A*  
*\$885,000\* General Obligation Refunding Bonds, Series 2011B*  
*\*Subject to change.*

William Rainey Harper College is a comprehensive community education college dedicated to providing excellent education at a reasonable cost, enlightening the community, and meeting the needs of a changing world. Harper offers three two-year degrees, as well as a wide range of certificate programs. In addition, Harper offers a variety of special interest, vocational and continuing education classes. The variety of programs and services offered by Harper answers the needs of a diverse student body of more than 25,000 students.

## Transportation

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

## SOCIOECONOMIC INFORMATION

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

### Major Village Employers(I)

Name	Product/Service	Approximate Employment
Community Unit School District 15.....	School District .....	2,200(2)
Township High School District 211.....	School District .....	2,000(2)
William Rainey Harper College.....	Community College .....	700
Little City Foundation.....	Developmentally Challenged Child & Adult Care.....	500
DiMucci Construction Co.....	Commercial, Residential & Industrial Building Contractors.....	350
Schneider Electric, North America Operating Div.....	Electrical Circuit Breakers & Panel Boards Company Headquarters	350
Weber-Stephen Products Co.....	Barbecue Grills & Accessories Company Headquarters.....	200
Arlington Plating Co.....	Metal Plating, Polishing & Buffing.....	150
The Intec Group, Inc.....	Plastic Insert & Injection Molding.....	150
Brandt Industries, Inc.....	Plastic Injection Molding .....	125
Imperial Woodworking Co.....	Architectural Woodwork & Custom Furniture Company Headquarters.	125
Re/Max Unlimited Northwest.....	Real Estate Brokerage Company Headquarters.....	102
Clean Air Instrument Rentals.....	Air Quality Products .....	100
Keller Williams Team Realty.....	Commercial & Residential Real Estate Brokers.....	100

Notes: (1) Source: 2010 Illinois Manufacturers Directory, 2010 Illinois Services Directory and a selective telephone survey.  
 (2) Includes employees at facilities outside the Village.

### Major Area Employers(I)

Location	Name	Product/Service	Approximate Employment
Hoffman Estates ....	Sears Holding Corp. ....	Retail Department Store Chain Corporate Headquarters.....	4,800
Arlington Heights ..	Northwest Community Healthcare .....	Community Hospital .....	4,000
Hoffman Estates ....	AT & T Services, Inc. ....	Business Services .....	3,000
Schaumburg .....	Zurich American Insurance Co. ....	Commercial Property & Casualty Insurance Headquarters.....	2,687
Hoffman Estates ....	St. Alexius Medical Center .....	Full Service Hospital .....	2,045
Arlington Heights ..	Level 3 Communications, Inc. ....	Data & Voice Communications Services .....	2,000
Rolling Meadows ....	Northrop Grumman Corp.. Defensive Systems Div.	Electronic Countermeasures Divisional Headquarters.....	2,000
Barrington .....	Advocate Good Shepherd Hospital .....	Hospital Care .....	1,650
Schaumburg .....	Experian Information Solutions, Inc. ....	Direct Marketing Computer & Information Services.....	1,500
Schaumburg .....	Motorola, Inc. ....	Communications Equipment Corporate Headquarters.....	970
Arlington Heights ..	Paddock Publications, Inc. ....	Newspaper Publishing Corporate Headquarters .....	850
Hoffman Estates ....	ADP Dealer Services .....	Dealer Management Systems for the Automotive Retail Market.	700
Schaumburg .....	Nation Pizza Products L.P. ....	Frozen Pizza & Crusts .....	700

Note: (1) Source: 2010 Illinois Manufacturers Directory, 2010 Illinois Services Directory and a selective telephone survey.

*Village of Palatine, Cook County, Illinois*

*\$7,000,000 General Obligation Bonds, Series 2011A*

*\$885,000\* General Obligation Refunding Bonds, Series 2011B*

*\*Subject to change.*

The following tables show employment by industry and by occupation for the Village, Cook County (the "County") and the State of Illinois (the "State") as reported by the 2000 Census.

**Employment By Industry(1)**

<u>Classification</u>	The Village		Cook County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining.....	47	0.13%	2,356	0.10%	66,481	1.14%
Construction.....	1,932	5.23%	119,355	4.93%	334,176	5.73%
Manufacturing.....	6,472	17.53%	342,422	14.14%	931,162	15.96%
Wholesale Trade.....	2,121	5.75%	92,706	3.83%	222,990	3.82%
Retail Trade.....	4,234	11.47%	244,344	10.09%	643,472	11.03%
Transportation and Warehousing, and Utilities.....	1,980	5.36%	162,465	6.71%	352,193	6.04%
Information.....	1,511	4.09%	82,835	3.42%	172,629	2.96%
Finance, Insurance, Real Estate, and Rental and Leasing....	3,765	10.20%	219,831	9.08%	462,169	7.92%
Professional, Scientific, Management, Administrative, and Waste Management Services.....	4,631	12.55%	306,482	12.66%	590,913	10.13%
Educational, Health and Social Services.....	5,686	15.40%	454,951	18.79%	1,131,987	19.41%
Arts, Entertainment, Recreation, Accommodation and Food Services.....	2,405	6.52%	179,592	7.42%	417,406	7.16%
Other Services (Except Public Administration).....	1,453	3.94%	120,337	4.97%	275,901	4.73%
Public Administration.....	674	1.83%	93,611	3.87%	231,706	3.97%
Total.....	36,911	100.00%	2,421,287	100.00%	5,833,185	100.00%

Note: (1) Source: U. S. Bureau of the Census.

**Employment By Occupation(1)**

<u>Classification</u>	The Village		Cook County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Management, Professional, and Related Occupations.....	16,154	43.76%	852,442	35.21%	1,993,671	34.18%
Service Occupations.....	3,871	10.49%	339,554	14.02%	813,479	13.95%
Sales and Office Occupations.....	11,062	29.97%	690,023	28.50%	1,609,939	27.60%
Farming, Fishing, and Forestry Occupations.....	35	0.09%	1,942	0.08%	17,862	0.31%
Construction, Extraction, and Maintenance Occupations.....	2,104	5.70%	171,534	7.08%	480,418	8.24%
Production, Transportation, and Material Moving Occupations	3,685	9.98%	365,792	15.11%	917,816	15.73%
Total.....	36,911	100.00%	2,421,287	100.00%	5,833,185	100.00%

Note: (1) Source: U.S. Bureau of the Census.

**Annual Average Unemployment Rates(1)**

<u>Calendar Year</u>	The Village	Cook County	State of Illinois
2001.....	4.6%	6.0%	5.4%
2002.....	5.5%	7.4%	6.5%
2003.....	5.5%	7.4%	6.7%
2004.....	4.9%	6.7%	6.2%
2005.....	4.5%	6.4%	5.8%
2006.....	3.3%	4.8%	4.6%
2007.....	3.8%	5.2%	5.1%
2008.....	4.9%	6.5%	6.4%
2009.....	8.3%	10.3%	10.1%
2010.....	8.5%	10.5%	10.3%
2011(2).....	8.0%	8.9%	9.1%

Notes: (1) Source: Illinois Department of Employment Security.  
(2) Preliminary rates for the month of March 2011.

Village of Palatine, Cook County, Illinois  
 \$7,000,000 General Obligation Bonds, Series 2011A  
 \$885,000\* General Obligation Refunding Bonds, Series 2011B  
 \*Subject to change.

## Building Permits

Residential building permits have averaged \$412,035 over the last three years in the Village, excluding the value of land. This is higher than the 2000 Census median value of \$199,200, which included land.

### Village Building Permits(1)

Calendar Year	Single-Family		Multi-Family		All Other Value(2)	Total Value
	Units	Value	Units	Value		
2000 .....	107	\$20,552,975	26	\$14,452,650	\$25,920,225	\$ 60,925,850
2001 .....	98	20,009,857	160	16,098,293	50,365,961	86,474,111
2002 .....	126	44,266,755	281	28,625,286	34,640,957	107,532,998
2003 .....	113	23,300,509	118	17,029,345	40,319,655	80,649,509
2004 .....	55	15,768,970	36	20,011,375	93,141,740	128,922,085
2005 .....	80	18,546,230	29	17,732,285	58,587,850	94,866,365
2006 .....	63	17,345,680	15	11,365,480	60,464,985	89,176,145
2007 .....	26	10,777,526	66	13,511,410	34,929,093	59,218,029
2008 .....	18	7,429,494	3	1,644,545	49,449,471	58,523,510
2009 .....	9	3,727,067	3	817,241	25,480,723	30,025,031
2010 .....	18	7,395,441	0	0	56,169,566	63,565,007

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

## Housing

The 2000 Census reported that the median home value of the Village's owner-occupied homes was \$199,200, which compares with \$157,700 for the County and \$130,800 for the State. The 2000 market value of specified owner-occupied units for the Village, the County and the State was as follows:

### Specified Owner-Occupied Units(1)

Value		Cook County		State of Illinois		
	Number	Percent	Number	Percent	Number	Percent
Under \$50,000 .....	72	0.52%	15,576	1.91%	230,049	9.31%
\$50,000 to \$99,999 .....	355	2.54%	141,600	17.34%	651,605	26.38%
\$100,000 to \$149,999 .....	2,597	18.60%	218,621	26.77%	583,409	23.62%
\$150,000 to \$199,999 .....	4,032	28.87%	184,050	22.54%	429,311	17.38%
\$200,000 to \$299,999 .....	4,303	30.81%	147,478	18.06%	344,651	13.95%
\$300,000 to \$499,999 .....	2,356	16.87%	74,446	9.12%	163,254	6.61%
\$500,000 to \$999,999 .....	243	1.74%	28,249	3.46%	55,673	2.25%
\$1,000,000 or more .....	7	0.05%	6,512	0.80%	12,386	0.50%
Total .....	13,965	100.00%	816,532	100.00%	2,470,338	100.00%

Note: (1) Source: U.S. Bureau of the Census.

## Income

### Per Capita Personal Income for the Ten Highest Income Counties in the State(1)

Rank		2000
1 .....	Lake County .....	\$32,102
2 .....	DuPage County .....	31,315
3 .....	McHenry County .....	26,476
4 .....	Kendall County .....	25,188
5 .....	Will County .....	24,613
6 .....	Kane County .....	24,315
7 .....	Cook County .....	23,227
8 .....	Sangamon County .....	23,173
9 .....	Monroe County .....	22,954
10 .....	Grundy County .....	22,591

Note: (1) Source: U.S. Bureau of the Census.

*Village of Palatine, Cook County, Illinois*

*\$7,000,000 General Obligation Bonds, Series 2011A*

*\$885,000\* General Obligation Refunding Bonds, Series 2011B*

*\*Subject to change.*

The following shows a ranking of median family income for the Chicago metropolitan area among 102 counties from the 2000 Census.

**Ranking of Median Family Income(1)**

<u>Ill. County</u>	<u>Family Income</u>	<u>Ill. Rank</u>
DuPage County .....	\$79,314	1
Lake County .....	76,424	2
McHenry County .....	71,553	3
Will County .....	69,608	4
Kendall County .....	69,383	5
Kane County .....	66,558	6
Cook County .....	53,784	14

Note: (1) Source: U.S. Bureau of the Census.

According to the 2000 Census, the Village had a median family income of \$76,270. This compares to \$53,784 for the County and \$55,545 for the State. The following table represents the distribution of family incomes for the Village, the County and the State at the time of the 2000 Census.

**Family Income(1)**

<u>Income</u>	<u>The Village</u>		<u>Cook County</u>		<u>State of Illinois</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under \$10,000 .....	352	2.12%	86,610	6.77%	156,205	5.00%
\$10,000 to \$14,999.....	312	1.88%	50,237	3.93%	105,747	3.38%
\$15,000 to \$24,999.....	733	4.41%	117,530	9.19%	273,712	8.76%
\$25,000 to \$34,999.....	932	5.61%	134,606	10.53%	331,907	10.62%
\$35,000 to \$49,999.....	1,843	11.10%	198,780	15.54%	506,429	16.20%
\$50,000 to \$74,999.....	3,974	23.93%	277,726	21.72%	736,897	23.58%
\$75,000 to \$99,999.....	3,076	18.52%	174,228	13.62%	445,390	14.25%
\$100,000 to \$149,999....	3,258	19.62%	145,531	11.38%	356,068	11.39%
\$150,000 to \$199,999....	1,182	7.12%	42,759	3.34%	101,955	3.26%
\$200,000 or more.....	947	5.70%	50,738	3.97%	111,008	3.55%
Total.....	16,609	100.00%	1,278,745	100.00%	3,125,318	100.00%

Note: (1) Source: U.S. Bureau of the Census.

According to the 2000 Census, the Village had a median household income of \$63,321. This compares to \$45,922 for the County and \$46,590 for the State. The following table represents the distribution of household incomes for the Village, the County and the State at the time of the 2000 Census.

### Household Income(I)

Income	The Village		Cook County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000.....	819	3.23%	192,689	9.76%	383,299	8.35%
\$10,000 to \$14,999.....	728	2.87%	107,043	5.42%	252,485	5.50%
\$15,000 to \$24,999.....	1,683	6.63%	215,908	10.94%	517,812	11.27%
\$25,000 to \$34,999.....	2,284	9.00%	230,787	11.69%	545,962	11.89%
\$35,000 to \$49,999.....	3,624	14.28%	316,575	16.03%	745,180	16.23%
\$50,000 to \$74,999.....	6,053	23.84%	390,779	19.79%	952,940	20.75%
\$75,000 to \$99,999.....	4,101	16.16%	222,453	11.27%	531,760	11.58%
\$100,000 to \$149,999.....	3,744	14.75%	181,938	9.21%	415,348	9.04%
\$150,000 to \$199,999.....	1,331	5.24%	53,986	2.73%	119,056	2.59%
\$200,000 or more.....	1,018	4.01%	62,250	3.15%	128,898	2.81%
Total.....	25,385	100.00%	1,974,408	100.00%	4,592,740	100.00%

Note: (1) Source: U.S. Bureau of the Census

### Retail Activity

Sales tax receipts exceeded 21% of Governmental Fund Type revenues in fiscal 2010. Following is a summary of the Village's sales tax receipts as collected and disbursed by the State of Illinois.

### Retailers' Occupation, Service Occupation and Use Tax(I)

State Fiscal Year Ending June 30	State Sales Tax Distributions(2)	Home Rule Sales Tax Distributions	Total	Annual Percent Change + (-)
2001 .....	\$7,163,942	2,052,674	9,216,616	3.60%(3)
2002 .....	7,117,314	2,024,041	9,141,355	(0.82%)
2003 .....	6,881,130	1,996,693	8,877,823	(2.88%)
2004 .....	7,196,236	2,461,468	9,657,703	8.78%
2005 .....	7,506,043	4,375,663	11,881,706	23.03%
2006 .....	8,001,451	4,687,599	12,689,050	6.79%
2007 .....	7,951,481	4,570,553	12,522,034	(1.32%)
2008 .....	8,307,192	4,836,382	13,143,574	4.96%
2009 .....	7,724,639	4,519,643	12,244,282	(6.84%)
2010 .....	7,005,809	3,938,998	10,989,807	(10.25%)
Growth from 2001 to 2010 .....				19.24%

Notes: (1) Source: Illinois Department of Revenue.

(2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the Village, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.

(3) The 2001 percentage is based on a 2000 sales tax of \$6,869,455.

*Village of Palatine, Cook County, Illinois*  
\$7,000,000 *General Obligation Bonds, Series 2011A*  
\$885,000\* *General Obligation Refunding Bonds, Series 2011B*  
\*Subject to change.

## PLAN OF FINANCING

### The 2011A Bonds

The 2011A Bond proceeds will be used to finance certain capital improvements in the Village (the "Project"), to fund approximately 29 months of capitalized interest on the 2011A Bonds, and to pay the costs of issuance of the 2011A Bonds. The Project includes the costs of completion of the construction of a new police station in the Village.

### The 2011B Bonds

The 2011B Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2004, as listed below (the "Refunded Bonds") and to pay the costs of issuance of the 2011B Bonds.

#### Outstanding General Obligation Bonds, Series 2004

Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
12/01/2011 .....	\$150,000	\$ 0	NA	NA
12/01/2012 .....	150,000	0	NA	NA
12/01/2013 .....	150,000	150,000	100.00%	12/01/2011
12/01/2014 .....	175,000	175,000	100.00%	12/01/2011
12/01/2015 .....	175,000	175,000	100.00%	12/01/2011
12/01/2016 .....	175,000	175,000	100.00%	12/01/2011
12/01/2017 .....	175,000	175,000	100.00%	12/01/2011

Bond proceeds may be used to purchase direct full faith and credit obligations of the United States of America, the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the Refunded Bonds on their respective redemption dates.

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding \$119,881,772\* principal amount of general obligation debt. The Village also has outstanding \$1,488,420 of redevelopment notes. The Village does not expect to issue additional general obligation debt in the foreseeable future.

#### DEBT INFORMATION

##### General Obligation Bonded Debt (1)

(Principal Only)

Calendar Year	Series 1989	Series 2003	Series 2004	Series 2005	Series 2006	Series 2007	Series 2008	Series 2009A	Series 2009B
2011 .....	\$ 0	\$ 1,102,249 1,131,281	\$ 555,000 2,410,000	\$ 5,000 5,000	\$ 1,020,000 1,060,000	\$ 150,000 160,000	\$ 45,000 45,000	\$ 0 0	
2012 .....	0	350,452	1,060,000	830,000	1,110,000	170,000	45,000	425,000	
2013 .....	0		1,135,000	0	1,160,000	175,000	50,000	450,000	
2014 .....	317,473	0	1,200,000	0	1,305,000	185,000	50,000	475,000	
2015 .....	523,137	0	1,215,000	0	1,360,000	195,000	50,000	505,000	
2016 .....	302,180	0	1,285,000	0	1,485,000	205,000	55,000	535,000	
2017 .....	0	0	1,150,000	0	1,195,000	215,000	55,000	565,000	
2018 .....	0	0	1,195,000	0	1,255,000	225,000	60,000	600,000	
2019 .....	0	0	1,265,000	0	1,315,000	235,000	60,000	635,000	
2020 .....	0	0	610,000	0	1,390,000	250,000	60,000	675,000	
2021 .....	0	0	645,000	0	1,345,000	260,000	65,000	715,000	
2022 .....	0	0	0	0	700,000	275,000	70,000	760,000	
2023 .....	0	0	0	0	740,000	290,000	70,000	805,000	
2024 .....	0	0	0	0	780,000	305,000	75,000	855,000	
2025 .....	0	0	0	0	820,000	320,000	80,000	880,000	
2026 .....	0	0	0	0	0	340,000	80,000	0	
2027 .....	0	0	0	0	0	355,000	85,000	0	
2028 .....	0	0	0	0	0	0	90,000	0	
2029 .....	0	0	0	0	0	0	0	0	
Total .....	\$1,142,790	\$2,583,982	\$13,725,300	\$840,000	\$18,040,000	\$4,310,000	\$0	\$8,000,000	\$8,000,000

Calendar Year	Series 2009C	Series 2009D	Series 2009E	Series 2009F	Series 2009G	Series 2009H	Series 2009I	Series 2010A	Series 2010B	Series 2010C	Series 2010D	Series 2010E	Series 2010F	Series 2010G	Series 2010H	Series 2010I	Series 2010J	Series 2010K	Total Outstanding Debt
2011 .....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,310,000	\$ 2,310,000	\$ 1,545,000	\$ 485,000	\$ 485,000	\$ 2,085,300	0	0	0	0	0	0	\$ 120,000	\$ 7,337,249	
2012 .....	0	0	0	0	290,000	290,000	640,000	2,140,000	2,140,000	0	0	0	0	0	0	0	140,000	8,126,281	
2013 .....	0	385,000	0	0	300,000	300,000	510,000	2,195,000	2,195,000	0	0	0	0	0	0	0	145,000	7,595,452	
2014 .....	0	395,000	0	0	675,000	675,000	530,000	2,300,000	2,300,000	0	0	0	0	0	0	0	380,000	6,832,473	
2015 .....	0	410,000	0	0	0	0	550,000	500,000	500,000	0	0	0	0	0	0	0	0	0	8,033,137
2016 .....	0	425,000	0	0	750,000	750,000	0	1,790,000	1,790,000	0	0	0	0	0	0	0	0	0	5,102,180
2017 .....	0	440,000	0	0	455,000	455,000	1,150,000	0	590,000	0	0	0	0	0	0	0	0	0	7,110,000
2018 .....	0	500,000	0	0	1,250,000	1,250,000	0	615,000	615,000	0	0	0	0	0	0	0	0	0	5,375,000
2019 .....	0	520,000	0	0	1,250,000	1,250,000	0	650,000	650,000	0	0	0	0	0	0	0	0	0	5,700,000
2020 .....	0	550,000	0	0	2,000,000	2,000,000	0	675,000	675,000	0	0	0	0	0	0	0	0	0	5,930,000
2021 .....	0	575,000	0	0	2,100,000	2,100,000	0	705,000	705,000	0	0	0	0	0	0	0	0	0	6,210,000
2022 .....	0	600,000	0	0	500,000	500,000	0	590,000	590,000	0	0	0	0	0	0	0	0	0	6,410,000
2023 .....	0	625,000	0	0	500,000	500,000	0	615,000	615,000	0	0	0	0	0	0	0	0	0	6,795,000
2024 .....	0	665,000	0	0	500,000	500,000	0	650,000	650,000	0	0	0	0	0	0	0	0	0	7,195,000
2025 .....	0	700,000	0	0	0	0	0	675,000	675,000	0	0	0	0	0	0	0	0	0	7,325,000
2026 .....	0	725,000	0	0	0	0	0	705,000	705,000	0	0	0	0	0	0	0	0	0	7,530,000
2027 .....	0	750,000	0	0	0	0	0	735,000	735,000	0	0	0	0	0	0	0	0	0	7,735,000
2028 .....	0	775,000	0	0	0	0	0	765,000	765,000	0	0	0	0	0	0	0	0	0	7,935,000
2029 .....	0	800,000	0	0	0	0	0	795,000	795,000	0	0	0	0	0	0	0	0	0	8,135,000
2030 .....	0	0	0	0	0	0	0	825,000	825,000	0	0	0	0	0	0	0	0	0	8,335,000
2031 .....	0	0	0	0	0	0	0	855,000	855,000	0	0	0	0	0	0	0	0	0	8,535,000
2032 .....	0	0	0	0	0	0	0	885,000	885,000	0	0	0	0	0	0	0	0	0	8,735,000
2033 .....	0	0	0	0	0	0	0	915,000	915,000	0	0	0	0	0	0	0	0	0	8,935,000
2034 .....	0	0	0	0	0	0	0	945,000	945,000	0	0	0	0	0	0	0	0	0	9,135,000
Total ...	\$37,035,000	\$2,510,000	\$8,590,000	\$1,500,000	\$3,870,000	\$3,870,000	\$7,315,000	\$12,555,000	\$12,555,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$18,800,000	\$112,846,772

Note: (1) Source: the Village.  
 \*Subject to change.

Note: (1) Source: the Village.

*Village of Palatine, Cook County, Illinois*  
*\$7,000,000 General Obligation Bonds, Series 2011A*  
*\$885,000\* General Obligation Refunding Bonds, Series 2011B*  
*\*Subject to change.*

**General Obligation Bonded Debt(1)**  
**(Principal Only)**  
**(Continued)**

Calendar Year	Total Outstanding Debt	The Bonds(2)	Less: the Refunded Bonds(2)	Total Debt(2)	Cumulative Principal Retired(2)	
					Amount	Percent
2011 .....	\$ 7,337,249	\$ 5,000	\$ 0	\$ 7,342,249	\$ 7,342,249	6.12%
2012 .....	8,126,281	10,000	0	8,136,281	15,478,530	12.91%
2013 .....	7,595,452	160,000	(150,000)	7,605,452	23,083,982	19.26%
2014 .....	6,832,473	655,000	(175,000)	7,312,473	30,396,455	25.36%
2015 .....	8,033,137	205,000	(175,000)	8,063,137	38,459,592	32.08%
2016 .....	5,102,180	1,000,000	(175,000)	5,927,180	44,386,772	37.03%
2017 .....	7,110,000	1,050,000	(175,000)	7,985,000	52,371,772	43.69%
2018 .....	5,375,000	900,000	0	6,275,000	58,646,772	48.92%
2019 .....	5,700,000	900,000	0	6,600,000	65,246,772	54.43%
2020 .....	5,930,000	900,000	0	6,830,000	72,076,772	60.12%
2021 .....	6,210,000	1,000,000	0	7,210,000	79,286,772	66.14%
2022 .....	6,410,000	1,000,000	0	7,410,000	86,696,772	72.32%
2023 .....	2,905,000	100,000	0	3,005,000	89,701,772	74.83%
2024 .....	3,755,000	0	0	3,755,000	93,456,772	77.96%
2025 .....	3,915,000	0	0	3,915,000	97,371,772	81.22%
2026 .....	3,195,000	0	0	3,195,000	100,566,772	83.89%
2027 .....	2,470,000	0	0	2,470,000	103,036,772	85.95%
2028 .....	2,555,000	0	0	2,555,000	105,591,772	88.08%
2029 .....	2,290,000	0	0	2,290,000	107,881,772	89.99%
2030 .....	2,200,000	0	0	2,200,000	110,081,772	91.83%
2031 .....	2,300,000	0	0	2,300,000	112,381,772	93.74%
2032 .....	2,400,000	0	0	2,400,000	114,781,772	95.75%
2033 .....	2,500,000	0	0	2,500,000	117,281,772	97.83%
2034 .....	2,600,000	0	0	2,600,000	119,881,772	100.00%
Total ....	\$112,846,772	\$7,885,000	\$(850,000)	\$119,881,772		

Notes: (1) Source: the Village.  
(2) Subject to change.

**Detailed Overlapping Bonded Debt(1)**  
**(As of March 30, 2011)**

	Outstanding Debt	Applicable to Village	
		Percent(2)	Amount
Schools:			
School District Number 15 .....	\$ 31,316,828	51.14%	\$ 16,015,426
High School District Number 211 .....	25,000,000	23.97%	5,992,500
High School District Number 214 .....	30,020,000	0.01%	3,002
Community College District Number 512 .....	192,420,000	9.74%	18,741,708
Total Schools .....			\$ 40,752,636
Others:			
Cook County .....	\$3,499,615,000	1.37%	\$ 47,944,726
Cook County Forest Preserve District .....	101,935,000	1.37%	1,396,510
Metropolitan Water Reclamation District .....	1,945,659,620	1.39%	27,044,669
Arlington Heights Park District .....	23,434,550	0.05%	11,717
Palatine Park District .....	18,085,000	77.09%	13,941,727
Salt Creek Park District .....	4,627,000	52.33%	2,421,309
Total Others .....			\$ 92,760,657
Total School and Others Overlapping Bonded Debt .....			\$133,513,293

Notes: (1) Source: Cook County Clerk.  
(2) Overlapping debt percentages based on 2009 EAV, the most current available.

Village of Palatine, Cook County, Illinois  
 \$7,000,000 General Obligation Bonds, Series 2011A  
 \$885,000\* General Obligation Refunding Bonds, Series 2011B  
 \*Subject to change.

### Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Per Capita (2003 Special Census 65,920)
Village's EAV of Taxable Property, 2009.....	\$2,432,035,439	100.00%	\$ 36,893.74
Estimated Actual Value, 2009.....	\$ 7,296,106,317	300.00%	\$110,681.22
Total General Obligation Bonded Debt(1).....	\$ 119,881,772	4.93%	\$ 1,818.59
Less: Self-Supporting(1).....	(75,350,972)	(3.10%)	(1,143.07)
Net General Obligation Bonded Debt(1).....	\$ 44,530,800	1.83%	\$ 675.53
Overlapping Bonded Debt(2):			
Schools.....	\$ 40,752,636	1.68%	\$ 618.21
Others.....	92,760,657	3.81%	1,407.17
Total Overlapping Bonded Debt.....	\$ 133,513,293	5.49%	\$ 2,025.38
Total Net Direct and Overlapping Bonded Debt(1)	\$ 178,044,093	7.32%	\$ 2,700.91

Notes: (1) Includes the Bonds and excludes the Refunded Bonds. Subject to change.  
 (2) Overlapping bonded debt as of March 30, 2011.

### PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2008 levy year, the Village's EAV was comprised of 72.70% residential, 8.20% industrial, 19.08% commercial, less than 1% farm and railroad property valuations.

#### Equalized Assessed Valuation(1)

Property Class	Levy Years				
	2005	2006	2007(2)	2008	2009
Residential.....	\$1,264,709,389	\$1,325,694,182	\$1,584,575,451	\$1,737,702,878	
Farm.....	180	180	180	180	Detail
Commercial.....	393,756,607	365,482,193	415,869,705	403,925,657	Not
Industrial.....	155,849,317	150,098,216	178,806,539	186,764,483	Available
Railroad.....	420,228	418,940	459,669	502,271	
Total.....	\$1,814,735,721	\$1,841,693,711	\$2,179,711,544	\$2,328,895,469	\$2,432,035,439
Percent Change + (-)	8.12%(3)	1.49%	18.35%	6.84%	4.43%

Notes: (1) Source: Cook County Clerk.  
 (2) Tri-annual reassessment year.  
 (3) Percentage change based on 2004 EAV of \$1,678,511,650.

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

	Levy Years				
	2005	2006	2007	2008	2009
Village Rates:					
Corporate.....	\$0.220	\$0.227	\$0.220	\$0.217	\$0.215
Bonds and Interest.....	0.181	0.164	0.119	0.116	0.113
Police Pension.....	0.061	0.084	0.086	0.081	0.112
Fire Pension.....	0.056	0.064	0.061	0.056	0.085
I.M.R.F.....	0.057	0.057	0.054	0.052	0.054
Fire Protection.....	0.370	0.370	0.316	0.301	0.215
Social Security.....	0.106	0.110	0.093	0.091	0.087
Total Village Rates(2).....	\$1.052	\$1.075	\$0.950	\$0.914	\$0.882
Cook County.....	0.533	0.500	0.446	0.415	0.394
Cook County Forest Preserve District.....	0.060	0.057	0.053	0.051	0.049
Metropolitan Water Reclamation District ..	0.315	0.284	0.263	0.252	0.261
Northwest Mosquito Abatement District....	0.009	0.009	0.008	0.008	0.008
Suburban T B Sanitarium.....	0.005	0.005	0.000	0.000	0.000
Consolidated Elections.....	0.014	0.000	0.012	0.000	0.021
Palatine Township(3).....	0.114	0.120	0.107	0.106	0.103
Palatine Park District.....	0.422	0.448	0.406	0.419	0.408
Palatine Public Library District.....	0.271	0.280	0.246	0.240	0.229
School District Number 15.....	2.840	2.763	2.435	2.385	2.307
High School Township District 211.....	2.191	2.261	1.972	1.928	1.916
Community College District 512.....	0.281	0.288	0.260	0.256	0.258
Total Rates(4).....	\$8.107	\$8.090	\$7.158	\$6.974	\$6.836

Notes: (1) Source: Cook County Clerk.  
 (2) The Village is a home-rule municipality and based on the 1970 Illinois Constitution has no statutory tax rate limits.  
 (3) Includes township, general assistance, and road and bridge.  
 (4) Representative tax rates for other governmental units are from Palatine Township tax code 29007, which represents approximately 78% of the Village's levy year 2009 EAV.

**Tax Extensions and Collections(1)**

Levy Year	Collection Year	Taxes Extended	Total Collections	
			Amount	Percent
2002.....	2003.....	\$16,242,234	\$16,094,187	99.09%
2003.....	2004.....	17,061,932	16,826,456	98.62%
2004.....	2005.....	18,187,861	17,719,836	97.43%
2005.....	2006.....	18,073,976	17,721,179	98.05%
2006.....	2007.....	18,609,934	18,430,570	99.04%
2007.....	2008.....	17,481,006	17,059,102	97.58%
2008.....	2009.....	18,086,125	18,102,620	100.09%
2009.....	2010.....	21,435,198	21,366,725	99.68%

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

### Principal Taxpayers(1)

Taxpayer Name	Type of Property	2009 EAV(2)
PFC Marquette Company	Apartments	\$ 21,633,309
Individual Taxpayers	Shopping Center	17,555,784
Boom Real Estate Dev.	Shopping Center	17,549,482
Village Park Palatine 300	Apartments	15,481,131
Wal-Mart	Retail Store	14,388,268
Brookind Corp Tax Department	United Parcel Service	13,932,509
Regency Retail LLC	Shopping Center	10,952,812
Sears Holdings	Retail Stores	10,407,947
Highland Mgmt. PP	Property Development	9,306,740
Northmarq Capital	Commercial Real Estate	8,780,455
Total		\$139,988,437
Ten Largest Taxpayers as a Percent of the Village's 2009 EAV (\$2,432,035,439)		5.76%

Notes: (1) Source: Cook County Clerk.

(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2009 EAV is the most current available.

## REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

### Real Property Assessment

The County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including that in the Village, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The Village is located in the North Tri and was reassessed for the 2010 tax levy year.

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

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

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

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

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

### **Equalization**

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

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

<u>TAX LEVY YEAR</u>	<u>EQUALIZATION FACTOR</u>
1998	2.1799
1999	2.2505
2000	2.2235
2001	2.3098
2002	2.4689
2003	2.4598
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701

## Exemptions

Public Act 95-644, effective October 17, 2007, made changes to and added a number of property tax exemptions taken by residential property owners. These changes are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes ("Residential Property") may be reduced by \$5,000 for assessment years 2004 through assessment year 2007. Additionally, the reduction may be \$5,500 for assessment year 2008, and \$6,000 for assessment years 2009 and forward (the "General Homestead Exemption").

The Alternative General Homestead Exemption (the "Alternative General Homestead Exemption") caps EAV increases for homeowners (who also reside on the property as their principal place of residence) at 7% a year, up to a certain maximum each year as defined by the statute. Any amount of increase that exceeds the maximum exemption as defined is added to the 7% increase and is part of that property's taxable EAV. Homes that do not increase by at least 7% a year are entitled, in the alternative, to the General Homestead Exemption as discussed above.

The Base Year for purposes of calculation of the Alternative General Homestead Exemption is 2002 for properties located in the City Tri, 2003 for properties located in the North Tri and 2004 for properties located in the South Tri. The Base Homestead Value is the EAV of the homestead property minus the General Homestead Exemption for that year: \$4,500 for years prior to 2004; \$5,000 for 2004 through 2007; \$5,500 for 2008 and \$6,000 for the year 2009 and thereafter.

For properties in the City Tri, the Alternative General Homestead Exemption cannot exceed \$33,000 for assessment year 2006 (except as noted below), \$26,000 for assessment year 2007, \$20,000 for assessment year 2008 and \$6,000 thereafter. For properties in the North Tri, the Alternative General Homestead Exemption cannot exceed \$20,000 for assessment year 2006, \$33,000 for assessment year 2007, \$26,000 for assessment year 2008, \$20,000 for assessment year 2009 and \$6,000 thereafter. For properties in the South Tri, the Alternative General Homestead Exemption cannot exceed \$20,000 for assessment years 2006 and 2007, \$33,000 for assessment year 2008, \$26,000 for assessment year 2009, \$20,000 for assessment year 2010 and \$6,000 thereafter.

Furthermore, only in the City Tri and only for assessment year 2006, the maximum exemption amount may be increased to: (i) \$40,000, provided that the EAV of the property for assessment year 2006 exceeds the EAV of that property for assessment year 2002 by an amount equal to or greater than 100%, or (ii) \$35,000 provided that the EAV of the property for assessment year 2006 exceeds the EAV of that property for assessment year 2002 by an amount greater than 80% but not more than 100%.

Finally, the Long-Time Occupant Homestead Exemption applies to those counties subject to the Alternative General Homestead Exemption, including Cook County. Beginning with assessment year 2007 and thereafter, the EAV of homestead property of a taxpayer who has owned the property for at least 10 years (or 5 years if purchased with certain government assistance) and who has a household income of \$100,000 or less ("Qualified Homestead Property") may increase by no more than 10% per year. If the taxpayer's annual income is \$75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties. Individuals applying for this exemption must comply with the following guidelines: (i) continuously occupy their property for 10 years, as of January 1st of the assessment year, and occupy such property as their principal residence or, (ii) continuously occupy their property as their principal place of residence for 5 years, as of January 1st of the assessment year, provided that the property was purchased with certain government assistance.

In addition, the Homestead Improvement Exemption ("Homestead Improvement Exemption") applies to residential properties that have been improved and to properties that have been rebuilt in the two years following a catastrophic event. The exemption is limited to \$45,000 through December 31, 2003, and \$75,000 per year beginning January 1, 2004, and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption ("Senior Citizens Homestead Exemption") operates annually to reduce the EAV on a senior citizen's home by \$3,500 in all counties. In addition, for assessment year 2008 and thereafter, the maximum reduction is \$4,000 for all counties. Furthermore, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a prorata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption ("Senior Citizens Assessment Freeze Homestead Exemption") freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of the maximum income limitation. The maximum income limitation is \$50,000 for assessment years 2006 and 2007; for assessment years 2008 and after, the maximum income limitation is \$55,000. In general, the exemption grants qualifying senior citizens an exemption based upon a "freeze" of their home's Assessed Valuation.

Another exemption, available to disabled veterans, may be applied annually to exempt up to \$70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. However, individuals claiming exemption under the Disabled Persons' Homestead Exemption ("Disabled Persons' Homestead Exemption") or the hereinafter defined Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

Also, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals.

Furthermore, beginning with assessment year 2007, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the Disabled Persons' Homestead Exemption.

In addition, the Disabled Veterans Standard Homestead Exemption ("Disabled Veterans Standard Homestead Exemption") provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of \$5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50%, are granted an exemption of \$2,500. Furthermore, the veteran's surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse's new residence, provided that it is the spouse's primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming an exemption under the Disabled Persons' Homestead Exemption cannot claim the aforementioned exemption.

Also, beginning with assessment year 2007, the Returning Veterans' Homestead Exemption ("Returning Veterans' Homestead Exemption") is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of \$5,000, which is applicable in all counties. In order to apply for this exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, subject to some limitations. Those individuals eligible for this exemption may claim the exemption in addition to other homestead exemptions, unless otherwise noted.

### **Tax Levy**

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

### **Property Tax Extension Limitation Law**

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

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

### **Extensions**

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

## Collections

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

<u>TAX LEVY YEAR</u>	<u>SECOND INSTALLMENT PENALTY DATE</u>
1998	November 1, 1999
1999	October 2, 2000
2000	November 2, 2001
2001	November 1, 2002
2002	October 1, 2003
2003	November 15, 2004
2004	November 2, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 1, 2010

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

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

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

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

### **Truth in Taxation Law**

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

## **FINANCIAL INFORMATION**

### **Budget Policies**

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

### **Investment Policy**

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

*Village of Palatine, Cook County, Illinois*  
\$7,000,000 General Obligation Bonds, Series 2011A  
\$885,000\* General Obligation Refunding Bonds, Series 2011B  
\*Subject to change.

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

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

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

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

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

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

## **Financial Reports**

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

## **No Consent or Updated Information Requested of the Auditor**

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this "**FINANCIAL INFORMATION**" section and in **APPENDIX A** are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended December 31, 2009 (the "2009 Audit"). The 2009 Audit has been prepared by Sikich Professional Services & Support, Certified Public Accountants, Aurora, Illinois, (the "Auditor"), and approved by formal action of the Village Council. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2009 Audit. The inclusion of the Excerpted Financial Information in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2009 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2009 Audit should be directed to the Village.

## Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. The Village is currently operating under a balanced budget for its 2011 fiscal year. To date, revenues and expenditures have been generally within budgeted amounts. See **APPENDIX A** for excerpts of the Village's 2009 fiscal year audit.

### Statement of Net Assets Governmental Activities

	Audited As of December 31					Unaudited Preliminary 2010
	2005	2006	2007	2008	2009	
<b>ASSETS:</b>						
Cash and Investments.....	\$ 22,470,388	\$ 25,625,486	\$ 30,919,874	\$ 33,830,550	\$ 41,092,478	\$ 46,588,210
Receivables, Net:						
Property Taxes.....	18,825,816	19,544,767	22,607,093	21,471,347	22,126,014	25,644,551
Notes.....	250,000	0	0	0	0	0
Other.....	641,668	993,583	915,111	551,998	646,583	526,584
Prepaid Expenses.....	0	0	73,053	133,395	167,045	97,016
Inventories.....	173,345	172,370	167,601	188,596	198,530	203,515
Due From Other Governments.....	5,173,984	4,353,145	4,350,197	4,086,777	4,529,386	8,543,980
Due From/To Other Funds.....	(35,475)	0	0	0	88,369	0
Advance to Fiduciary Fund.....	128,568	105,547	84,415	63,599	41,965	12,208
Land Held For Resale.....	4,835,035	7,036,436	17,179,038	7,925,853	22,554,647	24,636,780
Restricted Assets:						
Restricted Cash and Investments.....	8,327,359	10,334,337	12,548,502	8,429,592	0	0
Deferred Charges.....	976,536	0	824,470	734,685	1,046,585	1,416,295
Capital Assets Not Being Depreciated.....	142,449,702	142,449,702	142,449,702	142,468,084	154,299,245	160,770,751
Capital Assets Being Depreciated.....	39,730,870	38,547,131	39,679,299	26,372,547	25,755,678	24,801,596
Total Assets.....	<u>\$243,947,796</u>	<u>\$249,162,504</u>	<u>\$271,798,355</u>	<u>\$246,257,023</u>	<u>\$272,546,525</u>	<u>\$293,241,486</u>
<b>LIABILITIES:</b>						
Accounts Payable.....	\$ 1,129,050	\$ 2,023,339	\$ 2,384,630	\$ 3,479,569	\$ 1,938,801	\$ 2,899,974
Accrued Payroll.....	737,760	531,955	452,050	1,252,204	1,975,442	602,920
Accrued Interest Payable.....	633,425	971,116	975,454	931,133	398,350	640,110
Due to Fiduciary and Other Funds.....	0	0	0	0	175,675	564,971
Due to Other Governments.....	0	0	106,734	55,236	0	0
Deposits Payable.....	1,615,775	1,577,445	1,310,343	990,484	424,148	352,410
Claims Payable.....	300,000	300,000	300,000	473,000	661,059	633,976
Other Payables.....	29,981	101,070	52,810	24,829	234,020	64,487
Deferred Property Tax Revenue.....	18,825,816	19,544,767	20,437,810	21,020,000	21,400,906	22,014,359
Other Deferred Revenues.....	634,823	293,701	238,085	232,863	4,030	130,771
Noncurrent Liabilities:						
Due Within One Year.....	6,018,764	7,109,730	7,505,109	6,923,342	5,804,005	6,092,564
Due In More Than One Year.....	<u>77,950,307</u>	<u>74,745,564</u>	<u>85,599,748</u>	<u>63,646,581</u>	<u>\$ 80,946,614</u>	<u>94,716,022</u>
Total Liabilities.....	<u>\$107,875,701</u>	<u>\$107,198,687</u>	<u>\$119,362,773</u>	<u>\$ 99,029,241</u>	<u>\$113,963,050</u>	<u>\$128,712,564</u>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Related Debt \$100,693,938	\$105,405,740	\$ 92,401,441	\$101,570,852	\$133,517,262	\$133,599,587	
Restricted For:						
Streets and Highways.....	353,229	262,620	320,875	328,387	162,852	287,280
Economic Development.....	7,411,367	2,675,681	2,120,713	0	0	0
Debt Service.....	10,409,015	12,617,668	14,842,673	10,690,591	6,861,017	6,960,461
Special Purposes.....	1,556,649	6,022,283	7,063,365	9,985,897	35,375,963	32,999,035
Public Safety.....	0	0	0	0	0	394,467
Unrestricted.....	<u>15,647,897</u>	<u>14,979,825</u>	<u>35,686,515</u>	<u>24,652,055</u>	<u>(17,333,619)</u>	<u>(9,711,908)</u>
Total Net Assets.....	<u>\$136,072,095</u>	<u>\$141,963,817</u>	<u>\$152,435,582</u>	<u>\$147,227,782</u>	<u>\$158,583,475</u>	<u>\$164,528,922</u>

Village of Palatine, Cook County, Illinois  
 \$7,000,000 General Obligation Bonds, Series 2011A  
 \$885,000\* General Obligation Refunding Bonds, Series 2011B  
 \*Subject to change.

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

	Audited for the Fiscal Year Ending December 31					Unaudited Preliminary 2010
	2005	2006	2007	2008	2009	
<b>EXPENSES:</b>						
General Government.....	\$ (2,563,021)	\$ (2,529,469)	\$ (4,102,437)	\$ (4,991,167)	\$ (1,399,413)	\$ (4,066,477)
Public Safety.....	(23,803,354)	(25,921,803)	(26,318,282)	(28,751,823)	(30,320,809)	(30,341,302)
Public Works.....	(7,523,320)	(6,366,209)	(6,867,237)	(11,185,406)	(10,215,678)	(7,442,717)
Economic Development.....	(3,372,303)	(9,779,022)	(5,833,489)	(11,026,044)	(479,994)	(4,376,596)
Interest and Fiscal Charges.....	(3,672,282)	(4,295,123)	(4,340,856)	(3,710,426)	(3,411,066)	(3,861,232)
Total Expenses.....	<u>\$ (40,934,280)</u>	<u>\$ (48,891,626)</u>	<u>\$ (47,462,301)</u>	<u>\$ (59,664,866)</u>	<u>\$ (45,826,960)</u>	<u>\$ (50,088,324)</u>
<b>GENERAL REVENUES:</b>						
Taxes:						
Property and Replacement.....	\$ 25,279,383	\$ 29,044,078	\$ 30,267,938	\$ 33,826,733	\$ 34,470,637	\$ 33,436,550
Sales.....	12,503,160	12,723,171	13,059,102	12,554,739	11,063,069	11,684,116
Use.....	771,761	864,346	889,392	956,775	834,769	889,533
Telecommunications.....	2,125,860	2,378,621	2,987,002	2,870,797	2,834,118	2,796,032
Income.....	4,919,232	5,403,355	5,863,302	6,270,922	5,476,622	5,307,674
Food and Beverage.....	1,017,298	1,047,248	1,029,233	1,062,201	1,045,860	1,043,856
Other.....	343,956	391,194	420,513	405,705	240,351	237,067
Investment Income.....	824,104	1,928,010	2,211,847	1,081,574	400,701	305,545
Miscellaneous.....	208,006	248,570	214,546	326,910	403,633	333,398
Gain on Disposal of Capital Assets.....	72,191	0	231,191	171,738	50,333	0
Transfers.....	<u>(1,192,800)</u>	<u>754,755</u>	<u>760,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenues.....	<u>\$ 46,872,151</u>	<u>\$ 54,783,348</u>	<u>\$ 57,934,066</u>	<u>\$ 59,528,094</u>	<u>\$ 56,820,093</u>	<u>\$ 56,033,771</u>
Change in Net Assets.....	\$ 5,937,871	\$ 5,891,722	\$ 10,471,765	\$ (136,772)	\$ 10,993,133	\$ 5,945,447
Net Assets, January 1.....	\$117,284,059	\$136,072,095	\$141,963,817	\$160,650,582(1)	\$147,227,782	\$158,583,475
Prior Period Adjustment.....	12,850,165	0	0	(13,286,028)	362,560	0
Net Assets, December 31.....	<u>\$136,072,095</u>	<u>\$141,963,817</u>	<u>\$152,435,582</u>	<u>\$147,227,782</u>	<u>\$158,583,475</u>	<u>\$164,528,922</u>

Note: (1) As restated.

*Village of Palatine, Cook County, Illinois*  
*\$7,000,000 General Obligation Bonds, Series 2011A*  
*\$885,000\* General Obligation Refunding Bonds, Series 2011B*  
*\*Subject to change.*

**General Fund  
Balance Sheet**

	Audited as of December 31					Unaudited Preliminary 2010
	2005	2006	2007	2008	2009	
<b>ASSETS:</b>						
Cash and Investments.....	\$15,123,023	\$11,622,670	\$12,788,481	\$10,761,900	\$ 8,684,369	\$ 3,642,204
Receivables, Net:						
Property Taxes.....	15,645,500	16,607,585	19,283,541	18,696,914	19,008,383	21,569,355
Other.....	541,668	751,540	856,853	384,847	492,897	498,339
Inventories.....	26,470	0	0	3,281	3,445	0
Prepaid Items.....	0	0	4,793	0	116,643	0
Due From Other Governments.....	3,433,314	3,058,700	3,286,734	3,221,289	3,714,502	5,152,404
Due From Other Funds.....	219,252	0	0	92,006	77,318	0
Advance to Other Funds.....	0	5,042,920	5,287,920	5,532,920	5,777,920	6,022,920
All Other Funds.....	0	0	0	0	0	2,610
Total Assets.....	<u>\$34,989,227</u>	<u>\$37,083,415</u>	<u>\$41,508,322</u>	<u>\$38,693,157</u>	<u>\$37,875,477</u>	<u>\$36,887,832</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
Liabilities:						
Accounts Payable.....	\$ 212,728	\$ 266,919	\$ 819,796	\$ 820,624	\$ 344,057	\$ 205,776
Accrued Payroll.....	727,990	522,080	442,840	1,230,304	1,954,127	0
Deposits Payable.....	1,615,775	1,577,445	1,310,343	990,484	424,148	0
Other Payables.....	29,981	52,401	52,810	24,829	65,091	0
Deferred Property Taxes.....	16,090,618	17,016,788	17,921,800	18,394,293	18,494,720	19,339,080
Due To Other Funds.....	0	0	2,616,733	55,236	87,306	0
All Other Funds.....	0	0	0	0	0	1,572,278
Total Liabilities.....	<u>\$18,677,092</u>	<u>\$19,435,633</u>	<u>\$23,164,322</u>	<u>\$21,515,770</u>	<u>\$21,369,449</u>	<u>\$21,117,134</u>
Fund Balance:						
Reserved For Inventories.....	\$ 26,470	\$ 0	\$ 0	\$ 3,281	\$ 3,445	\$ 0
Reserved For Advances.....	0	5,042,920	5,287,920	5,532,920	5,777,920	0
Reserved For Prepaid Items.....	0	0	0	0	116,643	0
Reserved.....	0	0	0	0	0	6,025,530
Undesignated.....	16,285,665	12,604,862	13,056,080	11,641,186	10,608,020	9,745,168
Total Fund Balance.....	<u>\$16,312,135</u>	<u>\$17,647,782</u>	<u>\$18,344,000</u>	<u>\$17,177,387</u>	<u>\$16,506,028</u>	<u>\$15,770,698</u>
Total Liabilities and Fund Balance	<u>\$34,989,227</u>	<u>\$37,083,415</u>	<u>\$41,508,322</u>	<u>\$38,693,157</u>	<u>\$37,875,477</u>	<u>\$36,887,832</u>

Village of Palatine, Cook County, Illinois  
 \$7,000,000 General Obligation Bonds, Series 2011A  
 \$885,000\* General Obligation Refunding Bonds, Series 2011B  
 \*Subject to change.

**General Fund  
Revenues and Expenditures**

	Audited for the Fiscal Year Ending December 31					Unaudited Preliminary
	2005	2006	2007	2008	2009	2010
<b>REVENUES:</b>						
Taxes:						
Property Tax.....	\$15,362,641	\$16,169,543	\$16,895,147	\$18,715,717	\$18,500,462	\$19,254,593
Personal Property Replacement Tax.....	107,111	112,583	136,891	126,781	111,489	0
State Sales Tax.....	7,861,972	8,100,869	8,271,034	7,881,002	7,070,406	0
Home Rule Sales Tax.....	4,641,188	4,622,302	4,788,068	4,673,737	3,992,663	0
Sales Tax.....	0	0	0	0	0	11,684,116
Local Use Tax.....	771,761	864,346	889,392	956,775	834,769	(1)
Motel Occupancy Tax.....	284,961	334,913	353,581	341,506	229,454	(1)
Food and Beverage Tax.....	1,017,298	1,047,248	1,029,233	1,062,201	1,045,860	(1)
Other Tax.....	0	0	66,932	64,197	10,897	2,287,675
Licenses and Permits.....	3,121,288	3,242,695	3,061,764	3,088,823	3,081,984	3,112,015
Intergovernmental.....	5,787,330	6,590,769	7,083,356	7,537,063	6,750,546	6,675,206
Charges for Services.....	1,950,734	1,768,571	2,056,012	1,768,547	1,812,561	1,768,925
Fines and Forfeits.....	741,524	885,018	893,496	1,061,999	1,856,800	1,239,105
Investment Income.....	348,592	1,137,974	938,750	493,591	307,689	248,896
Miscellaneous.....	338,619	371,053	163,617	182,944	354,154	443,982
Total Revenues.....	\$42,335,019	\$45,247,884	\$46,627,273	\$47,954,883	\$45,959,734	\$46,714,513
<b>EXPENDITURES:</b>						
General Government.....	\$ 6,708,111	\$ 7,719,881	\$ 8,838,522	\$ 10,747,502	\$ 8,507,772	\$ 7,713,816
Public Safety.....	25,640,194	27,386,129	28,822,573	31,524,578	31,678,221	33,445,430
Public Works.....	4,710,929	4,657,122	5,653,227	6,849,416	6,360,644	6,290,597
Total Expenditures.....	\$37,059,234	\$39,763,132	\$43,314,322	\$49,121,496	\$46,546,637	\$47,449,843
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ 5,275,785	\$ 5,484,752	\$ 3,312,951	\$(1,166,613)	\$ (586,903)	\$ (735,330)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In.....	\$ 93,530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers (Out).....	(1,400,000)	(4,149,105)	(2,616,733)	0	(84,456)	0
Total Other Financing Sources (Uses)....	\$1,306,470	\$4,149,105	\$2,616,733	\$ 0	\$ (84,456)	\$ 0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	\$ 3,969,315	\$ 1,335,647	\$ 696,218	\$(1,166,613)	\$ (671,359)	\$ (735,330)
Fund Balance, January 1.....	\$12,342,820	\$16,312,135	\$17,647,782	\$18,344,000	\$17,177,387	\$16,506,028
Fund Balance, December 31.....	\$16,312,135	\$17,647,782	\$18,344,000	\$17,177,387	\$16,506,028	\$15,770,698

Note: (1) Included under Other Tax.

*Village of Palatine, Cook County, Illinois*  
\$7,000,000 General Obligation Bonds, Series 2011A  
\$885,000\* General Obligation Refunding Bonds, Series 2011B  
\*Subject to change.

## **EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS**

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

## **REGISTRATION, TRANSFER AND EXCHANGE**

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The Bonds shall be negotiable, subject to the provisions for registration of transfer contained herein. Each Bond shall be transferable only upon the registration books maintained by the Village for that purpose at the corporate trust office of the bond registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the bond registrar and duly executed by the registered owner or his duly authorized attorney. Upon the surrender for transfer of any such Bond, the Village shall execute and the bond registrar shall authenticate and deliver a new Bond or Bonds registered in the name of the transferee, of the same aggregate principal amount, series, maturity and interest rate as the surrendered Bond. Bonds, upon surrender thereof at the corporate trust office of the bond registrar, with a written instrument satisfactory to the bond registrar, duly executed by the registered owner or his attorney duly authorized in writing, may be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate and of the denominations of \$5,000 or any integral multiple thereof.

For every such exchange or registration of transfer of Bonds, the Village or the bond registrar may make a charge sufficient for the reimbursement of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. No other charge shall be made for the privilege of making such transfer or exchange. The provisions of the Illinois Bond Replacement Act shall govern the replacement of lost, destroyed or defaced Bonds.

The Village and the bond registrar may deem and treat the person in whose name any Bond shall be registered upon the registration books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of or interest thereon and for all other purposes whatsoever, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Village nor the bond registrar shall be affected by any notice to the contrary.

The Bond Registrar shall not be required to transfer or exchange any Bond after notice of the redemption of all or a portion thereof has been mailed. The Bond Registrar shall not be required to transfer or exchange any Bond during a period of 15 days next preceding the mailing of a notice of redemption that could designate for redemption all or a portion of such Bond.

## TAX EXEMPTION

### Summary of Bond Counsel Opinion

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

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

### Bonds Purchased at a Premium or a Discount

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

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

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

## **Exclusion From Gross Income Requirements**

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

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

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

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

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

## **Risks of Non-Compliance**

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

## **Federal Income Tax Consequences**

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

## QUALIFIED TAX EXEMPT OBLIGATIONS

Section 265(b)(3)(B) of the Code provides that certain issues designated or deemed as “qualified tax-exempt obligations” and purchased by financial institutions (either from the issuer or in a secondary market transaction) may be disregarded in computing the proportional disallowance of interest expense provided in such Section. In the Bond Ordinance, the Village has designated the Bonds as “qualified tax-exempt obligations”. In addition, as required by Section 265 of the Code, the Village has represented that the reasonably anticipated amount of “tax-exempt obligations” that are required to be taken into account under Section 265 of the Code and will be issued by the Village and all subordinate entities of the Village during 2011 does not exceed \$10,000,000 except to the extent that refunding bonds may be deemed as “qualified tax-exempt obligations” in excess of \$10,000,000, and has covenanted that it will not designate and issue more than \$10,000,000 aggregate principal amount of “tax-exempt obligations” during 2011. For purposes of the foregoing sentence, the term “tax-exempt obligations” includes “qualified 501(c)(3) bonds” (as defined in Section 145 of the Code), but does not include other “private activity bonds” (as defined in Section 141(a) of the Code).

## CONTINUING DISCLOSURE

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

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

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

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

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

### OPTIONAL REDEMPTION

The 2011A Bonds maturing on or after December 1, 2019, are callable in whole or in part on any date on or after December 1, 2018, at a price of par and accrued interest. If less than all the 2011A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

The 2011B Bonds are non-callable.

### NOTICE OF REDEMPTION

Notice of the redemption of 2011A Bonds shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for such redemption to the registered owners of 2011A Bonds to be redeemed at their last addresses appearing on said registration books. The 2011A Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the 2011A Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such 2011A Bonds or portions thereof shall cease to accrue and become payable.

### LITIGATION

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

### LEGAL MATTERS

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

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

## **OFFICIAL STATEMENT AUTHORIZATION**

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

## **INVESTMENT RATINGS**

Investment ratings for the Bonds have been requested from Moody's Investors Service, New York, New York ("Moody's"), and Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P"). The Village has supplied certain information and material concerning the Bonds and the Village to Moody's and S&P, including certain information and materials which may not have been included in this Official Statement, as part of its application for investment ratings on the Bonds. Ratings reflect only the views of the rating agencies assigning such ratings and an explanation of the significance of such ratings may be obtained from such rating agencies. Generally, such rating services base their ratings on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such ratings will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating services if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment ratings may be obtained from the rating agencies: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658; and Standard & Poor's Corporation, 55 Water Street, New York, New York 10041, telephone 212-438-2000. The Village will provide appropriate periodic credit information to the rating services to maintain ratings on the Bonds.

## **DEFEASANCE AND PAYMENT OF BONDS**

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

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

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

Village of Palatine, Cook County, Illinois  
\$7,000,000 General Obligation Bonds, Series 2011A  
\$885,000\* General Obligation Refunding Bonds, Series 2011B  
\*Subject to change.

### **UNDERWRITING**

The 2011A Bonds were offered for sale by the Village at a public, competitive sale on June 20, 2011. The best bid submitted at the sale was submitted by \_\_\_\_\_ (the "2011A Underwriter"). The Village awarded the contract for sale of the 2011A Bonds to the 2011A Underwriter at a price of \$\_\_\_\_\_. The 2011A Underwriter has represented to the Village that the 2011A Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the addendum to this Official Statement.

The 2011B Bonds were offered for sale by the Village at a public, competitive sale on June 20, 2011. The best bid submitted at the sale was submitted by \_\_\_\_\_ (the "2011B Underwriter"). The Village awarded the contract for sale of the 2011B Bonds to the 2011B Underwriter at a price of \$\_\_\_\_\_. The 2011B Underwriter has represented to the Village that the 2011B Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the addendum to this Official Statement.

### **FINANCIAL ADVISOR**

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

### **CERTIFICATION**

We have examined this Official Statement dated June 7, 2011, for the \$7,000,000 General Obligation Bonds, Series 2011A and the \$885,000\* General Obligation Refunding Bonds, Series 2011B, believe it to be true and correct and will provide to the purchaser of each series of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

\*Subject to change.

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**APPENDIX A**

**VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS**

**EXCERPTS OF FISCAL YEAR 2009 AUDITED FINANCIAL STATEMENTS**

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF NET ASSETS

December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 41,092,478	\$ 5,781,482	\$ 46,873,960
Receivables (net, where applicable, or allowances for uncollectibles)			
Property taxes	22,126,014	-	22,126,014
Accounts	1,432,882	-	1,432,882
Other	633,285	262,194	895,479
Accrued interest	13,298	623	13,921
Due from other funds	88,369	307,878	396,247
Prepaid expenses	167,045	127,525	294,570
Due from other governments	4,529,386	-	4,529,386
Deferred charges	1,046,585	98,139	1,145,724
Inventories	198,520	-	198,520
Land held for resale	22,534,647	-	22,534,647
Advance to fiduciary fund	41,965	-	41,965
Investment in joint venture			
Northwest Water Commission			
Capital assets not being depreciated			
Capital assets being depreciated (net of accumulated depreciation)	154,299,245	11,474,021	157,263,283
Total assets	25,755,678	51,492,323	77,248,001
	<u>272,546,525</u>	<u>73,884,205</u>	<u>346,430,730</u>
<b>LIABILITIES</b>			
Accounts payable	1,938,801	842,678	2,781,479
Accrued payroll	1,975,442	59,920	2,035,362
Accrued interest payable	398,350	57,860	456,210
Due to fiduciary fund	87,306	-	87,306
Due to other funds	88,369	307,878	396,247
Deposits payable	424,148	175,842	599,990
Claims payable	661,059	-	661,059
Other payables	234,020	696	234,716
Unearned property tax revenue	21,400,906	-	21,400,906
Other deferred revenues	4,030	414,954	418,984
Noncurrent liabilities			
Due within one year	5,804,005	1,628,480	7,432,485
Due in more than one year	80,946,614	19,356,125	100,302,739
Total liabilities	113,963,050	23,344,433	137,307,483
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	133,517,262	38,891,700	172,408,962
Restricted for			
Streets and highways	162,832	-	162,832
Debt service	6,861,017	-	6,861,017
Capital projects	35,375,963	11,648,072	35,375,963
Unrestricted	(17,333,619)		(17,333,619)
<b>TOTAL NET ASSETS</b>	<b>\$ 158,583,475</b>	<b>\$ 50,539,772</b>	<b>\$ 209,123,247</b>

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

FUNCTIONS/PROGRAMS	Program Revenues		
	Charges for Services	Operating Grants	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities			
General government	\$ 6,025,934	\$ 4,192,225	\$ 434,316
Public safety	34,640,294	3,750,916	137,950
Public works	12,267,758	259,356	1,792,124
Economic development	1,539,146	-	59,152
Interest and fiscal charges	3,411,066	-	1,000,000
<b>Total governmental activities</b>	<b>57,884,218</b>	<b>8,202,497</b>	<b>2,262,495</b>
Business-Type Activities			
Waterworks	6,188,396	6,417,950	-
Sewerage	3,391,245	3,128,333	4,271
Motor vehicle parking system	1,431,482	650,319	-
Refuse collection	4,227,437	4,414,604	-
<b>Total business-type activities</b>	<b>15,238,560</b>	<b>14,591,206</b>	<b>4,271</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 73,122,778</b>	<b>\$ 22,793,703</b>	<b>\$ 1,596,537</b>

TOTAL PRIMARY GOVERNMENT

Net (Expense) Revenue and Change in Net Assets					
Primary Government					
Governmental Activities	Business-Type Activities	Activities	Grants	Capital Grants and Contributions	Total
\$ (1,399,413)	\$ -	\$ -	\$ (1,399,413)	\$ -	\$ (1,399,413)
(30,320,809)	-	-	(30,320,809)	-	(30,320,809)
(10,215,678)	-	-	(10,215,678)	-	(10,215,678)
(479,984)	-	-	(479,984)	-	(479,984)
(3,411,066)	-	-	(3,411,066)	-	(3,411,066)
<b>(45,826,960)</b>	<b>-</b>	<b>-</b>	<b>(45,826,960)</b>	<b>-</b>	<b>(45,826,960)</b>
General Revenues					
Taxes					
Property and replacement					34,470,637
Sales					7,070,406
Home rule sales					3,992,663
Use					834,769
Telecommunications					2,834,118
Income					5,476,622
Food and beverage					1,045,860
Other					240,351
Investment income					400,701
Miscellaneous					403,633
Gain on disposal of capital assets					50,333
Total					56,820,093
CHANGE IN NET ASSETS					
NET ASSETS, JANUARY 1					10,993,133
Prior period adjustment					147,221,782
NET ASSETS, JANUARY 1, AS RESTATED					51,151,124
NET ASSETS, DECEMBER 31					198,741,466
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 158,582,475</b>	<b>\$ 50,539,772</b>	<b>\$ 209,123,247</b>	<b>\$ 362,560</b>	<b>\$ 10,381,781</b>

## VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2009

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond Series of 1998	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 8,684,369	\$ 7,510,315	\$ 1,558,452	\$ 2,108,436	\$ 4,655,757	\$ 10,305,135	\$ 34,822,464
Receivables (net, where applicable, of allowances for uncollectibles)							
Property taxes	19,008,383	173,591	173,096	2,756,487	14,457	-	22,126,014
Other	492,897	1,471	-	-	-	-	494,368
Accrued interest	-	-	-	1,154	-	4,346	5,500
Prepays	116,643	-	-	-	-	-	116,643
Due from other funds	77,318	-	-	-	-	-	77,318
Due from other governments	3,714,502	-	-	-	-	814,884	4,529,386
Inventories	3,445	-	-	-	-	-	3,445
Land held for resale	-	12,414,849	10,139,798	-	-	-	22,554,647
Advance to other funds	5,777,920	-	-	-	-	-	5,777,920
Advance to fiduciary fund	-	-	-	-	-	41,965	41,965
<b>TOTAL ASSETS</b>	<b>\$ 37,875,477</b>	<b>\$ 20,100,226</b>	<b>\$ 11,871,346</b>	<b>\$ 4,866,077</b>	<b>\$ 4,670,214</b>	<b>\$ 11,166,330</b>	<b>\$ 90,549,670</b>

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond Series of 1998	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 344,057	\$ 89,239	\$ 582,849	\$ -	\$ -	\$ 465,638	\$ 1,481,783
Accrued payroll	1,954,127	-	-	-	-	-	1,954,127
Due to other funds	-	-	-	-	-	77,318	77,318
Deposits payable	424,148	-	-	-	-	-	424,148
Other payables	65,091	81,495	85,757	-	-	1,677	234,020
Due to fiduciary funds	87,306	-	-	-	-	-	87,306
Deferred property taxes	18,494,720	-	-	2,675,274	-	230,912	21,400,906
Advance from other funds	-	5,777,920	-	-	-	-	5,777,920
<b>Total liabilities</b>	<b>\$ 21,369,449</b>	<b>5,948,654</b>	<b>668,606</b>	<b>2,675,274</b>	<b>-</b>	<b>775,545</b>	<b>31,437,528</b>
<b>FUND BALANCES</b>							
Reserved for inventories	3,445	-	-	-	-	-	3,445
Reserved for advances	5,777,920	-	-	-	-	41,965	5,819,885
Reserved for prepaid items	116,643	-	-	-	-	-	116,643
Reserved for land held for resale	-	12,414,849	10,139,798	-	-	-	22,554,647
Reserved for maintenance of roadways	-	-	-	-	-	162,852	162,852
Reserved for debt service	-	-	-	2,190,803	4,670,214	-	6,861,017
Reserved for special projects	-	1,736,723	1,062,942	-	-	10,021,651	12,821,316
Reserved for public safety	-	-	-	-	-	271,092	271,092
Unreserved	-	-	-	-	-	-	-
Capital projects funds (deficit)	-	-	-	-	-	(106,775)	(106,775)
Undesignated - General Fund	10,608,020	-	-	-	-	-	10,608,020
Undesignated - Special Revenue Funds	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ 16,506,028</b>	<b>14,151,572</b>	<b>11,202,740</b>	<b>2,190,803</b>	<b>4,670,214</b>	<b>10,390,785</b>	<b>\$ 59,112,142</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 37,875,477</b>	<b>\$ 20,100,226</b>	<b>\$ 11,871,346</b>	<b>\$ 4,866,077</b>	<b>\$ 4,670,214</b>	<b>\$ 11,166,330</b>	<b>\$ 90,549,670</b>

## VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2009

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 59,112,142
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	180,054,923
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(83,451,625)
Issuance costs (deferred charges) are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	1,046,585
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	74,865
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	(213,555)
Loss on refundings are reported as reduction of long-term debt on the statement of net assets	158,475
Accrued interest on long-term debt is reported as a liability on the statement of net assets	(398,350)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,655,107)
Less compensated absences payable reported in internal service funds	54,541
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	5,464,253
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(449,820)
The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(1,213,852)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 158,583,475

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2009

						Tax Increment Revenue Refunding Bond Series of 1998	Nonmajor Governmental Funds	Total Governmental Funds
	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond				
<b>REVENUES</b>								
Taxes	\$ 31,796,000	\$ 6,268,686	\$ 3,316,353	\$ 2,593,318	\$ 3,680,329	\$ 2,834,118	\$ 50,488,804	
Licenses and permits	3,081,984	-	-	-	-	-	3,081,984	
Intergovernmental	6,750,546	-	-	59,152	-	2,564,743	9,374,441	
Charges for services	1,812,561	-	-	-	-	32,861	1,845,422	
Fines and forfeits	1,856,800	-	-	-	-	91,279	1,948,079	
Investment income	307,689	12,194	3,680	7,839	48,350	24,946	404,698	
Contributions	-	-	1,000,000	-	-	-	-	1,000,000
Miscellaneous	354,154	25,028	-	-	-	304,408	683,590	
<b>Total revenues</b>	<b>45,959,734</b>	<b>6,305,908</b>	<b>4,320,033</b>	<b>2,660,309</b>	<b>3,728,679</b>	<b>5,852,355</b>	<b>68,827,018</b>	
<b>EXPENDITURES</b>								
Current								
General government	8,507,772	-	-	-	-	-	8,507,772	
Public safety	31,678,221	-	-	-	-	-	31,678,221	
Public works	6,360,644	-	-	-	-	2,010,108	8,370,752	
Economic development	-	926,155	491,366	-	-	87,056	1,504,577	
Capital outlay	-	-	-	-	-	15,945,994	15,945,994	
Debt service								
Principal	-	2,743,429	863,924	2,229,810	6,812,100	-	12,649,263	
Interest and fiscal charges	-	1,881,902	831,543	610,982	640,124	-	3,964,551	
Bond issuance costs	-	-	84,983	209,504	-	-	294,487	
<b>Total expenditures</b>	<b>46,546,637</b>	<b>5,551,486</b>	<b>2,271,816</b>	<b>3,050,296</b>	<b>7,452,224</b>	<b>18,043,158</b>	<b>82,915,617</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(586,903)</b>	<b>754,422</b>	<b>2,048,217</b>	<b>(389,987)</b>	<b>(3,723,545)</b>	<b>(12,190,803)</b>	<b>(14,088,599)</b>	

						Tax Increment Revenue Refunding Bond Series of 1998	Nonmajor Governmental Funds	Total Governmental Funds
	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond				
<b>OTHER FINANCING SOURCES (USES)</b>								
Bonds issued, at par	\$ -	\$ 8,500,000	\$ 8,000,000	\$ 4,809,660	\$ -	\$ 12,030,655	\$ 33,340,315	
Bond premium	-	-	-	152,558	-	-	152,558	
Payment to refunded bond escrow	-	-	-	(4,678,260)	-	-	(4,678,260)	
Proceeds from sale of capital assets	-	-	-	-	-	88,594	88,594	
Transfers in	-	-	-	-	-	84,456	84,456	
Transfers(out)	(84,456)	-	-	-	-	-	(84,456)	
<b>Total other financing sources (uses)</b>	<b>(84,456)</b>	<b>8,500,000</b>	<b>8,000,000</b>	<b>283,958</b>	<b>-</b>	<b>12,203,705</b>	<b>28,903,207</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(671,359)</b>	<b>9,254,422</b>	<b>10,048,217</b>	<b>(106,029)</b>	<b>(3,723,545)</b>	<b>12,902</b>	<b>14,814,608</b>	
<b>FUND BALANCES, JANUARY 1</b>	<b>17,177,387</b>	<b>4,897,150</b>	<b>1,154,523</b>	<b>2,296,832</b>	<b>8,393,759</b>	<b>10,377,883</b>	<b>44,297,534</b>	
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 16,506,028</b>	<b>\$ 14,151,572</b>	<b>\$ 11,202,740</b>	<b>\$ 2,190,803</b>	<b>\$ 4,670,214</b>	<b>\$ 10,390,785</b>	<b>\$ 59,112,142</b>	

## VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2009

NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS

\$ 14,814,608

Amounts reported for governmental activities in the statement of activities  
are different because:Governmental funds report capital outlay as an expenditure; however, they  
are capitalized and depreciated in the statement of activitiesSome expenses in the statement of activities (e.g., depreciation) do not require  
the use of current financial resources and, therefore, are not reported as  
expenditures in governmental fundsThe issuance of long-term debt is reported as an other financing source in  
governmental funds but as an increase of principal outstanding in the  
statement of activitiesThe repayment of principal on long-term debt is reported as an expenditure  
in governmental funds but as a reduction of principal outstanding  
in the statement of activitiesThe loss on refunding of bonds is reported as a deferred change in the statement  
of activities from the sale of capital assets are reported as an other financing  
source in the governmental fundsGain on disposal of capital assets is reported as revenue in the  
statement of activitiesBond issuance costs are reported as expenditures in the governmental funds  
and are deferred in the statement of activitiesThe amortization of issuance costs on long-term debt is reported as an expense  
on the statement of activitiesThe amortization of discount on long-term debt is reported as an expense on the  
statement of activitiesThe premium on long-term debt issued is reported as an other financing source  
in the governmental funds and are deferred in the statement of activitiesThe amortization of premium on long-term debt is reported as revenue on the  
statement of activitiesThe amortization on the loss on refunding on long-term debt is reported as an  
expense on the statement of activitiesThe change in the accrual of interest on long-term debt is reported as an  
expense on the statement of activitiesThe change in compensated absence payable is shown as an expense on  
the statement of activitiesThe change in net assets of certain activities of internal service funds is  
reported in governmental funds on the statement of activitiesThe change in net OPEB obligation is not a current financial resource and,  
therefore, is not reported in the governmental fundsThe change in net pension obligation is not a current financial resource and,  
therefore, is not reported in the governmental funds

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

12,599,098	
(1,709,105)	
	(33,340,115)
	17,218,444
	109,080
	(88,594)
	50,133
	406,245
	(94,345)
	(5,480)
	(152,560)
	21,120
	(12,150)
	532,783
	(91,549)
	682,779
	(124,527)
	197,468
	<u>\$ 10,993,132</u>

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## VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

December 31, 2009

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
<b>CURRENT ASSETS</b>							
Cash and investments	\$ -	\$ 3,082,567	\$ 1,008,513	\$ 1,690,402	\$ 5,781,482	\$ 6,270,014	
Receivables (net, where applicable, of allowances for uncollectibles)							
Accounts	878,277	454,469	-	100,136	1,432,882	-	
Other	8,420	71,994	-	181,780	262,194	138,917	
Accrued interest	-	-	-	623	623	7,798	
Prepaid expenses	-	-	-	127,525	127,525	50,402	
Due from other funds	-	307,878	-	-	307,878	11,051	
Inventories	-	-	-	-	-	195,085	
Deferred charges	47,165	51,974	-	-	99,139	-	
<b>Total current assets</b>	<b>933,862</b>	<b>3,968,882</b>	<b>1,008,513</b>	<b>2,100,466</b>	<b>8,011,723</b>	<b>6,673,267</b>	
<b>NONCURRENT ASSETS</b>							
Capital assets							
Land	740,200	-	2,165,938	-	2,906,138	-	
Systems and improvements	23,451,212	56,827,566	15,673,130	-	95,951,908	-	
Machinery and equipment	1,967,489	221,450	-	-	2,188,939	-	
Accumulated depreciation	(11,728,446)	(29,327,458)	(5,592,620)	-	(46,648,524)	-	
Net capital assets	14,430,455	27,721,558	12,246,448	-	54,398,461	-	
Other assets							
Investment in joint venture							
Northwest Water Commission	11,474,021	-	-	-	11,474,021	-	
Total noncurrent assets	<b>25,904,476</b>	<b>27,721,558</b>	<b>12,246,448</b>	<b>-</b>	<b>65,872,482</b>	<b>-</b>	
<b>Total assets</b>	<b>26,838,338</b>	<b>31,690,440</b>	<b>13,254,961</b>	<b>2,100,466</b>	<b>73,884,205</b>	<b>6,673,267</b>	
	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 173,646	\$ 147,739	\$ 57,774	\$ 463,519	\$ 842,678	\$ 457,018	
Accrued payroll	43,215	16,705	-	-	59,920	21,315	
Due to other funds	307,878	-	-	-	307,878	11,051	
Accrued interest payable	12,510	45,350	-	-	57,860	-	
Deposits payable	175,842	-	-	-	175,842	-	
Claims payable	-	-	-	-	-	661,059	
Other payables	696	-	-	-	696	-	
Deferred revenues	-	270,734	-	144,220	414,954	4,030	
Compensated absences payable	15,195	3,115	-	-	18,310	-	
General obligation bonds payable	912,740	697,430	-	-	1,610,170	-	
<b>Total current liabilities</b>	<b>1,641,722</b>	<b>1,181,073</b>	<b>57,774</b>	<b>607,739</b>	<b>3,488,308</b>	<b>1,154,473</b>	
<b>LONG-TERM LIABILITIES</b>							
Compensated absences payable	60,667	12,377	-	-	73,044	54,541	
General obligation bonds payable	7,938,818	11,844,263	-	-	19,783,081	-	
<b>Total long-term liabilities</b>	<b>7,999,485</b>	<b>11,856,640</b>	<b>-</b>	<b>-</b>	<b>19,856,125</b>	<b>54,541</b>	
<b>Total liabilities</b>	<b>9,641,207</b>	<b>13,037,713</b>	<b>57,774</b>	<b>607,739</b>	<b>23,344,433</b>	<b>1,209,014</b>	
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	8,919,640	17,725,612	12,246,448	-	38,891,700	-	
Unrestricted	8,277,491	927,115	950,739	1,492,727	11,648,072	5,464,253	
<b>TOTAL NET ASSETS</b>	<b>\$ 17,197,131</b>	<b>\$ 18,652,727</b>	<b>\$ 13,197,187</b>	<b>\$ 1,492,727</b>	<b>\$ 50,539,772</b>	<b>\$ 5,464,253</b>	

## VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2009

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle	Refuse Collection	Total	Internal Service	
<b>OPERATING REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,050
Charges for services	6,370,034	3,128,333	613,678	4,382,095	14,494,140		8,339,498
Miscellaneous	47,916	-	16,641	32,509	97,066		102,885
Total operating revenues	<b>6,417,950</b>	<b>3,128,333</b>	<b>630,319</b>	<b>4,414,604</b>	<b>14,591,206</b>		<b>8,554,433</b>
<b>OPERATING EXPENSES</b>							
EXCLUDING DEPRECIATION							
Costs of sales and services	4,851,580	1,636,260	657,822	4,227,437	11,373,099		7,911,669
Total operating expenses excluding depreciation	<b>4,851,580</b>	<b>1,636,260</b>	<b>657,822</b>	<b>4,227,437</b>	<b>11,373,099</b>		<b>7,911,669</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>1,566,370</b>	<b>1,492,073</b>	<b>(27,503)</b>	<b>187,167</b>	<b>3,218,107</b>		<b>642,764</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>719,311</b>	<b>1,159,078</b>	<b>773,660</b>	<b>-</b>	<b>2,652,049</b>		<b>-</b>
<b>OPERATING INCOME (LOSS)</b>	<b>847,059</b>	<b>332,995</b>	<b>(801,163)</b>	<b>187,167</b>	<b>566,058</b>		<b>642,764</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	1,875	24,500	2,132	3,224	31,731		20,015
Loss on disposal of capital assets	(49,375)	-	-	-	(49,375)		-
Interest expense	(523,964)	(595,907)	-	-	(1,119,871)		-
Joint venture	(44,166)	-	-	-	(44,166)		-
Total nonoperating revenues (expenses)	<b>(615,630)</b>	<b>(571,407)</b>	<b>2,132</b>	<b>3,224</b>	<b>(1,181,681)</b>		<b>20,015</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>231,429</b>	<b>(238,412)</b>	<b>(799,031)</b>	<b>190,391</b>	<b>(611,392)</b>		<b>662,779</b>

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle	Refuse Collection	Total	Internal Service	
<b>CONTRIBUTIONS</b>	\$ -	\$ 4,271	\$ -	\$ -	\$ 4,271	\$ -	
Total contributions	-	4,271	-	-	4,271	-	
<b>CHANGE IN NET ASSETS</b>	<b>231,429</b>	<b>(238,412)</b>	<b>(799,031)</b>	<b>190,391</b>	<b>(611,392)</b>		<b>662,779</b>
<b>NET ASSETS, JANUARY 1</b>	<b>16,965,702</b>	<b>18,886,868</b>	<b>13,996,218</b>	<b>1,302,336</b>	<b>51,151,124</b>		<b>4,801,474</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 17,197,131</b>	<b>\$ 18,652,727</b>	<b>\$ 13,197,187</b>	<b>\$ 1,492,727</b>	<b>\$ 50,539,772</b>		<b>\$ 5,464,253</b>

## VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2009

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle	Refuse Collection	Total	Internal Service	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 6,433,223	\$ 3,084,582	\$ 630,319	\$ 4,371,653	\$ 14,519,777	\$ -	
Receipts from interfund services transactions	307,878	(307,878)	-	-	-	8,583,360	
Payments to suppliers	(3,993,231)	(2,341,058)	(709,900)	(4,205,022)	(11,249,211)	(6,838,958)	
Payments to employees	(927,488)	404,810	-	-	(522,678)	(513,199)	
Net cash from operating activities	1,820,382	840,456	(79,581)	166,631	2,747,888	1,231,203	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Income from joint venture	5,034	-	-	-	-	5,034	
Transfers in	-	-	-	-	-	-	(92,006)
Net cash from noncapital financing activities	5,034	-	-	-	-	5,034	(92,006)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital assets purchased	(1,106,617)	(2,562,499)	-	-	-	(3,669,116)	-
Principal payments on long-term debt	(872,780)	(632,810)	-	-	-	(1,505,190)	-
Interest paid on long-term debt	(191,054)	(576,833)	-	-	-	(767,887)	-
Gain (loss) from sale of capital assets	(49,375)	-	-	-	-	(49,375)	-
Proceeds from issuance of long-term debt	-	6,735	-	-	-	6,735	-
Payment of bond issuance costs	-	885	-	-	-	885	-
Net cash from capital and related financing activities	(2,219,826)	(3,764,122)	-	-	-	(5,983,948)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest received	1,875	24,500	2,132	2,601	31,108	12,218	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(392,535)	(2,899,166)	(77,449)	169,232	(3,199,918)	1,151,415	
CASH AND CASH EQUIVALENTS, JANUARY 1	392,535	5,981,733	1,085,962	1,521,170	8,981,400	5,118,599	
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 3,082,567	\$ 1,008,513	\$ 1,690,402	\$ 5,781,482	\$ 6,270,014	

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle	Parking System	Refuse Collection	Total	Internal Service
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 847,059	\$ 332,995	\$ (801,163)	\$ 187,167	\$ 566,058	\$ 642,764	
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation	719,311	1,159,078	773,660	-	2,652,049	-	
(Increase) decrease in Accounts receivables	23,693	(5,422)	-	(51)	18,220	-	
Other receivables	(8,420)	(38,329)	-	(43,970)	(90,719)	28,233	
Due from other funds	-	(307,878)	-	-	(307,878)	-	
Prepaid expenses	-	-	-	8,530	8,530	82,993	
Inventories	-	-	-	-	-	(9,770)	
Increase (decrease) in Accounts payable	(72,200)	(318,492)	(52,078)	13,885	(428,885)	298,788	
Accrued payroll	5,365	170	-	-	5,535	(585)	
Deferred revenues	-	-	-	-	-	694	
Claims payable	-	-	-	-	-	188,059	
Due to other funds	307,878	-	-	-	307,878	-	
Deposits payable	(6,964)	-	-	-	(6,964)	-	
Other payables	696	-	-	-	696	-	
Deferred revenues	-	12,487	-	1,070	13,557	-	
Compensated absences payable	3,964	5,847	-	-	9,811	27	
NET CASH FROM OPERATING ACTIVITIES	\$ 1,820,382	\$ 840,456	\$ (79,581)	\$ 166,631	\$ 2,747,888	\$ 1,231,203	

## VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

December 31, 2009

	Pension	Trust	Agency
ASSETS			
Cash and cash equivalents			
Investments	\$ 4,507,108	\$ 824,891	
U.S. Treasury securities	25,750,050	-	
U.S. agency securities	9,798,462	-	
Money market mutual funds	18,766,855	-	
Mutual funds	16,937,737	-	
Receivables			
Property taxes	204,896	664,332	
Accrued interest	3,734	-	
Miscellaneous	87,306	-	
Due from primary government			
Advance to other funds		63,599	
Total assets	<u>76,056,148</u>	<u>\$ 1,552,822</u>	
LIABILITIES			
Deferred revenues	61,597	\$ 631,965	
Other liabilities	-	878,892	
Due to bondholders			
Advances from other funds		41,965	
Total liabilities	<u>61,597</u>	<u>\$ 1,552,822</u>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 75,994,551</u>		

ADDITIONS	Pensions	Trust	Agency
Contributions			
Employer			
Employee			
Total contributions			<u>4,824,130</u>
Investment income			
Net appreciation in fair value of investments			
Interest			
Total investment income			<u>5,784,444</u>
Less investment expense			
(292,969)			
Net investment income			<u>5,491,475</u>
Miscellaneous income			
Total additions			<u>10,322,188</u>
DEDUCTIONS			
Administration			
Benefits			
Refunds of benefits			
Total deductions			<u>4,582,308</u>
NET INCREASE			
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			<u>5,739,880</u>
January 1			<u>70,254,671</u>
December 31			<u>\$ 75,994,551</u>

VILLAGE OF PALATINE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

Police Pension Employees Retirement System

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Mayor, one elected pension beneficiary and two elected police employees constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Village (internal service funds). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Village has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Tax Increment Revenue Refunding Bond Series of 1998 Fund accounts for the accumulation of resources and payment of the principal and interest of the Village's TIF revenue bonds and TIF notes. Financing is provided by incremental property tax revenue.

The Village reports the following major proprietary funds:

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

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

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

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

Additionally, the Village reports the following proprietary fund:

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

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund. The Special Service Area Fund is reported as an agency fund.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(Continued)

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Interfund Receivables/Payables

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

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

g. Inventories

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

h. Restricted Assets

Restricted assets in governmental activities/funds include cash and investments in the debt service funds restricted for tax increment financing debt repayment.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Deferred Charges

Deferred changes in the governmental activities in the government-wide financial statements represents bond issuance costs which are being amortized over the life of the bonds.

j. Prepaid Items/Expenses

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

k. Land Held for Resale

Land held for resale is valued at the lower of cost or market. Reported land held for resale is equally offset by a fund balance reserve, which indicates that it does not constitute available spendable resources. The land held consists of numerous parcels within the Downtown TIF District and the Rand Corridor District that the Village owns and is holding until sold. It is anticipated that these parcels will be sold in 2010.

l. Capital Assets

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

Capitalization Threshold

Asset Class	
Building improvements, land improvements	\$ 200,000
Infrastructure	250,000
Vehicles, machinery and equipment	50,000

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Capital Assets (Continued)

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

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

m. Compensated Absences

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

n. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2009, the Village has accrued no potential arbitrage liability. Where applicable, any liability for rebatable arbitrage is reported in the funds in which the excess interest income was recorded.

o. Long-Term Obligations

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Long-Term Obligations (Continued)

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

p. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the Village's net assets are restricted as a result of enabling legislation adopted by the Village. Invested in capital assets, net of related debt, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

q. Interfund Transactions

Interfund services transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services transactions and reimbursements, are reported as transfers.

2. DEPOSITS AND INVESTMENTS

a. Village Investments

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

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

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

Deposits with Financial Institutions

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

Deposits with Financial Institutions (Continued)

The following table presents the investments and maturities of the Village's debt securities as of December 31, 2009:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	Greater than 10
Money market mutual funds	\$ 9,713,329	\$ 9,713,329	\$ -	\$ -	\$ -
Illinois Funds	20,199,770	20,199,770	-	-	-
<b>TOTAL</b>	<b>\$ 29,913,099</b>	<b>\$ 29,913,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in external investment pools. Illinois Funds is rated AAA. Illinois Funds is an investment pool managed by the State of Illinois' Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold. The money market mutual funds are rated AAA.

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

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. At December 31, 2009, the Village had greater than 2% of its overall portfolio invested in money market mutual funds and U.S. Treasury obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments

The Police Pension Fund's investment policy authorizes the Police Pension Fund to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock and Illinois funds (created by the Illinois State Legislature under the control of the State Comptroller) that maintains a \$1 per share value which is equal to the participants fair value.

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at December 31, 2009 are covered by Federal Depository Insurance.

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2009:

Investment Type	Fair Value	Investment Maturities in Years		
		Less Than 1-5	1-10	Greater than 10
U.S. Treasury obligations	\$ 3,233,568	\$ 1,151,639	\$ 2,455,189	\$ 778,373
U.S. agency obligations	8,958,515	-	-	1,198,963
Money market mutual funds	3,601,892	3,601,892	-	6,607,916
Illinois Funds	3,608,797	3,608,797	-	-
<b>TOTAL</b>	<b>\$ 19,402,792</b>	<b>\$ 8,362,328</b>	<b>\$ 2,455,189</b>	<b>\$ 1,977,359</b>
				<b>\$ 6,607,936</b>

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

Investments (Continued)

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

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. Illinois Funds and the money market mutual funds are rated AAA. The U.S. agency obligations, for those rated, range in rating from AAA to AA-. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held in a custodial account with the trust department of an approved financial institution. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk is the risk that the Police Pension Fund has a high percentage of their investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25%-35% and 0%-5% ranges, respectively. Fixed income securities should comprise 60%-75% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2009. At December 31, 2009, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Police Pension Fund's investment policy.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments

The Firefighters' Pension Fund's investment policy authorizes the Firefighters' Pension Fund to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants' fair value).

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

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Firefighters' Pension Fund's deposits may not be returned to it. The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at December 31, 2009 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of December 31, 2009:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 22,516,482	\$ 22,516,482	\$ 800,599	\$ 13,494	\$ 25,834
U.S. Agency obligations	839,927	-	-	-	-
Money market mutual funds	15,164,963	15,164,963	-	-	-
Illinois Funds	800,490	800,490	-	-	-
<b>TOTAL</b>	<b>\$ 39,321,862</b>	<b>\$ 15,965,453</b>	<b>\$ 23,317,081</b>	<b>\$ 13,494</b>	<b>\$ 25,834</b>

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments (Continued)

Investments (Continued)

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

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency. Illinois Funds and the equity securities are rated AAA. The U.S. agency obligations, for those rated, range in rating from AAA to AA-.

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

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25% - 35% and 0% - 3% ranges, respectively. Fixed income securities should comprise 60% - 75% of investments. Cash holdings should be 0% - 1%. All investments fall within their acceptable ranges at December 31, 2009. At December 31, 2009, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Firefighters' Pension Fund's investment policy.

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

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

3. RECEIVABLES

a. Taxes

Property taxes for 2009 attach as an enforceable lien on January 1, 2009, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2010 and August 1, 2010 and are payable in two installments, on or about March 1, 2010 and September 1, 2010. The County collects such taxes and remits them periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance.

Therefore, the entire 2009 tax levy has been recorded as unearned revenue on the financial statements.

b. Other Receivables

At December 31, 2009, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES

Quarterly highway maintenance

Hotel occupancy tax

Insurance reimbursement

Ambulance service and fees

Cable franchise fees

Food and beverage tax

Other

RedSpeed red light

Personal property replacement tax

Excess insurance reimbursement

Total governmental activities

BUSINESS-TYPE ACTIVITIES

Disposal fees

Sewer loan program

Other

Total business-type activities

TOTAL OTHER RECEIVABLES

3. RECEIVABLES (Continued)

c. Due from Other Governments

At December 31, 2009, the Village had amounts due from other governments as follows:

State sales tax	\$ 2,236,783
Grants	44,560
Court fines	215,786
Other state sources	98,736
Motor fuel tax allocations	138,730
Telecommunications tax	672,906
Income tax	1,121,885
	<u>\$ 4,579,386</u>

TOTAL DUE FROM OTHER GOVERNMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	*Beginning Balance, as Restated	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated	\$ 2,985,457	\$ 10,732,639	\$ -	\$ 13,718,096
Land	774,223	-	-	774,223
Construction in Progress	139,845,187	-	-	139,845,187
Land right of way	142,830,644	11,505,662	36,561	154,295,245
Total capital assets not being depreciated				
Capital assets being depreciated	15,746,115	4,180	162,120	15,730,295
Buildings and improvements	7,894,094	1,088,056	24,337,173	8,820,030
Machinery and equipment	24,337,173	-	-	24,337,173
Streets	1,596,175	-	-	1,596,175
Bridges	1,596,175	-	-	1,596,175
Total capital assets being depreciated	49,374,117	1,092,236	162,120	50,504,233
Less accumulated depreciation for				
Buildings and improvements	5,970,375	638,830	162,120	6,609,205
Machinery and equipment	5,034,420	539,220	-	5,411,620
Streets	11,566,160	498,950	-	12,063,110
Bridges	630,615	32,005	-	662,620
Total accumulated depreciation	23,201,570	1,709,015	162,120	24,145,555
Total capital assets being depreciated, net				
	26,372,547	(61,869)	-	25,755,678
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET				
	<u>\$ 169,201,191</u>	<u>\$ 10,869,993</u>	<u>\$ 38,261</u>	<u>\$ 180,054,923</u>

4. CAPITAL ASSETS (Continued)

BUSINESS-TYPE ACTIVITIES		Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated		\$ 2,906,138	\$ -	\$ 1,548,940	\$ 2,906,138
Land		1,548,940	\$ -	\$ 1,548,940	\$ 1,548,940
Construction in progress		4,453,078	\$ -	\$ 1,548,940	\$ 2,906,138
Total capital assets not being depreciated					
Capital assets being depreciated					
Equipment	625,335	1,563,604	\$ -	\$ 2,188,939	
Water system	22,383,020	1,141,327	73,135	23,451,212	
Sewer system	54,272,596	2,566,770	11,700	56,827,566	
Parking improvements	15,673,130	\$ -	\$ 15,673,130		
Total capital assets being depreciated	92,953,581	5,271,701	84,835	91,140,847	
Less accumulated depreciation for					
Equipment	409,335	214,885	\$ -	\$ 624,420	
Water system	10,695,730	526,576	23,760	11,199,546	
Sewer system	28,105,710	1,136,928	11,700	29,231,938	
Parking improvements	4,318,960	773,660	\$ -	\$ 5,992,620	
Total accumulated depreciation	44,033,935	2,652,049	35,160	46,648,524	
Total capital assets being depreciated, net	48,920,446	2,619,632	49,375	51,497,321	
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET		\$ 53,371,724	\$ 2,619,632	\$ 1,598,315	\$ 54,398,461

\*Beginning capital assets were restated by \$362,260. This restatement was to account for

the additional land right of way that should have been recorded in previous years.

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

GOVERNMENTAL ACTIVITIES		Year Ending December 31,	Governmental Activities	Business-Type Activities
			Principal	Interest
General government	\$ 136,265	2010	\$ 5,483,180	\$ 1,610,170
Public works	950,265	2011	5,588,964	1,618,285
Public safety	602,575	2012	6,336,411	1,654,870
		2013	6,226,902	1,182,783
		2014	5,537,950	2,913,278
		2015	6,859,670	2,659,877
		2016	5,265,000	2,359,073
		2017	4,370,000	2,115,606
		2018	4,570,000	1,921,643
		2019	4,860,000	1,714,502
		2020	5,045,000	1,484,464

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds in prior years was \$82,377,111. During the year, general obligation bonds totaling \$6,115,000 were issued to refund other general obligation bonds.

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

Purpose	Interest Rates	Amount
Governmental activities	2.500%	\$ 68,412,332
Governmental activities - refunding	1.160%	14,890,745
Business-type activities	3.375%	13,115,000
Business-type activities - refunding	1.160%	3,614,255
Business-type activities - capital appreciation <sup>(1)</sup>	7.100%	\$ 4,620,661
<b>TOTAL</b>		<b>\$ 104,652,993</b>

<sup>(1)</sup> The face value of bonds issued was \$6,545,000. The carrying value of the accrued bonds is \$4,620,661.

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
	Principal	Interest
2010	\$ 5,483,180	\$ 3,930,490
2011	5,588,964	3,656,422
2012	6,336,411	3,459,233
2013	6,226,902	3,182,783
2014	5,537,950	2,913,278
2015	6,859,670	2,659,877
2016	5,265,000	2,359,073
2017	4,370,000	2,115,606
2018	4,570,000	1,921,643
2019	4,860,000	1,714,502
2020	5,045,000	1,484,464

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 5,285,000	\$ 1,239,016	\$ 935,000	\$ 170,948
2022	5,445,000	971,301	1,000,000	128,558
2023	2,630,000	690,998	275,000	83,838
2024	2,740,000	549,184	290,000	72,150
2025	2,875,000	398,130	305,000	59,462
2026	1,600,000	238,707	320,000	46,118
2027	805,000	148,237	340,000	31,718
2028	860,000	102,025	355,000	16,418
2029	890,000	51,876	-	-
<b>TOTAL</b>	<b>\$ 83,303,077</b>	<b>\$ 33,796,845</b>	<b>\$ 16,729,255</b>	<b>\$ 5,331,934</b>

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

Year Ending December 31,	Principal	Interest
2010	\$ -	\$ 332,826
2011	-	356,800
2012	-	382,500
2013	-	410,050
2014	1,695,000	317,511
2015	2,995,000	124,652
2016	1,855,000	-
<b>TOTAL</b>	<b>\$ 6,535,000</b>	<b>\$ 1,924,339</b>

b. Tax Increment Financing Revenue Bonds and Notes

The Village also issues bonds where the Village pledges incremental property tax income derived from a separately created tax increment financing district. The original amount of tax increment financing bonds and notes in prior years was \$7,483,420.

5. LONG-TERM DEBT (Continued)

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

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

Purpose

Interest Rates

Amount

Governmental activities	0%	\$ 148,548
On April 1, 2009, the Village called and redeemed the remaining outstanding principal of \$4,635,000 of the Tax Increment Revenue Refunding Bond Series of 1998 from available funds. The redemption of these "superior" bonds allowed the Village to completely redeem \$817,100 of the outstanding principal of the "subordinated" Tax Increment Financing Redevelopment Notes Series 1998A, 2000 and 2006A from available funds.		
Annual debt service requirements to maturity for tax increment financing bonds and notes are as follows:		
Year Ending December 31,		
	Principal	Interest
2010	\$ -	\$ -
2011	-	-
2012	-	-
2013	-	-
2014	1,695,000	317,511
2015	2,995,000	124,652
2016	1,855,000	-
<b>TOTAL</b>	<b>\$ 6,535,000</b>	<b>\$ 1,924,339</b>

TOTAL

148,548

\$ 148,548 \$ -

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

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

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

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

d. Advance and Current Refundings

On December 30, 2004, the Village issued \$5,080,000 General Obligation Refunding Bond Series 2004D to refund \$4,650,000 of the General Obligation Bond Series 2000A due on December 1, 2013 through 2020. Conditions for defeasance have been met and assets were placed in escrow through an irrevocable transfer and the liability has been removed from the financial statements. The \$4,650,000 Series 2000A Bonds are due to be fully called and redeemed on December 1, 2010.

On October 5, 2009, the Village issued \$6,415,000 General Obligation Refunding Bond Series 2009G to currently refund \$2,145,000 of the General Obligation Bond Series 1999 due on December 1, 2010 through 2015, and \$4,270,000 of the General Obligation Bond Series 2000 due on December 1, 2010 and 2011. The reacquisition price exceeded the net carrying value of the old debt by \$109,080. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt. The transaction also resulted in an economic gain of \$330,761 and a reduction of \$343,853 in future debt service payments. The refunded bonds have been fully called and redeemed as of the date of this report.

e. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled \$6,000,000. These bonds are not an obligation of the Village and are secured solely by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for the repayment, but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

5. LONG-TERM DEBT (Continued)

f. Tax Increment Financing Bond Ordinance Disclosures

The ordinances authorizing the issuance of the Tax Increment Revenue Refunding Bond Series of 1998 provided for the creation of special accounts into which all revenues of the Village's Dundee Road Tax Increment Financing District and Rand/Dundee Tax Increment Financing District shall be deposited in accordance with the following requirements:

Incremental Property Tax Account - All incremental property taxes collected during the year shall be deposited to this account and credited to the following accounts on the annual accounting date in the priority outlined below.

Program Account - Incremental taxes shall be first credited to this account in an amount sufficient to pay program expenses for the current and next succeeding bond year.

Bond and Interest Account - Any remaining incremental taxes shall next be credited to this account in an amount sufficient to pay the principal and interest requirements for the next succeeding bond year.

Bond Reserve Account - Any remaining incremental taxes shall next be credited to this account until the balance shall equal the debt service reserve requirement.

Special Redemption Account - All remaining incremental taxes shall next be credited to this account.

g. Tax Increment Financing Redevelopment Note Disclosures

Subordinated Redevelopment Notes - The Series 1998A, 2000 and 2006A Notes were issued in conjunction with the Dundee Road and Rand/Dundee Redevelopment Projects. The ordinances authorizing the issuance of these notes provided that these instruments were subordinated to the Tax Increment Revenue Refunding Bond Series of 1998, and were payable solely from the incremental property taxes generated from the District that remained, if any, after the Series 1998 Bonds were fully redeemed. As such, there were no established principal and interest payment schedules for any of these notes. These notes were all fully redeemed during 2009.

Limited Obligation Redevelopment Notes - The Series 2006A and 2006B Limited Obligation Redevelopment Notes were issued in conjunction with the Downtown and Rand Corridor Redevelopment Projects, respectively. The ordinances authorizing the issuance of these obligations provided that these instruments were payable solely from the incremental property taxes generated from the subject projects' parcels, if any. As such, there are no established principal and interest schedules. The Series 2006A Notes were fully redeemed during 2009.

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

5. LONG-TERM DEBT (Continued)

h. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$ 59,846,334	\$ 33,340,315	\$ 9,883,572	\$ 83,303,077	\$ 5,483,180
TIF revenue bonds	5,995,000		5,985,000		-
TIF notes	1,485,420		1,359,872	148,548	-
Net pension obligation	1,411,120		197,488	1,213,852	-
Net OPEB obligation	325,293	124,527		449,820	-
Compensated absences*	1,563,531	1,665,107	1,563,531	1,655,107	320,825
<b>Total</b>	<b>70,629,898</b>	<b>35,119,949</b>	<b>18,979,433</b>	<b>86,770,404</b>	<b>5,804,005</b>

Less deferred amounts

Unamortized bond discount	(80,145)		(5,480)	(74,865)	-
Unamortized bond premium	82,115	152,560	21,110	213,535	-
Unamortized loss on refunding	(61,745)	(109,080)	(12,330)	(138,475)	-
Total deferred amounts	(59,975)	43,480	3,290	(19,785)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 70,569,923</b>	<b>\$ 35,163,429</b>	<b>\$ 18,982,733</b>	<b>\$ 86,750,619</b>	<b>\$ 5,804,005</b>

\* The General Fund has typically been used to liquidate this liability.

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds	\$ 5,212,180	\$ 1,604,405	\$ 2,464,610	\$ 4,351,975	\$ 912,740
Water Fund	13,008,400	205,280	836,400	12,377,280	697,430
Sewer Fund					
General obligation capital appreciation bonds	4,140,298	298,180		4,438,478	-
Water Fund	169,859	12,284		182,183	-
Sewer Fund					
Compensated absences	71,899	3,963		75,862	15,195
Water Fund	9,645	5,847		15,692	3,115
Sewer Fund					
<b>Total</b>	<b>22,612,321</b>	<b>2,129,959</b>	<b>3,301,010</b>	<b>21,441,270</b>	<b>1,628,480</b>

Less deferred amounts

Unamortized bond discount	(25,060)		(1,260)	(22,800)	-
Unamortized bond premium	21,910	51,690	6,465	67,135	-
Total deferred amounts	(3,150)	51,690	5,205	45,335	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 22,609,171</b>	<b>\$ 2,181,649</b>	<b>\$ 3,306,215</b>	<b>\$ 21,484,605</b>	<b>\$ 1,628,480</b>

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year	Medical Benefits	Workers' Compensation	General Liability	Totals
<b>UNPAID CLAIMS, DECEMBER 31, 2007</b>									
Claims incurred - 2008				\$ 300,000	\$ 294,791	\$ 300,000			
Claims payments - 2008				(4,108,177)	(102,791)	4,444,637			
				(4,158,177)		(10,689)			(4,271,657)
<b>UNPAID CLAIMS, DECEMBER 31, 2008</b>									
Claims incurred - 2009				\$ 259,000	192,000	31,000			473,000
Claims payments - 2009				2,970,548	381,654	365,659			3,718,071
				(2,970,548)	(317,960)	(221,564)			(3,510,012)
<b>UNPAID CLAIMS, DECEMBER 31, 2009</b>									
				\$ 250,000	\$ 255,894	\$ 175,165			\$ 681,059

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

The Village has committed to purchase water from the NWWC. The Village expects to pay approximately \$1,255,000 per year through December 31, 2012. This amount has been calculated using the Village's current allocation percentage of 30%. In future years, this allocation percentage will be subject to change.

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

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

The Village's estimated payment for operations and maintenance costs for 2010 is \$1,381,943. This is based on an estimated tipping fee of \$49.50 per ton for 27,920 tons.

The Village's estimated payment of fixed costs for 2010 is \$148,292. This amount has been estimated using the Village's current allocation percentage of 10.29%. In future years this allocation percentage will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

Complete financial statements can be obtained from the Solid Waste Agency of Northern Cook County administrative office at 2700 Patriot Boulevard, Suite 110, Glenview, Illinois 60026.

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

Revenues of the system consist of (1) all receipts derived from solid waste disposal contracts or any other contracts for the disposal of waste; (2) all income derived from the investment of monies and (3) all income, fees, service charges and all grants, rents and receipts derived by SWANCC from the ownership and operation of the system. SWANCC covenants to establish fees and charges sufficient to provide revenues to meet all its requirements.

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

In accordance with the contract, the Village made payments totaling \$1,439,435 to SWANCC in 2009. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2009.

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC)

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

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

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

Revenues of the system consist of (1) all receipts derived from the Water Supply Agreements or any other contract for the supply of water; (2) all income derived from the investment of monies and (3) all income, fees, water service charges and all grants, rents and receipts derived by NWWC from the ownership and operation of the system and the sale of water. NWWC covenants to establish fees and charges sufficient to provide revenues to meet all its obligations.

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

NWWC has entered into an agreement with the City of Evanston (the City) under which the City has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2020.

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

In accordance with the joint venture agreement, the Village remitted \$2,581,859 to NWWC for 2009. The Village's equity interest in NWWC was \$11,474,020 at December 31, 2009. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2009 consisted of the following:

Major Governmental General	Receivable Fund	Payable Fund	Amount
Nominal Governmental Internal Service - Health Insurance		Internal Service - Central Equipment	11,051
Major Business-Type Sewerage		Waterworks	307,878
<b>TOTAL</b>			<b>\$ 396,247</b>

Due from/to fiduciary funds at December 31, 2009 consisted of the following:

Fiduciary Police Pension	Receivable Fund	Payable Fund	Amount
General		General	
Firefighters' Pension			35,325
<b>TOTAL</b>			<b>\$ 87,306</b>

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

- \$307,878 is payable by the Water Fund to the Waterworks Fund for coverage of a cash shortfall.
- \$11,051 is payable by the Central Equipment Fund to the Self-Insurance Fund for coverage of a cash shortfall.
- \$77,318 is payable by the Fire Facility Construction Fund to the General Fund for coverage of a cash shortfall.
- \$87,306 is payable by the General Fund to the Pension Funds for taxes received after year end.

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

- \$35,325 is payable by the Police Pension Fund to the Firefighters' Pension Fund.

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

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Governmental General	Downtown TIF	\$ 5,777,920
Nonmajor Governmental Capital Improvement	Fiduciary Special Service Area #4	41,965
<b>TOTAL</b>		<b>\$ 5,819,885</b>

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

- \$5,777,920 advanced to the Downtown TIF Fund from the General Fund. This balance relates to financing various redevelopment projects. Repayment is not expected within one year.
- \$41,965 advanced to other funds from a Nonmajor Governmental Fund. This balance relates to the construction of sanitary sewer improvements. Repayment is not expected within one year.

c. Transfers From/To Other Funds

Transfers To	Transfers From	Amount
Nonmajor Governmental Foreign Fire Tax	General	\$ 84,456
<b>TOTAL</b>		<b>\$ 84,456</b>

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

- \$84,456 transferred to the Foreign Fire Tax Fund from General Fund is to start up the new fund.

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At December 31, 2009, membership consisted of:

Retirees and beneficiaries currently receiving benefits	26
Terminated employees entitled to benefits but not yet receiving them	
Active employees	309
<b>TOTAL</b>	<b>335</b>
Participating employers	1

d. Funding Policy

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Annual OPEB Costs and Net OPEB Obligation

The Village first had an actuarial valuation performed for the Plan as of January 1, 2008 to determine the funded status of the Plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2008. The Village's annual OPEB cost (expense) of \$214,542 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of January 1, 2008. The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2009 was as follows (information for the two preceding years is not available as an actuarial valuation was performed for the first time as of January 1, 2008):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 228,017	\$ 49,644	21.8%	\$ 325,293
December 31, 2009	192,149	67,322	35.2%	449,820

The net OPEB obligation as of December 31, 2009, was calculated as follows:

Annual required contribution	\$ 219,257
Interest on net OPEB obligation	(16,265)
Adjustment to annual required contribution	(10,843)
Annual OPEB cost Contributions made	192,149
Increase in net OPEB obligation	67,622
Net OPEB obligation, beginning of year	124,527
NET OPEB OBLIGATION, END OF YEAR	325,293
	\$ 449,820

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Funded Status and Funding Progress: The funded status and funding progress of the Plan as of December 31, 2008, was as follows:	
Actuarial accrued liability (AAL)	\$ 2,159,444
Actuarial value of plan assets	2,159,444
Unfunded actuarial accrued liability (UAA)	0.0%
Funded ratio (actuarial value of plan assets/AAL)	\$ 22,550,270
Covered payroll (active plan members)	9.58%
UAA as a percentage of covered payroll	

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

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

In the January 1, 2009, actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2009 was 30 years.

11. EMPLOYEE RETIREMENT SYSTEMS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplemental information for the plan as a whole, but not for individual employees. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.25% of their final rate of earnings, for each year of credited service up to 15 years and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended 2009 was 11.89% of covered payroll.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Covered employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended December 31, 2009, the Village's contribution was 28.85% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 7/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2009, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	49
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	60
Vested	36
Nonvested	
<b>TOTAL</b>	<b>146</b>

TOTAL

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 7/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2009, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	46
Terminated employees entitled to benefits but not yet receiving them	3
Current employees	83
Vested	30
<b>TOTAL</b>	<b>162</b>

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by 1/12 of 2.50% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75.00% of such monthly salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and upon reaching the age of at least 55 by 3.00% of the original pension and 3.00% compounded annually thereafter.

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2009, the Village's contribution was 26.03% of covered payroll.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Method Used to Value Investments (Continued)

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

Administrative Costs

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

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2007	January 1, 2009	January 1, 2009
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	3 Year Smoothed Market	3 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Dollar	Level Dollar
Amortization period	23 Years, Closed	28 Years, Closed	28 Years, Closed

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

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

## III. EMPLOYEE RETIREMENT SYSTEMS (Continued)

## 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

### c. Annual Pension Costs (Continued)

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
<u>Significant actuarial assumptions</u>			
i) Inflation rate	4.00%	2.50%	2.50%
j) Rate of return on investments	7.50% Compounded Annually	7.75% Compounded Annually	7.75% Compounded Annually
k) Projected salary increases	.40% to 10.00%	1.12% to 4.86%	1.12% to 4.86%
l) Postretirement benefit increases	3.00%	3.00%	3.00%

## Net Pension Obligation

The Village's annual pension cost and net pension obligation to the Police Pension and FireFighters' Pension Plans for the year ended December 31, 2009 were as follows:

	Police Pension	Firefighters' Pension
Annual required contribution		
Interest on net pension obligation	\$ 1,697,492	\$ 1,167,796
Adjustment to annual required contributions	85,436 (57,012)	23,941 (15,976)
Annual pension cost		
Contributions made	1,725,916 1,839,264	1,175,761 1,259,881
Increase (decrease) in net pension obligation	(113,348)	(84,120)
Net pension obligation, beginning of year	1,102,399	308,921
<b>NET PENSION OBLIGATION, END OF YEAR</b>	<b>\$ 989,051</b>	<b>\$ 224,801</b>

## 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)			
2007	\$ 1,192,374	\$ 1,675,991	\$ 1,164,489
2008	1,268,107	1,694,217	1,166,268
2009	1,279,291	1,725,916	1,175,761
Actual contribution			
2007	\$ 1,192,374	\$ 1,368,869	\$ 1,062,061
2008	1,268,107	1,792,538	1,417,414
2009	1,279,291	1,839,264	1,259,881
Percentage of APC contributed			
2007	100.00%	81.68%	91.20%
2008	100.00%	105.80%	121.53%
2009	100.00%	106.57%	107.15%
NPO (asset)			
2007	\$ -	\$ 1,200,720	\$ 560,127
2008	-	1,102,399	308,921
2009	-	989,051	224,801
Funded Status and Funding Progress			
Illinois Municipal Retirement	Police Pension	Firefighters' Pension	
December 31,	January 1,	January 1,	
2007	2009	2009	
Actuarial valuation date			
Actuarial accrued liability (AAL)			
Actuarial value of plan assets			
Unfunded actuarial accrued liability (UAAL)			
Funded ratio (actuarial value of plan assets/AAL)			
Covered payroll (active plan members)			
AAL as a percentage of covered payroll			

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress (Continued)

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

12. PENSION TRUST FUNDS

a. Schedule of Net Assets as of December 31, 2009

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 4,573,865	\$ 833,243	\$ 5,407,108
Investments	2,333,568	22,516,482	24,850,050
U.S. Treasury securities	8,958,535	839,927	9,798,462
U.S. agency securities	3,601,892	15,164,963	18,766,855
Money market mutual funds	15,391,906	1,545,831	16,937,737
Equities			
Receivables	84,303	120,593	204,896
Accrued interest	51,981	35,325	87,306
Due from general fund	3,754	-	3,754
Total assets	34,999,784	41,056,364	76,056,148
<b>LIABILITIES</b>			
Deferred revenues	35,028	26,569	61,597
Total liabilities	35,028	26,569	61,597
NET ASSETS	\$ 34,964,756	\$ 41,029,795	\$ 75,994,551

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Assets for the year ended December 31, 2009.

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions	\$ 1,839,264	\$ 1,259,881	\$ 3,099,145
Employer	1,006,548	718,437	1,724,985
Employee			
Total contributions	2,845,812	1,978,318	4,824,130
<b>INVESTMENT INCOME</b>			
Net appreciation in fair value of investments	1,211,501	2,917,916	4,129,417
Interest income	779,349	875,678	1,655,027
Less investment expense	(169,546)	(123,423)	(292,969)
Net investment income	1,821,304	3,670,171	5,491,475
Miscellaneous income	6,583	-	6,583
Total additions	4,673,699	5,648,489	10,322,188
<b>DEDUCTIONS</b>			
Administrative	37,542	12,329	49,871
Pension benefits and refunds	2,290,699	2,241,738	4,532,437
Total deductions	2,328,241	2,254,067	4,582,308
NET INCREASE			
NET ASSETS HELD IN TRUST			
FOR PENSION BENEFITS			
January 1			
December 31			
NET ASSETS	\$ 32,619,298	\$ 37,635,373	\$ 70,254,671
	\$ 34,964,756	\$ 41,029,795	\$ 75,994,551

13. RESTATEMENT

Net assets of the governmental activities were restated to account for the additional land right of way that should have been recorded in previous years. Net assets were increased by \$362,560 in governmental activities.

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

14. SUBSEQUENT EVENTS

As of December 31, 2009, the Village had \$1,288,133 in pending land transactions for reconstruction of the Palatine Road and Plum Grove Road intersection. These transactions were to acquire right of way for the Illinois Department of Transportation, who will hold title to the land upon completion of the acquisition of all desired properties. These transactions will be completed and expensed in the fiscal year 2010.

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## **APPENDIX B** **DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

**APPENDIX C**  
**PROPOSED FORM OF OPINION OF BOND COUNSEL FOR 2011A BONDS**  
**[LETTERHEAD OF KATTEN MUCHIN ROSENMAN LLP ]**  
**[TO BE DATED CLOSING DATE]**

July \_\_, 2011

The Mayor and Village Council  
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_\_,000 principal amount of General Obligation Bonds, Series 2011A (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 20, 2011 and entitled: "Ordinance Authorizing the Issuance of General Obligation Bonds, Series 2011A and General Obligation Refunding Bonds, Series 2011B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July \_\_, 2011 and bear interest from their date payable on December 1, 2011 and semiannually thereafter on each June 1 and December 1.

The Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
20	\$ __,000	. %
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	
20	,000	

The Bonds maturing on or after December 1, 20\_\_ are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2018 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the year 20\_\_\_\_ are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following table, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

Year	Principal Amount
20____	\$____,000
20____	,000
20____	,000

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

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

Pursuant to the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

LG/be

**PROPOSED FORM OF OPINION OF BOND COUNSEL FOR 2011B BONDS**  
**[LETTERHEAD OF KATTEN MUCHIN ROSENMAN LLP ]**  
**[TO BE DATED CLOSING DATE]**

July \_\_, 2011

The Mayor and Village Council  
of the Village of Palatine, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_,000 principal amount of General Obligation Refunding Bonds, Series 2011B (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on June 20, 2011 and entitled: "Ordinance Authorizing the Issuance of General Obligation Bonds, Series 2011A and General Obligation Refunding Bonds, Series 2011B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated July \_\_, 2011 and bear interest from their date payable on December 1, 2011 and semiannually thereafter on each June 1 and December 1.

The Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
20____	\$____,000	. %
20____	,000	
20____	,000	
20____	,000	
20____	,000	
20____	,000	
20____	,000	

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

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Village has covenanted in the Bond Ordinance to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds, we have relied on the verification report of Sikich LLP, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Pursuant to the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

LG/be

**C-4**

**OFFICIAL BID FORM**

Village of Palatine  
200 East Wood Street  
Palatine, Illinois 60067

The 2011A Bonds  
(Open Speer Auction)

June 20, 2011  
Speer Financial, Inc.  
www.speerfinancial.com

Members of the Village Council:

For the \$7,000,000 General Obligation Bonds, Series 2011A, of the Village of Palatine, Cook County, Illinois, as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you \$ \_\_\_\_\_ (no less than \$6,951,000). The 2011A Bonds are to bear interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). **The premium or discount, if any, is subject to adjustment allowing the same \$ \_\_\_\_\_ gross spread per \$1,000 bond as bid herein.**

**MATURITIES\* - DECEMBER 1**

\$475,000 ... 2014	_____ %	\$ 875,000 ... 2017	_____ %	\$1,000,000 ... 2021	_____ %
25,000 ... 2015	_____ %	900,000 ... 2018	_____ %	1,000,000 ... 2022	_____ %
825,000 ... 2016	_____ %	900,000 ... 2019	_____ %	100,000 ... 2023	_____ %
		900,000 ... 2020	_____ %		

*Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder,  
in which case the mandatory redemption provisions shall be on the same schedule as above.*

*Maturities: \_\_\_\_\_ Term Maturity \_\_\_\_\_ Maturities: \_\_\_\_\_ Term Maturity \_\_\_\_\_ Maturities: \_\_\_\_\_ Term Maturity \_\_\_\_\_  
Maturities: \_\_\_\_\_ Term Maturity \_\_\_\_\_ Maturities: \_\_\_\_\_ Term Maturity \_\_\_\_\_*

The 2011A Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois. The Village will pay for the legal opinion. The underwriter agrees to apply for CUSIP numbers **within 24 hours** and pay the fee charged by the CUSIP Service Bureau and will accept the 2011A Bonds with the CUSIP numbers as entered on the 2011A Bonds.

As evidence of our good faith, we have wire transferred or enclosed herewith a check or Surety Bond payable to the order of the Comptroller of the Village in the amount of **TWO PERCENT OF PAR** (the "Deposit") under the terms provided in your Official Notice of Sale. Attached hereto is a list of members of our account on whose behalf this bid is made.

**Form of Deposit**

Check One:

Certified/Cashier's Check   
Financial Surety Bond   
Wire Transfer

Amount: \$140,000

**Account Manager Information**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
By \_\_\_\_\_  
City \_\_\_\_\_ State/Zip \_\_\_\_\_  
Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
FAX Number (\_\_\_\_\_) \_\_\_\_\_  
E-Mail Address \_\_\_\_\_

**Bidders Option Insurance**

We have purchased  
insurance from:

**Name of Insurer**  
(Please fill in)

**Premium:**

**Maturities:**  (Check  
One)

**Years**

All

The foregoing bid was accepted and the 2011A Bonds sold by ordinance of the Village on June 20, 2011, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

**THE VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS**

*Mayor*

*\*Subject to movement among maturities.*

**NOT PART OF THE BID**  
(Calculation of true interest cost)

Gross Interest	\$
Less Premium/Plus Discount	\$
True Interest Cost	\$
True Interest Rate	%
TOTAL Bond YEARS	57,500.00
AVERAGE LIFE	8.214 Years

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## OFFICIAL NOTICE OF SALE

**\$7,000,000  
VILLAGE OF PALATINE  
Cook County, Illinois**

### **General Obligation Bonds, Series 2011A (Open Speer Auction)**

The Village of Palatine, Cook County, Illinois (the "Village"), will receive **open auction** electronic bids on the SpeerAuction ("SpeerAuction") website address "www.SpeerAuction.com" for its \$7,000,000 General Obligation Bonds, Series 2011A, (the "2011A Bonds"), on an all or none basis between 10:15 A.M. and 10:30 A.M., C.D.T., on June 20, 2011.

To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the Village's sale (as described below). Award will be made or all bids rejected at a meeting of the Village on that date. The Village reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the 2011A Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2011A Bonds will constitute valid and legally binding obligations of the Village payable both as to principal and interest from: (a) general sales taxes and the public safety sales tax received by the Village, and (b) ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, except that the rights of the owners of the 2011A Bonds and the enforceability of the 2011A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

#### **Bidding Details**

Bidders should be aware of the following bidding details associated with the sale of the 2011A Bonds.

- (1) All bids must be submitted on the SpeerAuction website at [www.SpeerAuction.com](http://www.SpeerAuction.com). **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the Village shall have no liability with respect thereto, including (without limitation) liability with respect to an incomplete, late arriving and non-arriving bid. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.
- (2) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.
- (3) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by SpeerAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.
- (4) The last valid bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.
- (5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader", "Cover", "3rd" etc.)
- (6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

### Rules of SpeerAuction

Bidders must comply with the Rules of SpeerAuction in addition to the requirements of this Official Notice of Sale. To the extent there is a conflict between the Rules of SpeerAuction and this Official Notice of Sale, this Official Notice of Sale shall control.

#### Rules

- (1) A bidder ("Bidder") submitting a winning bid ("Winning Bid") is irrevocably obligated to purchase the 2011A Bonds at the rates and prices of the winning bid, if acceptable to the Village, as set forth in the related Official Notice of Sale. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the Village.
- (2) **Neither the Village, Speer Financial, Inc., nor Grant Street Group (the "Auction Administrator") is responsible for technical difficulties that result in loss of Bidder's internet connection with SpeerAuction, slowness in transmission of bids, or other technical problems.**
- (3) If for any reason a Bidder is disconnected from the Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon such Bidder, unless the Village exercises its right to reject bids, as set forth herein.
- (4) Bids which generate error messages are not accepted until the error is corrected and the bid is received prior to the deadline.
- (5) Bidders accept and agree to abide by all terms and conditions specified in the Official Notice of Sale (including amendments, if any) related to the auction.
- (6) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in the Official Notice of Sale, amendments, or Preliminary Official Statement as they appear on SpeerAuction.
- (7) Only Bidders who request and receive admission to an auction may submit bids. SpeerAuction and the Auction Administrator reserve the right to deny access to SpeerAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.
- (8) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible for protecting the confidentiality of a Bidder's SpeerAuction password.
- (9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost, the first confirmed bid received by SpeerAuction prevails. Any change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.
- (10) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Page they must report them to SpeerAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by SpeerAuction, 2011A Bonds are definitively awarded to the winning bidder only upon official award by the Village. If, for any reason, the Village fails to: (i) award 2011A Bonds to the winner reported by SpeerAuction, or (ii) deliver 2011A Bonds to winning bidder at settlement, neither the Village, Speer Financial, Inc., nor the Auction Administrator will be liable for damages.

The Village reserves the right to reject all proposals, to reject any bid proposal not conforming to this Official Notice of Sale, and to waive any irregularity or informality with respect to any proposal. Additionally, the Village reserves the right to modify or amend this Official Notice of Sale; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the 2011A Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2011A Bonds will be in fully registered form in the denominations of \$5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the 2011A Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each 2011A Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such bond is registered at the close of business on the fifteen day of the month next proceeding any interest payment date. The principal of the 2011A Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar in Chicago, Illinois. Semiannual interest is due June 1 and December 1 of each year, commencing December 1, 2011, and is payable by Wells Fargo Bank, N.A., Chicago, Illinois (the "Bond Registrar"). The 2011A Bonds are dated the date of delivery, which is expected to be on or about July 7, 2011.

#### MATURITIES\* - DECEMBER 1

\$475,000 ... 2014	\$ 875,000 ... 2017	\$1,000,000 ... 2021
25,000 ... 2015	900,000 ... 2018	1,000,000 ... 2022
825,000 ... 2016	900,000 ... 2019	100,000 ... 2023
	900,000 ... 2020	

*Any consecutive maturities may be aggregated into no more than five term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.*

*\*Subject to movement among maturities.*

The 2011A Bonds due on or after December 1, 2019, are callable in whole or in part on any date on or after December 1, 2018, at a price of par and accrued interest. If less than all the 2011A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed five percent (5%). All bids must be for all of the 2011A Bonds and must be for not less than \$6,951,000.

**The premium or discount, if any, is subject to pro rata adjustment if the maturity amounts of the 2011A Bonds are changed, allowing the same dollar amount of profit per \$1,000 bond as submitted on the Official Bid Form.**

**Award of the 2011A Bonds:** The 2011A Bonds will be awarded on the basis of true interest cost, determined in the following manner. True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the 2011A Bonds from the payment dates thereof to the dated date and to the bid price. For the purpose of calculating true interest cost, the 2011A Bonds shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage.

The 2011A Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale whose bid produces the lowest true interest cost rate to the Village as determined by the Village's Financial Advisor, which determination shall be conclusive and binding on all bidders; *provided*, that the Village reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The true interest cost of each bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the Village's Financial Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The Village or its Financial Advisor will notify the bidder to whom the 2011A Bonds will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for 2011A Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

Each bid shall be accompanied by a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company or a Financial Surety Bond for **TWO PERCENT OF PAR** payable to the Treasurer of the Village as evidence of good faith of the bidder (the "Deposit"). The Deposit of the successful bidder will be retained by the Village pending delivery of the 2011A Bonds and all others will be promptly returned. Should the successful bidder fail to take up and pay for the 2011A Bonds when tendered in accordance with this Notice of Sale and said bid, said Deposit shall be retained as full and liquidated damages to the Village caused by failure of the bidder to carry out the offer of purchase. Such Deposit will otherwise be applied on the purchase price upon delivery of the 2011A Bonds. No interest on the Deposit will accrue to the purchaser.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago  
Corporate Trust  
One West Monroe, 3<sup>rd</sup> Floor  
Chicago, IL 60603  
ABA # 071003405  
Credit to: DDA # 150002305  
Further Credit to: 1853281001 Speer Bidding Escrow  
RE: The Village of Palatine, Cook County, Illinois  
bid for the \$7,000,000 General Obligation Bonds, Series 2011A

The wire shall arrive in such account no later than 30 minutes prior to the date and time of the sale of the 2011A Bonds. Contemporaneously with such wire transfer, the bidder shall send an email to biddingescrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such bidder is not awarded the 2011A Bonds. The Village and any bidder who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful bidder; (ii) if the bid is accepted, the Deposit shall be forwarded to the Village; (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the bidder; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

If a Financial Surety Bond is used for the Deposit, it must be from an insurance company licensed to issue such a bond in the State of Illinois and such bond must be submitted to Speer prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose deposit is guaranteed by such Financial Surety Bond. If the 2011A Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the Village in the form of a certified or cashier's check or wire transfer as instructed by Speer, or the Village not later than 3:00 P.M. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Village to satisfy the Deposit requirement.

The Village covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Village for the benefit of the beneficial owners of the 2011A Bonds on or before the date of delivery of the 2011A Bonds as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter. The Village represents that it is in compliance with each and every undertaking previously entered into it pursuant to the Rule.

The Underwriter's obligation to purchase the 2011A Bonds shall be conditioned upon the Village delivering the Undertaking on or before the date of delivery of the 2011A Bonds.

By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the Village in the Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder represents that the signatory to the bid is duly authorized to, and does hereby consent to and waive for and on behalf of such bidder any conflict of interest arising from any adverse position to the Village in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

The 2011A Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about July 7, 2011. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the Village except failure of performance by the purchaser, the Village may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the 2011A Bonds will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the 2011A Bonds, and any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the 2011A Bonds, as that term is defined in the Rule. By awarding the 2011A Bonds to any underwriter or underwriting syndicate, the Village agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the 2011A Bonds are awarded, up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Village shall treat the senior managing underwriter of the syndicate to which the 2011A Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the 2011A Bonds agrees thereby that if its bid is accepted by the Village it shall enter into a contractual relationship with all Participating Underwriters of the 2011A Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful bidder agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the 2011A Bonds. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The Village will, at its expense, deliver the 2011A Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the Village will also furnish to the purchaser the following documents, each dated as of the date of delivery of the 2011A Bonds: (1) the unqualified opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, that the 2011A Bonds are lawful and enforceable obligations of the Village in accordance with their terms; (2) the opinion of said attorneys that the interest on the 2011A Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the 2011A Bonds; and (3) a no litigation certificate by the Village.

The Village intends to designate the 2011A Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the 2011A Bonds. Copies of such Official Statement or additional information may be obtained from Mr. Paul D. Mehring, Finance Director, Village of Palatine, 200 East Wood Street, Palatine, Illinois 60067 or an electronic copy of this Official Statement is available from the [www.speerfinancial.com](http://www.speerfinancial.com) web site under "Debt Auction Center/Competitive Sales Calendar" from the Independent Public Finance Consultants to the Village, Speer Financial, Inc., One North LaSalle Street, Suite 4100, Chicago, Illinois 60602, telephone (312) 346-3700.

/s/

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

/s/

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

**OFFICIAL BID FORM**

Village of Palatine  
200 East Wood Street  
Palatine, Illinois 60067

The 2011B Bonds  
(*Closed Speer Auction*)

June 20, 2011  
Speer Financial, Inc.  
[www.speerfinancial.com](http://www.speerfinancial.com)

Members of the Village Council:

For the \$885,000\* General Obligation Refunding Bonds, Series 2011B, of the Village of Palatine, Cook County, Illinois, as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you \$ \_\_\_\_\_ (no less than \$878,805). The 2011B Bonds are to bear interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). The premium or discount, if any, is subject to adjustment allowing the same \$ \_\_\_\_\_ gross spread per \$1,000 bond as bid herein.

**MATURITIES\* - DECEMBER 1**

\$ 5,000 ... 2011	_____ %	\$160,000 ... 2013	_____ %	\$175,000 ... 2016	_____ %
10,000 ... 2012	_____ %	180,000 ... 2014	_____ %	175,000 ... 2017	_____ %
		180,000 ... 2015	_____ %		

The 2011B Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois. The Village will pay for the legal opinion. The underwriter agrees to apply for CUSIP numbers within 24 hours and pay the fee charged by the CUSIP Service Bureau and will accept the 2011B Bonds with the CUSIP numbers as entered on the 2011B Bonds.

As evidence of our good faith, we have wire transferred or enclosed herewith a check or Surety Bond payable to the order of the Treasurer of the Village in the amount of **TWO PERCENT OF PAR** (the "Deposit") under the terms provided in your Official Notice of Sale. Attached hereto is a list of members of our account on whose behalf this bid is made.

**Form of Deposit**

Check One:

Certified/Cashier's Check   
Financial Surety Bond   
Wire Transfer

Amount: \$17,700

**Account Manager Information**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
By \_\_\_\_\_  
City \_\_\_\_\_ State/Zip \_\_\_\_\_  
Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
FAX Number (\_\_\_\_\_) \_\_\_\_\_  
E-Mail Address \_\_\_\_\_

**Bidders Option Insurance**

We have purchased  
insurance from:

**Name of Insurer**  
(Please fill in)  
\_\_\_\_\_

Premium: \_\_\_\_\_

Maturities: (Check One)

\_\_\_\_\_ Years

All

The foregoing bid was accepted and the 2011B Bonds sold by ordinance of the Village on June 20, 2011, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS

\_\_\_\_\_  
*Mayor*

*\*Subject to change.*

**NOT PART OF THE BID**  
(*Calculation of true interest cost*)

Gross Interest	\$
Less Premium/Plus Discount	\$
True Interest Cost	\$
True Interest Rate	%
TOTAL BOND YEARS	3,869.00
AVERAGE LIFE	4.372 Years

## OFFICIAL NOTICE OF SALE

**\$885,000\***

### VILLAGE OF PALATINE Cook County, Illinois

#### General Obligation Refunding Bonds, Series 2011B (*Closed Speer Auction*)

The Village of Palatine, Cook County, Illinois (the "Village"), will receive electronic bids on the SpeerAuction ("SpeerAuction") website address "www.SpeerAuction.com" for its \$885,000\* General Obligation Refunding Bonds, Series 2011B (the "2011B Bonds"), on an all or none basis between 10:45 A.M. and 11:00 A.M., C.D.T., June 20, 2011. To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the Village's sale (as described below). Award will be made or all bids rejected at a meeting of the Village on that date. The Village reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the 2011B Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2011B Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the 2011B Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the 2011B Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

**Method of bidding:** All-or-none bids must be submitted via internet address [www.SpeerAuction.com](http://www.SpeerAuction.com). **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the Village shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bids.

To bid via the SpeerAuction webpage, bidders must first visit the SpeerAuction webpage where, if they have not previously registered with either SpeerAuction, Grant Street Group (the "Auction Administrator") or any other website administered by the Auction Administrator, they may register and then request admission to bid on the 2011B Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid.

The "Rules" of the SpeerAuction bidding process may be viewed on the SpeerAuction webpage and are incorporated herein by reference. Bidders must comply with the Rules of SpeerAuction in addition to the requirements of the Village's Official Notice of Sale. In the event the Rules of SpeerAuction and this Official Notice of Sale conflict, this Official Notice of Sale shall be controlling.

All bids must be submitted on the SpeerAuction webpage. Bidders may change and submit bids as many times as they choose during the sale period but may not delete a submitted bid. The last bid submitted by a bidder before the deadline for receipt of bids will be compared to all other final bids to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid nor the status of their bid relative to other bids (e.g., whether their bid is a leading bid). The bidder bears all risk of transmission failure. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x370.

The Village reserves the right to reject all bids, to reject any bid not conforming to this Official Notice of Sale, and to waive any irregularity or informality with respect to any bid. Additionally, the Village reserves the right to modify or amend this Official Notice of Sale; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the 2011B Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 2011B Bonds will be in fully registered form in the denominations of \$5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the 2011B Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each 2011B Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such bond is registered at the close of business on the fifteenth day of the month next preceding an interest payment date. The principal of the 2011B Bonds shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. Semiannual interest is due June 1 and December 1 of each year, commencing December 1, 2011, and is payable by Wells Fargo Bank, N.A., Chicago, Illinois (the "Bond Registrar"). The 2011B Bonds are dated the date of delivery, which is expected to be on or about July 7, 2011.

#### MATURITIES\* - DECEMBER 1

\$ 5,000 ... 2011	\$160,000 ... 2013	\$175,000 ... 2016
10,000 ... 2012	180,000 ... 2014	175,000 ... 2017
	180,000 ... 2015	

The 2011B Bonds are not subject to redemption prior to maturity.

\**Subject to change.*

*Village of Palatine, Cook County, Illinois*  
**\$885,000\* General Obligation Refunding Bonds, Series 2011B**  
*\*Subject to change.*  
*Notice of Sale Page 2*

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed four percent (4%). All bids must be for all of the 2011B Bonds and must be for not less than \$878,805.

**The premium or discount, if any, is subject to pro rata adjustment if the maturity amounts of the 2011B Bonds are changed, allowing the same dollar amount of profit per \$1,000 bond as submitted on the Official Bid Form.**

**Award of the 2011B Bonds:** The 2011B Bonds will be awarded on the basis of true interest cost, determined in the following manner. True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the 2011B Bonds from the payment dates thereof to the dated date and to the bid price. For the purpose of calculating true interest cost, the 2011B Bonds shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage.

The 2011B Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale whose bid produces the lowest true interest cost rate to the Village as determined by the Village's Financial Advisor, which determination shall be conclusive and binding on all bidders; *provided*, that the Village reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The true interest cost of each bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the Village's Financial Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The Village or its Financial Advisor will notify the bidder to whom the 2011B Bonds will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for 2011B Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

Each bid shall be accompanied by a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company or a Financial Surety Bond for **TWO PERCENT OF PAR** payable to the Treasurer of the Village as evidence of good faith of the bidder (the "Deposit"). The Deposit of the successful bidder will be retained by the Village pending delivery of the 2011B Bonds and all others will be promptly returned. Should the successful bidder fail to take up and pay for the 2011B Bonds when tendered in accordance with this Notice of Sale and said bid, said Deposit shall be retained as full and liquidated damages to the Village caused by failure of the bidder to carry out the offer of purchase. Such Deposit will otherwise be applied on the purchase price upon delivery of the 2011B Bonds. No interest on the Deposit will accrue to the purchaser.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago  
ABA # 071003405  
Credit to: DDA # 150002305  
Further Credit to: 1853281001 Speer Bidding Escrow  
RE: The Village of Palatine, Cook County, Illinois  
bid for the \$885,000\* General Obligation Refunding Bonds, Series 2011B

The wire shall arrive in such account no later than 30 minutes prior to the date and time of the sale of the 2011B Bonds. Contemporaneously with such wire transfer, the bidder shall send an email to [biddingescrow@aboc.com](mailto:biddingescrow@aboc.com) with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such bidder is not awarded the 2011B Bonds. The Village and any bidder who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful bidder; (ii) if the bid is accepted, the Deposit shall be forwarded to the Village; (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the bidder; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

If a Financial Surety Bond is used for the Deposit, it must be from an insurance company licensed to issue such a bond in the State of Illinois and such bond must be submitted to Speer prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose deposit is guaranteed by such Financial Surety Bond. If the 2011B Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the Village in the form of a certified or cashier's check or wire transfer as instructed by Speer, or the Village not later than 3:00 P.M. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Village to satisfy the Deposit requirement.

*\*Subject to change.*

*Village of Palatine, Cook County, Illinois*  
\$885,000\* General Obligation Refunding Bonds, Series 2011B

\*Subject to change.

Notice of Sale Page 3

The Village covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Village for the benefit of the beneficial owners of the 2011B Bonds on or before date of delivery of the 2011B Bonds as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter. The Village represents that it is in compliance with each and every undertaking previously entered into it pursuant to the Rule.

The Underwriter's obligation to purchase the 2011B Bonds shall be conditioned upon the Village delivering the Undertaking on or before the date of delivery of the 2011B Bonds.

By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the Village in the 2011B Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder consents to and waives any conflict of interest arising from any adverse position to the Village in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

The 2011B Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about July 7, 2011. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the Village except failure of performance by the purchaser, the Village may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the 2011B Bonds will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the 2011B Bonds, and any other information required by law or deemed appropriate by the Village, shall constitute a "Final Official Statement" of the Village with respect to the 2011B Bonds, as that term is defined in the Rule. By awarding the 2011B Bonds to any underwriter or underwriting syndicate, the Village agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the 2011B Bonds are awarded, up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Village shall treat the senior managing underwriter of the syndicate to which the 2011B Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the 2011B Bonds agrees thereby that if its bid is accepted by the Village it shall enter into a contractual relationship with all Participating Underwriters of the 2011B Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful bidder agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the 2011B Bonds. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The Village will, at its expense, deliver the 2011B Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the Village will also furnish to the purchaser the following documents, each dated as of the date of delivery of the 2011B Bonds: (1) the unqualified opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, that the 2011B Bonds are lawful and enforceable obligations of the Village in accordance with their terms; (2) the opinion of said attorneys that the interest on the 2011B Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the 2011B Bonds; and (3) a no litigation certificate by the Village.

The Village intends to designate the 2011B Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the 2011B Bonds. Copies of such Official Statement or additional information may be obtained from Paul D. Mehring, Finance Director, Village of Palatine, 200 East Wood Street, Palatine, Illinois 60067, or an electronic copy of this Official Statement is available from the [www.speerfinancial.com](http://www.speerfinancial.com) web site under "Debt Auction Center/Competitive Sales Calendar" from the Independent Public Finance Consultants to the Village, Speer Financial, Inc., One North LaSalle Street, Suite 4100, Chicago, Illinois 60602, telephone (312) 346-3700.

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

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



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FY 2011

Attachment I

**Village of Palatine  
Downtown TIF**

VILLAGE OF PALATINE, ILLINOIS  
TAX INCREMENT FINANCING FUNDS  
REPORT ON COMPLIANCE  
WITH PUBLIC ACT 85-1142

For the Year Ended  
December 31, 2011



Certified Public Accountants & Advisors



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH PUBLIC ACT 85-1142

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

We have audited the basic, combining and individual fund financial statements of the Village of Palatine, Illinois, as of and for the year ended December 31, 2011, and have issued our separate report thereon dated April 26, 2012. These financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the Village of Palatine's compliance with the provisions of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2011, for the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund. The management of the Village of Palatine, Illinois, is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Village of Palatine, Illinois' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Village of Palatine, Illinois, complied, in all material respects, with the requirements of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2011, for the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund.

A handwritten signature in black ink that reads "Sikich LLP".

Naperville, Illinois  
April 26, 2012



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

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

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

We have audited the accompanying schedule of revenues and other sources, expenditures and other financing uses and changes in fund balances of the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2011. These financial statements are the responsibility of the Village of Palatine, Illinois' 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 of material misstatement. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund and are not intended to present fairly the financial position and changes in financial position of the Village of Palatine, Illinois in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the changes in financial position of the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Naperville, Illinois  
April 26, 2012

A handwritten signature in black ink that reads 'Sikich LLP'.

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

For the Year Ended  
December 31, 2011

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF
<b>REVENUES</b>				
Incremental property taxes	\$ 2,528,847	\$ 275,638	\$ 5,904,383	\$ 3,052,617
Intergovernmental	-	-	894,173	-
Investment income	2,370	392	2,885	956
<b>Total revenues</b>	<b>2,531,217</b>	<b>276,030</b>	<b>6,801,441</b>	<b>3,053,573</b>
<b>EXPENDITURES</b>				
Economic development				
Supplies and services	-	-	31,223	20,941
Project expenditures	-	-	684,636	876,933
Surplus distribution	3,700,000	300,000	-	-
Capital outlay				
Buildings and facilities	-	-	236,088	-
Right of way improvements	-	-	66,326	55,261
Street improvements	-	-	1,471,197	-
Debt service				
Principal	-	-	3,027,830	485,000
Interest and fiscal charges	-	-	1,941,678	929,418
Fiscal charges	-	-	33,506	1,000
<b>Total expenditures</b>	<b>3,700,000</b>	<b>300,000</b>	<b>7,492,484</b>	<b>2,368,553</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,168,783)</b>	<b>(23,970)</b>	<b>(691,043)</b>	<b>685,020</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued, at par	-	-	850,000	-
Bond premium	-	-	42,495	-
Payment to refunded bond escrow	-	-	(865,438)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>27,057</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,168,783)</b>	<b>(23,970)</b>	<b>(663,986)</b>	<b>685,020</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>3,807,309</b>	<b>467,189</b>	<b>15,193,216</b>	<b>11,662,835</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,638,526</b>	<b>\$ 443,219</b>	<b>\$ 14,529,230</b>	<b>\$ 12,347,855</b>

(See independent auditor's report.)

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VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICTS FUNDS

SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended  
December 31, 2011

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF
<b>BEGINNING BALANCES, JANUARY 1, 2011</b>	<b>\$ 3,807,309</b>	<b>\$ 467,189</b>	<b>\$ 15,193,216</b>	<b>\$ 11,662,835</b>
<b>ADDITIONS</b>				
Incremental property taxes	2,528,847	275,638	5,904,383	3,052,617
Intergovernmental	-	-	894,173	-
Investment income	2,370	392	2,885	956
Refunding bonds issued, at par	-	-	850,000	-
Bond premium	-	-	42,495	-
<b>Total additions</b>	<b>2,531,217</b>	<b>276,030</b>	<b>7,693,936</b>	<b>3,053,573</b>
<b>BEGINNING BALANCES PLUS ADDITIONS</b>	<b>6,338,526</b>	<b>743,219</b>	<b>22,887,152</b>	<b>14,716,408</b>
<b>DEDUCTIONS</b>				
Economic development				
Supplies and services	-	-	31,223	20,941
Project expenditures	-	-	684,636	876,933
Surplus distribution	3,700,000	300,000	-	-
Capital outlay				
Buildings and facilities	-	-	236,088	-
Right of way improvements	-	-	66,326	55,261
Street improvements	-	-	1,471,197	-
Debt service				
Principal retirement	-	-	3,027,830	485,000
Interest	-	-	1,941,678	929,418
Fiscal charges	-	-	33,506	1,000
Payment to refunded bond escrow	-	-	865,438	-
<b>Total deductions</b>	<b>3,700,000</b>	<b>300,000</b>	<b>8,357,922</b>	<b>2,368,553</b>
<b>ENDING BALANCES, DECEMBER 31, 2011</b>	<b>\$ 2,638,526</b>	<b>\$ 443,219</b>	<b>\$ 14,529,230</b>	<b>\$ 12,347,855</b>
<b>ENDING BALANCES BY SOURCE</b>				
Property taxes	\$ 2,528,847	\$ 275,638	\$ 5,838	\$ 2,200,321
Investment income	109,679	167,581	26,410	7,736
Investment in land held for resale	-	-	14,496,982	10,139,798
<b>ENDING BALANCES, DECEMBER 31, 2011</b>	<b>\$ 2,638,526</b>	<b>\$ 443,219</b>	<b>\$ 14,529,230</b>	<b>\$ 12,347,855</b>

(See independent auditor's report.)