FY 2012
ANNUAL TAX INCREMENT FINANCE REPORT

STATE OF ILLINOIS
COMPTROLLER
JUDY BAAR TOPINKA

Name of Municipality:	Village of Palatine	Reporting Fiscal Year:	**2012**
County:	Cook	Fiscal Year End:	12/31/2012
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
Mobile		E-mail	findept@palatine.il.us		
Mobile Provider		Best way to contact	___x___ Email ______Mobile		______Phone ______Mail

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.]

Reid J. Ottesen   June 17, 2013

Written signature of TIF Administator   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 DISTICT

Name of Redevelopment Project Area	Date Designated	Date Terminated
Downtown Area Tax Increment Financing		
Redevelopment Project Area	12/13/1999	

*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 TIF
Primary Use of Redevelopment Project Area*:	Combination/Mixed
If "Combination/Mixed" List Component Types:	Retail, Residential
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one): **Tax Increment Allocation Redevelopment Act __x___ 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)] **If yes, please enclose the amendment labeled Attachment A**	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] **Please enclose the CEO Certification labeled Attachment B**		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] **Please enclose the Legal Counsel Opinion labeled Attachment C**		X
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)] **If yes, please enclose the Activities Statement labeled Attachment D**		X
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] **If yes, please enclose the Agreement(s) labeled Attachment E**	X	
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] **If yes, please enclose the Additional Information labeled Attachment F**	X	
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] **If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G**	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] **If yes, please enclose the Joint Review Board Report labeled Attachment H**		X
Were any obligations issued by municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] **If yes, please enclose the Official Statement labeled Attachment I**		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)] **If yes, please enclose the Analysis labeled Attachment J**	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) **If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K**		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)] **If yes, please enclose a certified letter statement reviewing compliance with the Act labeled Attachment L**		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)] **If yes, please enclose list only of the intergovernmental agreements labeled Attachment M**	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.

Fund Balance at Beginning of Reporting Period	$ 14,529,230

Revenue/Cash Receipts Deposited in Fund During Reporting FY:	Reporting Year	Cumulative*	% of Total
Property Tax Increment	$ 5,298,957	$ 48,881,867	41%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	$ 11,928	$ 924,048	1%
Land/Building Sale Proceeds		$ 1,252,260	1%
Bond Proceeds	$ 5,025,000	$ 61,590,465	52%
Transfers from Municipal Sources	$ 136,474	$ 5,475,539	5%
Private Sources			0%
Other (identify source _____________; if multiple other sources, attach schedule)			0%

***must be completed where 'Reporting Year' is populated**

Total Amount Deposited in Special Tax Allocation Fund During Reporting Period	$ 10,472,359		
Cumulative Total Revenues/Cash Receipts		$ 118,124,179	100%
Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)	$ 11,332,423		
Distribution of Surplus	$ -		
Total Expenditures/Disbursements	$ 11,332,423		
NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	$ (860,064)		
FUND BALANCE, END OF REPORTING PERIOD*	$ 13,669,166		

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

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)]	Amounts	Reporting Fiscal Year
1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)		
Legal & Other Professional Fees	3,063	
		$ 3,063
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)		
Property assembly, demolition, site preparation	100,000	
		$ 100,000
4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4)		
Rehabilitation, Reconstruction and Repairs	143,906	
		$ 143,906
5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)		
Infrastructure Improvements (streets, watermains, etc.)	536,005	
		$ 536,005
6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY		
		$ -

SECTION 3.2 A		
PAGE 2		
7. Cost of job training and retraining, including "welfare to work" programs Subsection (q)(5), (o)(7) and (o)(12)		
		$ -
8. Financing costs. Subsection (q) (6) and (o)(8)		
Debt Service Principal	3,631,824	
Debt Service Interest & Fiscal Charges	1,916,652	
Payment to Bond Escrow Agent	4,939,073	
		$ 10,487,549
9. Approved capital costs. Subsection (q)(7) and (o)(9)		
		$ -
10. Cost of Reimbursing school districts for their increased costs caused by TIF assisted housing projects. Subsection (q)(7.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		$ -
11. Relocation costs. Subsection (q)(8) and (o)(10)		
Moving expenses	61,900	
		$ 61,900
12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11)		
		$ -
13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12)		
		$ -

SECTION 3.2 A		
PAGE 3		
14. Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. Subsection (q)(11)(A-E) and (o)(13)(A-E)		
		$ -
15. Costs of construction of new housing units for low income and very low-income households. Subsection (q)(11)(F) - Tax Increment Allocation Redevelopment TIFs ONLY		
		$ -
16. Cost of day care services and operational costs of day care centers. Subsection (q) (11.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		$ -

TOTAL ITEMIZED EXPENDITURES		$ 11,332,423

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.

Name	Service	Amount
FSKS Properties Inc	Rehab, Reconst, and Repairs	$ 26,398.81
R Franczak & Associates, Inc	Property Assembly	$ 100,000.00
James Longfield Family Trust	Rehab, Reconst, and Repairs	$ 60,963.00
William E Belmonte	Rehab, Reconst, and Repairs	$ 43,920.00
Bank of New York	Debt Service	$ 1,265,267.50
JP Morgan Chase Bank	Debt Service	$ 128,669.40
Wells Fargo Bank	Debt Service	$ 8,761,985.50
Katten Muchin Rsoenman LLP	Bond Issue Costs	$ 18,000.00
Speer Financial, Inc	Bond Issue Costs	$ 25,790.36
Chicagoland Paving	Infrastructure Improvements	$ 340,363.24
Brian Edward Landscaping	Infrastructure Improvements	$ 62,295.00
Bollinger Lach & Assoc	Infrastructure Improvements	$ 124,803.47
Palatine Lodge #314	Relocation Costs	$ 61,900.00
Union Pacific Railroad Company	Infrastructure Improvements	$ 286,916.27

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

FUND BALANCE, END OF REPORTING PERIOD		$ 13,669,166

1. Description of Debt Obligations	**Amount of Original Issuance**	**Amount Designated**
General Obligation Bond Tax Increment Series of 2003	$ 990,000	$ 125,450
General Obligation Bond Taxable Series of 2004A	$ 7,500,000	$ 405,000
General Obligation Bond Refunding Series of 2004D	$ 5,080,000	$ 4,790,000
General Obligation Bond Series of 2007A	$ 365,000	$ 365,000
General Obligation Bond Taxable Series of 2007B	$ 7,335,000	$ 5,465,000
General Obligation Bond Series of 2009E	$ 8,500,000	$ 8,500,000
General Obligation Bond Refunding Series of 2010B	$ 12,555,000	$ 8,925,000
General Obligation Bond Refunding Series of 2011B	$ 850,000	$ 850,000
General Obligation Bond Refunding Series of 2012	$ 5,025,000	$ 5,025,000
Total Amount Designated for Obligations	$ 48,200,000	$ 34,450,450

2. Description of Project Costs to be Paid

Total Amount Designated for Project Costs		$ -
TOTAL AMOUNT DESIGNATED		$ 34,450,450
SURPLUS*/(DEFICIT)		$ (20,781,284)

* NOTE: If a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing

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)
PAGE 1

If **NO** projects were undertaken by the Municipality Within the Redevelopment Project Area, indicate so in the space provided:	______
If Projects **WERE** undertaken by the Municipality Within the Redevelopment Project Area enter the **TOTAL** number of projects and list them in detail below.	___19___

SECTION 5 PROVIDES PAGES 1-3 TO ACCOMMODATE UP TO 25 PROJECTS. PAGE 1 MUST BE INCLUDED WITH TIF REPORT. PAGES 2-3 SHOULD BE INCLUDED IF PROJECTS ARE LISTED ON THESE PAGES

TOTAL:	**11/1/99 to Date**	**Estimated Investment for Subsequent Fiscal Year**	**Total Estimated to Complete Project**
Private Investment Undertaken (See Instructions)	$ 268,370,820	$ -	$ 268,370,820
Public Investment Undertaken	$ 46,522,596	$ 235,000	$ 46,868,391
Ratio of Private/Public Investment	5 10/13		5 53/73

Project 1: Wellington Court			
Private Investment Undertaken (See Instructions)	$ 6,000,000		$ 6,000,000
Public Investment Undertaken	$ 400,000	$ -	$ 400,000
Ratio of Private/Public Investment	15		15

Project 2: Groves of Palatine			
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 9/14		24 9/14

Project 3: Gateway Center			
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	66/67		66/67

Project 4: Hummel Bldg			
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 13/28		3 13/28

Project 5: Providence			
Private Investment Undertaken (See Instructions)	$ 4,200,000		$ 4,200,000
Public Investment Undertaken	$ 9,349,935		$ 9,349,935
Ratio of Private/Public Investment	31/69		31/69

Project 6: Palatine Station			
Private Investment Undertaken (See Instructions)	$ 35,000,000		$ 35,000,000
Public Investment Undertaken	$ 164,830		$ 164,830
Ratio of Private/Public Investment	212 17/50		212 17/50

Project 7: Brownstones #1			
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 51/56		2 51/56

Project 8: Brownstones #2			
Private Investment Undertaken (See Instructions)	$ 5,000,000		$ 5,000,000
Public Investment Undertaken	$ 990,000		$ 990,000
Ratio of Private/Public Investment	5 5/99		5 5/99

Project 9: 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		10

Project 10: 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 17/48		14 17/48

Project 11: 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 64/97		6 64/97

Project 12: 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		8

Project 13: 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 21/38		3 21/38

Project 14: Lamplighters'			
Private Investment Undertaken (See Instructions)	$ 1,000,000		$ 1,000,000
Public Investment Undertaken	$ 190,000		$ 190,000
Ratio of Private/Public Investment	5 5/19		5 5/19

Project 15: Mexico Uno			
Private Investment Undertaken (See Instructions)	$ 580,000		$ 580,000
Public Investment Undertaken	$ 482,000		$ 482,000
Ratio of Private/Public Investment	1 12/59		1 12/59

Project 16: 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 29/32		7 29/32

Project 17: Heritage			
Private Investment Undertaken (See Instructions)	$ 16,000,000		$ 16,000,000
Public Investment Undertaken	$ 2,100,000		$ 2,100,000
Ratio of Private/Public Investment	7 13/21		7 13/21

Project 18: Bauer's Brauhaus			
Private Investment Undertaken (See Instructions)	$ 300,000		$ 300,000
Public Investment Undertaken	$ 19,970	$ 5,000	$ 30,000
Ratio of Private/Public Investment	15 2/89		10

Project 19: Patzke			
Private Investment Undertaken (See Instructions)	$ 1,500,000		$ 1,500,000
Public Investment Undertaken	$ 114,235	$ 230,000	$ 450,000
Ratio of Private/Public Investment	13 3/23		3 1/3

Project 20:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 21:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 22:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 23:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 24:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			$ -
Ratio of Private/Public Investment	0		0

Project 25:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

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

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	$ 86,707,008

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
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -

SECTION 7

Provide information about job creation and retention

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

SECTION 8

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

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

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Jim Schwantz, the duly elected Mayor and Chief Executive Officer of the Village of Palatine, County of Cook, State of Illinois, do hereby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning January 1, 2012 and ending December 31, 2012.

Jim Schwantz
Mayor

6/17/13
Date

CERTIFICATION BY THE VILLAGE ATTORNEY

This will confirm that I am the duly appointed Village Attorney of the Village of Palatine, County of Cook, State of Illinois. I have reviewed all information provided to me by the Village of Palatine staff and consultants. I find that the Village has conformed to all the applicable requirements of the Illinois Tax Increment Redevelopment Allocation Act set forth thereunder for the fiscal year beginning January 1, 2012 and ending December 31, 2012, to the best of my knowledge and belief.

Robert C Kenny — 6/14/13

Robert C. Kenny
Village Attorney

Date

Activities Undertaken in Furtherance of the Objectives of the Redevelopment Plan

The establishment of the Downtown TIF District Facade Improvement Program has resulted in applications being approved for eight different properties. Several of the projects have been completed, resulting in the 2012 budget of $150,000 being fully committed, and the majority of the 2013 budget ($100,000) also being committed.

Reconstructed Bothwell Street, resulting in the addition of seven on-street parking spaces to be utilized by the surrounding commercial/business uses.

Commenced the design of improvements to Slade Street, west of Brockway Street, that will result in the addition of nine on-street parking spaces. The reconstruction of this portion of Slade Street will occur in the Spring of 2013.

DRAFT

Village of Palatine

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

Meeting of the Joint Review Board

Wednesday, September 26, 2012 - 2:00 p.m.

Minutes

I. JOINT REVIEW BOARD CALL TO ORDER

Reid Ottesen, Village Representative, called the meeting to order at 2:01 p.m.

II. ROLL CALL OF TAX DISTRICT MEMBERS

Present:

- Palatine Public Library District
  - Susan Strunk, Executive Director
- Community Consolidated School District 15
  - Scott Thompson, Superintendent
- Township High School District 211
  - Dave Torres, Associate Superintendent for Business
- William Rainey Harper Community College
  - Bret Bonnstetter, Controller
- Village of Palatine
  - Reid Ottesen, Village Manager
  - Mike Jacobs, Deputy Village Manager
  - Paul Mehring, Finance Director
- Ray Franczak, Public Member

Absent:

- Cook County
- Metropolitan Water Reclamation District
- Northwest Mosquito Abatement District
- Palatine Park District
- Township of Palatine

III. NOMINATION FOR AND SELECTION OF PUBLIC MEMBER

Scott Thompson, seconded by Dave Torres, moved to approve Ray Franczak as the Public Member of the Joint Review Board. The motion was approved unanimously.

IV. NOMINATION FOR CHAIR OF THE JOINT REVIEW BOARD

Scott Thompson, seconded by Susan Strunk, nominated Reid Ottesen as the Chair of the Joint Review Board meeting for Monday, September 26, 2012. The motion was approved unanimously.

V. APPROVAL OF THE NOVEMBER 14 2011 MINUTES OF THE JOINT REVIEW BOARD

Scott Thompson, seconded by Ray Franczak, moved to approve the November 14, 2011 minutes of the Joint Review Board. The motion was approved unanimously.

VI. APPROVAL OF THE JUNE 14, 2012 MINUTES OF THE JOINT REVIEW BOARD

Dave Torres, seconded by Scott Thompson, moved to approve the June 14, 2012 minutes of the Joint Review Board. The motion was approved unanimously.

VII. ANNUAL REVIEW OF PERFORMANCE

Reid Ottesen explained that all taxing bodies are required to get together once a year to discuss the status of the TIF districts. Reid Ottesen indicated that he would review the projected surplus to be declared from the Dundee Road TIF and Rand/Dundee TIF and that Mike Jacobs would provide an overview of development activity within the Village's TIF Districts over the past year.

A. DUNDEE ROAD TIF DISTRICT
B. RAND/DUNDEE TIF DISTRICT

Reid Ottesen distributed summary charts for both TIF Districts that outlined the projected distribution of incremental revenues by agency from 2013 through 2018. He noted that 2013 includes a full payout of all surplus funds, while the projected distribution for future years includes only a partial surplus payout as the Village is looking to set aside some money for potential projects within the TIF District. He noted that the future year projections will be reconsidered each year as part of the Village's annual budget review and approval process.

C. RAND ROAD CORRIDOR TIF DISTRICT

Mike Jacobs reviewed the status of several properties including the former Idol's and Menard's sites, as well as some potential modifications to the Park Place shopping center. Scott Thompson asked some additional questions related to the status of Idol's. In addition, Mr. Jacobs outlined IDOT's proposed modifications to Dundee Road, between Rand Road and Route 53.

D. DOWNTOWN AREA TIF DISTRICT

Within the Village's Downtown TIF District, Mike Jacobs indicated that during the past year several business/property owners have participated in the Village's downtown façade grant program. Mr. Jacobs also noted that the reconstruction of Bothwell Street, between Palatine Road and the railroad tracks, has commenced and will result in additional on-street parking as well as enhanced pedestrian amenities. Susan Strunk inquired about the status of the Mia Cucina building as well as other vacant tenant spaces within the downtown area. Mr. Jacobs outlined the Village's efforts related to the Mia Cucina building as well as the status of some of the other available retail spaces within the downtown area.

E. RAND/LAKE COOK TIF DISTRICT

Mike Jacobs indicated that the Village Council formally approved the Rand/Lake Cook TIF District on August 20, 2012. Mr. Jacobs also noted that Patrick Hyundai was pursuing approval for a new automobile dealership at the southeast corner of Rand and Lake Cook Roads.

VIII. ADJOURNMENT

Scott Thompson, seconded by Ray Franczak, moved to adjourn the Joint Review Board Meeting at 2:25 p.m. The motion was approved unanimously.

Respectfully submitted,

Michael W. Jacobs
Village of Palatine

NEW ISSUE

Investment Rating:
Standard & Poor's Corporation ... AA+/Stable

ADDENDUM DATED DECEMBER 3, 2012
OFFICIAL STATEMENT DATED NOVEMBER 15, 2012

$5,025,000
VILLAGE OF PALATINE
Cook County, Illinois
Taxable General Obligation Refunding Bonds, Series 2012

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
$ 95,000	2013	1.000%	0.500%	696089 ZR5	$540,000	2018	1.400%	1.400%	696089 ZW4
505,000	2014	1.000%	0.650%	696089 ZS3	555,000	2019	1.700%	1.700%	696089 ZX2
510,000	2015	1.000%	0.750%	696089 ZT1	570,000	2020	2.000%	2.000%	696089 ZY0
515,000	2016	1.000%	0.950%	696089 ZU8	595,000	2021	2.125%	2.250%	696089 ZZ7
525,000	2017	1.100%	1.100%	696089 ZV6	615,000	2022	2.375%	2.350%	696089 A27

The Official Statement of the Village dated November 15, 2012 (the "Official Statement") with respect to the Bonds is incorporated by reference herein and made a part hereof. The "Final Official Statement" of the Village with respect to the 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 November 15, 2012; and
2. This Addendum dated December 3, 2012.

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 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 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.

PLAN OF FINANCING

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

Outstanding General Obligation Bonds, Series 2004A

Refunded Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
12/01/2014.............	$ 425,000	$ 425,000	100.00%	12/01/2013
12/01/2015.............	445,000	445,000	100.00%	12/01/2013
12/01/2016.............	465,000	465,000	100.00%	12/01/2013
12/01/2017.............	490,000	490,000	100.00%	12/01/2013
12/01/2018.............	515,000	515,000	100.00%	12/01/2013
12/01/2019.............	545,000	545,000	100.00%	12/01/2013
12/01/2020.............	575,000	575,000	100.00%	12/01/2013
12/01/2021.............	610,000	610,000	100.00%	12/01/2013
12/01/2022.............	645,000	645,000	100.00%	12/01/2013
Total..................	$4,715,000	$4,715,000		

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

The Village filed a draft unaudited Annual Report for the fiscal year ended December 31, 2007 on June 30, 2008 and its final audited 2007 Annual Report on October 14, 2008. The Village has taken corrective actions to make sure that all subsequent Annual Reports were and will be filed within the 210 day period.

The Village's undertaking with respect to enumerated events includes timely notice of the occurrence of any of the following events with respect to the Bonds.

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

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 Ordinance upon a change in circumstances provided that (a) the undertakings, as amended, would have complied with the requirements of Rule 15(c)2-12(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.*

DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding $112,849,523 principal amount of general obligation debt. The Village also has outstanding $122,402 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)

Calendar Year	Series 1989	Series 2003	Series 2004	Series 2005	Series 2007	Series 2008	Series 2009A	Series 2009B	Series 2009C	Series 2009D	Series 2009E	Series 2009F
2012	$ 0	$1,131,281	$ 2,410,000	$ 5,000	$ 1,060,000	$ 160,000	$ 45,000	$ 0	$ 0	$ 0	$ 0	$ 0
2013	0	350,452	910,000	830,000	1,110,000	170,000	45,000	425,000	0	385,000	0	0
2014	317,473	0	960,000	0	1,160,000	175,000	50,000	450,000	0	395,000	0	0
2015	523,137	0	1,025,000	0	1,305,000	185,000	50,000	475,000	0	410,000	0	0
2016	302,180	0	1,040,000	0	1,360,000	195,000	50,000	505,000	0	425,000	0	0
2017	0	0	1,110,000	0	1,485,000	205,000	55,000	535,000	0	440,000	750,000	0
2018	0	0	1,150,000	0	1,195,000	215,000	55,000	565,000	0	455,000	1,150,000	0
2019	0	0	1,195,000	0	1,255,000	225,000	60,000	600,000	500,000	0	1,250,000	0
2020	0	0	1,265,000	0	1,315,000	235,000	60,000	635,000	520,000	0	1,250,000	0
2021	0	0	610,000	0	1,390,000	250,000	60,000	675,000	550,000	0	2,000,000	0
2022	0	0	645,000	0	1,345,000	260,000	65,000	715,000	575,000	0	2,100,000	0
2023	0	0	0	0	700,000	275,000	70,000	760,000	600,000	0	0	500,000
2024	0	0	0	0	740,000	290,000	70,000	805,000	625,000	0	0	500,000
2025	0	0	0	0	780,000	305,000	75,000	855,000	665,000	0	0	500,000
2026	0	0	0	0	820,000	320,000	80,000	0	700,000	0	0	0
2027	0	0	0	0	0	340,000	80,000	0	725,000	0	0	0
2028	0	0	0	0	0	355,000	85,000	0	775,000	0	0	0
2029	0	0	0	0	0	0	90,000	0	800,000	0	0	0
Total	$1,142,790	$1,481,733	$12,320,000	$835,000	$17,020,000	$4,160,000	$1,145,000	$8,000,000	$7,035,000	$2,510,000	$8,500,000	$1,500,000

Calendar Year	Series 2009G	Series 2010A	Series 2010B	Series 2010C	Series 2010D	Series 2011A	Series 2011B	The Bonds	Less: the Refunded Bonds	Total Outstanding Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2012	$ 290,000	$ 800,000	$ 2,085,000	$ 0	$140,000	$ 0	$ 10,000	$ 0	$ 0	$ 8,136,281	$ 8,136,281	7.21%
2013	295,000	640,000	2,140,000	0	145,000	0	160,000	95,000	0	7,700,452	15,836,733	14.03%
2014	300,000	510,000	2,195,000	0	145,000	475,000	180,000	505,000	(425,000)	7,392,473	23,229,206	20.58%
2015	675,000	530,000	2,300,000	0	380,000	25,000	180,000	510,000	(445,000)	8,128,137	31,357,343	27.79%
2016	0	550,000	500,000	0	0	825,000	175,000	515,000	(465,000)	5,977,180	37,334,523	33.08%
2017	0	565,000	1,790,000	0	0	875,000	175,000	525,000	(490,000)	8,020,000	45,354,523	40.19%
2018	0	590,000	0	0	0	900,000	0	540,000	(515,000)	6,300,000	51,654,523	45.77%
2019	0	615,000	0	0	0	900,000	0	555,000	(545,000)	6,610,000	58,264,523	51.63%
2020	0	650,000	0	0	0	900,000	0	570,000	(575,000)	6,825,000	65,089,523	57.68%
2021	0	675,000	0	0	0	1,000,000	0	595,000	(610,000)	7,195,000	72,284,523	64.05%
2022	0	705,000	0	0	0	1,000,000	0	615,000	(645,000)	7,380,000	79,664,523	70.59%
2023	0	0	0	0	0	100,000	0	0	0	3,005,000	82,669,523	73.26%
2024	0	0	0	725,000	0	0	0	0	0	3,755,000	86,424,523	76.58%
2025	0	0	0	735,000	0	0	0	0	0	3,915,000	90,339,523	80.05%
2026	0	0	0	1,275,000	0	0	0	0	0	3,195,000	93,534,523	82.88%
2027	0	0	0	1,325,000	0	0	0	0	0	2,470,000	96,004,523	85.07%
2028	0	0	0	1,340,000	0	0	0	0	0	2,555,000	98,559,523	87.34%
2029	0	0	0	1,400,000	0	0	0	0	0	2,290,000	100,849,523	89.37%
2030	0	0	0	2,200,000	0	0	0	0	0	2,200,000	103,049,523	91.32%
2031	0	0	0	2,300,000	0	0	0	0	0	2,300,000	105,349,523	93.35%
2032	0	0	0	2,400,000	0	0	0	0	0	2,400,000	107,749,523	95.48%
2033	0	0	0	2,500,000	0	0	0	0	0	2,500,000	110,249,523	97.70%
2034	0	0	0	2,600,000	0	0	0	0	0	2,600,000	112,849,523	100.00%
Total ..	$1,560,000	$6,830,000	$11,010,000	$18,800,000	$810,000	$7,000,000	$880,000	$5,025,000	$(4,715,000)	$112,849,523		

Note: .(1) Source: the Village.

Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Special Census 68,557)
Village's EAV of Taxable Property, 2011..........	$1,987,066,782	100.00%	33.33%	$28,984.16
Estimated Actual Value, 2011.....................	$5,961,200,346	300.00%	100.00%	$86,952.47
Total General Obligation Bonded Debt.............	$ 112,849,523	5.68%	1.89%	$ 1,646.07
Less: Self-Supporting............................	(70,503,173)	(3.55%)	(1.18%)	(1,028.39)
Net General Obligation Bonded Debt.............	$ 42,346,350	2.13%	0.71%	$ 617.68
Overlapping Bonded Debt(2):				
Schools..	$ 36,716,612	1.85%	0.62%	$ 535.56
Others...	98,996,423	4.98%	1.66%	$ 1,444.00
Total Overlapping Bonded Debt(1)...............	$ 135,713,035	6.83%	2.28%	$ 1,979.56
Total Net Direct and Overlapping Bonded Debt...	$ 178,059,385	8.96%	2.99%	$ 2,597.25

Notes: (1) Subject to change.
(2) Overlapping bonded debt as of June 6, 2012.

INVESTMENT RATING

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

UNDERWRITING

The Bonds were offered for sale by the Village at a public, competitive sale on December 3, 2012. The best bid submitted at the sale was submitted by Raymond James Morgan Keegan, Memphis, Tennessee (the "Underwriter"). The Village awarded the contract for sale of the Bonds to the Underwriter at a price of $5,006,991.57. The Underwriter has represented to the Village that the Bonds have been subsequently re-offered to the public initially at the yields set forth in this Addendum.

AUTHORIZATION

The Official Statement dated November 15, 2012, and this Addendum dated December 3, 2012, for the $5,025,000 Taxable General Obligation Refunding Bonds, Series 2012, 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/ **REID T. OTTESEN**
Village Manager
VILLAGE OF PALATINE
Cook County, Illinois

APPENDIX A
FORM OF OPINION OF BOND COUNSEL FOR THE BONDS
[LETTERHEAD OF KATTEN MUCHIN ROSEMAN LLP]
[TO BE DATED CLOSING DATE]

December 20, 2012

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 $5,025,000 principal amount of Taxable General Obligation Refunding Bonds, Series 2012 (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 December 3, 2012 and entitled: "Ordinance Authorizing the Issuance of Taxable General Obligation Refunding Bonds, Series 2012, 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 December 20, 2012 and bear interest from their date payable on June 1, 2013 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
2013	$ 95,000	1.000%
2014	505,000	1.000
2015	510,000	1.000
2016	515,000	1.000
2017	525,000	1.100
2018	540,000	1.400
2019	555,000	1.700
2020	570,000	2.000
2021	595,000	2.125
2022	615,000	2.375

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

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

Very truly yours,

NOTICE OF CORRECTION

FOR

$5,015,000*
VILLAGE OF PALATINE
Cook County, Illinois
Taxable General Obligation Refunding Bonds, Series 2012

Selling On

Monday, December 3, 2012, Between 10:15 and 10:30 A.M., C.S.T.

Referencing the Official Statement and the Official Notice of Sale dated November 15, 2012, for the above referenced bond issue:

PLEASE SEE THE ATTACHED DOCUMENTS REGARDING
"THE PLAN OF FINANCE" AND "CONTINUING DISCLOSURE"

Revised November 30, 2012

For additional information please contact Speer Financial, Inc., Suite 4100, One North LaSalle Street, Chicago, Illinois 60602; telephone (312) 346-3700; FAX (312) 346-8833.

**Subject to change.*

PLAN OF FINANCING

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

Outstanding General Obligation Bonds, Series 2004A*(1)*

Refunded Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
12/01/2014	$ 425,000	$ 425,000	100.00%	12/01/2013
12/01/2015	445,000	445,000	100.00%	12/01/2013
12/01/2016	465,000	465,000	100.00%	12/01/2013
12/01/2017	490,000	490,000	100.00%	12/01/2013
12/01/2018	515,000	515,000	100.00%	12/01/2013
12/01/2019	545,000	545,000	100.00%	12/01/2013
12/01/2020	575,000	575,000	100.00%	12/01/2013
12/01/2021	610,000	610,000	100.00%	12/01/2013
12/01/2022	645,000	645,000	100.00%	12/01/2013
Total	$4,715,000	$4,715,000		

Note: (1) Subject to change.

Bond proceeds will 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.

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

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

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

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

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 Ordinance upon a change in circumstances provided that (a) the undertakings, as amended, would have complied with the requirements of Rule 15(c)2-12(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*.*

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 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 Bonds on or before the date of delivery of the 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 Bonds shall be conditioned upon the Village delivering the Undertaking on or before the date of delivery of the 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 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 December 20, 2012. 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 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 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 Bonds, as that term is defined in the Rule. By awarding the 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 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 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 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 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 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 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 Bonds: (1) the unqualified opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, that the Bonds are lawful and enforceable obligations of the Village in accordance with their terms and (2) a no litigation certificate by the Village.

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the 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 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

**Subject to change.*

New Issue
Date of Sale: December 3, 2012
10:15–10:30 A.M., C.S.T.
(Open Speer Auction)

Investment Ratings:
Standard & Poor's ...
(Rating Requested)

Official Statement

Interest on the Bonds IS subject to federal taxation. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein for a more complete discussion. Interest on the Bonds is not exempt from Illinois income taxes.

$5,015,000*
VILLAGE OF PALATINE
Cook County, Illinois
Taxable General Obligation Refunding Bonds, Series 2012

Dated: Date of Delivery **Book-Entry** **Non-Callable** **Due: Serially December 1, 2013-2022**

The $5,015,000* Taxable General Obligation Refunding Bonds, Series 2012 (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 June 1, 2013. 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 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 in the following years and amounts.

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
$ 85,000	2013	%	%		$540,000.....	2018	%	%	
505,000	2014	%	%		555,000.....	2019	%	%	
510,000	2015	%	%		570,000.....	2020	%	%	
515,000	2016	%	%		595,000.....	2021	%	%	
525,000	2017	%	%		615,000.....	2022	%	%	

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.

NO OPTIONAL REDEMPTION

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

PURPOSE, LEGALITY AND SECURITY

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

This Official Statement is dated November 15, 2012, and has been prepared under the authority of the Village. An electronic copy of this Official Statement is available from the 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

**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.

The tax advice contained in this Official Statement is not intended or written by the Village, its Bond Counsel, or any other tax practitioner to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this Official Statement was written to support the promotion or marketing of the Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

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 Form and Official Notice and Sale, should be reviewed in their entirety by potential investors.

Issuer:	Village of Palatine, Cook County, Illinois.
Issue:	$5,015,000* Taxable General Obligation Refunding Bonds, Series 2012.
Dated Date:	Date of delivery, expected to be on or about December 20, 2012.
Interest Due:	Each June 1 and December 1, commencing June 1, 2013.
Principal Due:	Serially each December 1, commencing December 1, 2013, through December 1, 2022, as detailed on the front page of this Official Statement.
No Optional Redemption:	The Bonds are **not** subject to optional redemption prior to maturity.
Authorization:	The Village is a home rule unit under the 1970 Illinois Constitution, has no statutory debt limit, and is not required to seek referendum approval to issue the Bonds.
Security:	The Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.
Investment Rating:	An investment rating for the Bonds has been requested from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P").
Purpose:	The Bond proceeds will be used to advance refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2004A, and to pay the costs of issuance of the Bonds. See **"PLAN OF FINANCING"** herein.
No Tax Exemption:	**None.** Interest on the Bonds is includible in gross income for federal income tax purposes. Interest on the Bonds is not exempt from Illinois income taxes. See **"CERTAIN FEDERAL AND ILLINOIS INCOME TAX CONSIDERATIONS"** herein.
Not Bank Qualified:	The Bonds are **not** "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Bond Registrar/Paying Agent Escrow Agent:	Wells Fargo Bank, N.A., Chicago, Illinois.
Verification Agent:	Dunbar Breitweiser & Company, LLP, Bloomington, Illinois.
Delivery:	The Bonds are expected to be delivered on or about December 20, 2012.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.
Denomination:	$5,000 or integral multiples thereof.
Financial Advisor:	Speer Financial, Inc., Chicago, Illinois.

**Subject to change.*

VILLAGE OF PALATINE
Cook County, Illinois

VILLAGE COUNCIL

Jim Schwantz
Mayor

Jim Clegg	Kollin Kozlowski
Aaron B. Del Mar	Scott Lamerand
Brad Helms	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. 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 343 full-time and 45 part-time/seasonal employees. This represents a reduction of 32 employees since January 1, 2009. The Palatine Police Department is comprised of 110 sworn officers and 30 civilian personnel. The police officers have a three-year contract that expires December 31, 2013. The Palatine Fire Department operates from five stations and is comprised of 91 sworn fire fighters and 5 civilian personnel. The fire fighters have a three-year contract expiring December 31, 2014. 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 50 employees of which 39 are unionized and has a two-year contract that expires on December 31, 2012. 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 recently 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 12,200. 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.

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 Chicago Executive Airport. Commuter rail service to downtown Chicago is provided by the Metra northwest line. Travel time to downtown Chicago is approximately 40 minutes.

SOCIOECONOMIC INFORMATION

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

Major Village Employers*(1)*

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
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
Arlington Toyota	Motor Vehicle Dealership	116
Clean Air Instrument Rentals	Air Quality Products	100
Keller Williams Team Realty	Commercial & Residential Real Estate Brokers	100

Notes: (1) Source: 2012 Illinois Manufacturers Directory, 2012 Illinois Services Directory and a selective telephone survey.
(2) Includes employees at facilities outside the Village.

Major Area Employers*(1)*

Location	Name	Product/Service	Approximate Employment
Hoffman Estates	Sears Holding Corp.	Retail Department Store Chain Corporate Headquarters	6,200
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	2,500
Rolling Meadows	Northrop Grumman Corp., Defensive Systems Div.	Electronic Countermeasures Divisional Headquarters	2,350
Hoffman Estates	St. Alexius Medical Center	Full Service Hospital	2,045
Barrington	Advocate Good Shepherd Hospital	Hospital Care	1,700
Schaumburg	Motorola, Inc.	Communications Equipment Corporate Headquarters	970
Schaumburg	Nation Pizza Products L.P.	Frozen Pizza & Crusts	700
Schaumburg	Verizon Wireless, Inc.	Mobile Phone Sales, Services & Marketing	670
Schaumburg	Nielsen CO.	Marketing Research & Analytics Provider	650
Schaumburg	Experian Information Solutions, Inc.	Direct Marketing Computer & Information Services	600
Hoffman Estates	ADP Dealer Services	Dealer Management Systems for the Automotive Retail Market	600
Arlington Heights	Level 3 Communications, Inc.	Data & Voice Communications Services	500

Note: (1) Source: 2012 Illinois Manufacturers Directory, 2012 Illinois Services Directory and a selective telephone survey.

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 2006-2010 Census.

Employment By Industry *(1)*

Classification	The Village Number	The Village Percent	Cook County Number	Cook County Percent	State of Illinois Number	State of Illinois Percent
Agriculture, Forestry, Fishing and Hunting, and Mining	58	0.2%	4,148	0.2%	65,279	1.1%
Construction	1,420	3.9%	131,640	5.4%	361,528	6.0%
Manufacturing	5,217	14.4%	276,278	11.3%	789,606	13.0%
Wholesale Trade	1,714	4.7%	75,727	3.1%	207,774	3.4%
Retail Trade	4,196	11.6%	238,350	9.8%	657,040	10.8%
Transportation and Warehousing, and Utilities	1,632	4.5%	153,867	6.3%	356,345	5.9%
Information	1,266	3.5%	63,038	2.6%	140,821	2.3%
Finance, Insurance, Real Estate, and Rental and Leasing	3,209	8.9%	216,696	8.9%	475,856	7.8%
Professional, Scientific, Management, Administrative, and Waste Management Services	5,360	14.8%	321,414	13.2%	657,479	10.8%
Educational, Health and Social Services	6,254	17.3%	520,589	21.3%	1,312,067	21.6%
Arts, Entertainment, Recreation, Accommodation and Food Services	3,438	9.5%	224,993	9.2%	518,641	8.6%
Other Services (Except Public Administration)	1,757	4.9%	120,052	4.9%	288,895	4.8%
Public Administration	705	1.9%	92,197	3.8%	231,517	3.8%
Total	36,226	100.00%	2,438,989	100.0%	6,062,848	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey, 2006 to 2010 estimates.

Employment By Occupation *(1)*

Classification	The Village Number	The Village Percent	Cook County Number	Cook County Percent	State of Illinois Number	State of Illinois Percent
Management, Business, Science and Arts	15,993	44.1%	896,923	36.8%	2,159,236	35.6%
Service	4,667	12.9%	413,833	17.0%	989,889	16.3%
Sales and Office	9,952	27.5%	627,277	25.7%	1,566,966	25.8%
Natural Resources, Construction, and Maintenance	1,807	5.0%	169,093	6.9%	490,469	8.1%
Production, Transportation, and Material Moving	3,807	10.5%	331,863	13.6%	856,288	14.1%
Total	36,226	100.00%	2,438,989	100.00%	6,062,848	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey, 2006 to 2010 estimates.

Annual Average Unemployment Rates *(1)*

Calendar Year	The Village	Cook County	State of Illinois
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%	5.0%
2008	4.9%	6.5%	6.5%
2009	8.3%	10.3%	10.1%
2010	8.5%	10.5%	10.5%
2011	7.9%	10.4%	9.8%
2012(2)	7.0%	9.8%	8.7%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Through June 2012.

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	Single-Family		Multi-Family		All Other	Total
Year	Units	Value	Units	Value	Value(2)	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 2006-2010 Census reported that the median home value of the Village's owner-occupied homes was $312,400, which compares with $265,800 for the County and $202,500 for the State. The 2006-2010 market value of specified owner-occupied units for the Village, the County and the State was as follows:

Specified Owner-Occupied Units*(1)*

	The Village		Cook County		State of Illinois	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000	189	1.0%	28,961	2.5%	216,017	6.5%
$50,000 to $99,999	302	1.6%	51,677	4.4%	450,834	13.7%
$100,000 to $149,999	1,526	8.1%	110,071	9.4%	455,940	13.8%
$150,000 to $199,999	2,664	14.1%	173,572	14.8%	505,936	15.3%
$200,000 to $299,999	4,207	22.2%	313,923	26.8%	723,366	21.9%
$300,000 to $499,999	7,280	38.5%	325,712	27.8%	643,537	19.5%
$500,000 to $999,999	2,684	14.2%	135,426	11.6%	250,844	7.6%
$1,000,000 or more	58	0.3%	30,649	2.6%	54,217	1.6%
Total	18,910	100.00%	1,169,991	100.0%	3,300,691	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey, 2006 to 2010 estimates.

Income

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

Rank		2006-2010
1	Lake County	$38,120
2	DuPage County	37,849
3	McHenry County	31,838
4	Monroe County	31,091
5	Kendall County	30,565
6	Will County	29,811
7	Kane County	29,480
8	Woodford County	29,475
9	**Cook County ....**	**29,335**
10	Sangamon County	28,394

Note: (1) Source: U.S. Bureau of the Census. 2006-2010 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area among 102 counties from the 2006-2010 Census.

Ranking of Median Family Income*(1)*

Il. County	Family Income	Il. Rank
DuPage County	$92,423	1
Lake County	91,693	2
Kendall County	87,309	3
McHenry County	86,698	4
Will County	85,488	5
Kane County	77,998	7
Cook County	**65,039**	**20**

Note: (1) Source: U.S. Bureau of the Census. 2006-2010 American Community 5-Year Estimates.

According to the 2006-2010 Census, the Village had a median family income of $89,647. This compares to $65,039 for the County and $68,236 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 2006-2010 Census.

Family Income*(1)*

	The Village		Cook County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	286	1.7%	63,235	5.3%	131,278	4.2%
$10,000 to $14,999	445	2.6%	40,475	3.4%	87,888	2.8%
$15,000 to $24,999	984	5.7%	102,805	8.5%	228,903	7.2%
$25,000 to $34,999	923	5.4%	105,304	8.8%	264,029	8.4%
$35,000 to $49,999	1,843	10.7%	151,905	12.6%	401,825	12.7%
$50,000 to $74,999	2,505	14.6%	218,425	18.2%	622,596	19.7%
$75,000 to $99,999	2,484	14.5%	170,406	14.2%	492,434	15.6%
$100,000 to $149,999	4,144	24.1%	191,527	15.9%	538,135	17.0%
$150,000 to $199,999	1,833	10.7%	74,431	6.2%	199,365	6.3%
$200,000 or more	1,716	10.0%	84,908	7.1%	195,094	6.2%
Total	17,163	100.00%	1,203,421	100.00%	3,161,547	100.0%

Note: (1) Note: Source: U.S. Bureau of the Census, American Community Survey, 2006 to 2010 estimates.

According to the 2006-2010 Census, the Village had a median household income of $74,060. This compares to $53,942 for the County and $55,735 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 2006-2010 Census.

Household Income*(1)*

	The Village		Cook County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	703	2.7%	157,532	8.1%	327,492	6.9%
$10,000 to $14,999	778	3.0%	97,369	5.0%	230,008	4.8%
$15,000 to $24,999	1,978	7.6%	203,561	10.5%	483,034	10.1%
$25,000 to $34,999	1,836	7.1%	185,026	9.6%	463,776	9.7%
$35,000 to $49,999	3,497	13.5%	257,985	13.3%	644,024	13.5%
$50,000 to $74,999	4,382	16.9%	349,011	18.0%	896,686	18.8%
$75,000 to $99,999	3,765	14.5%	240,948	12.4%	630,368	13.2%
$100,000 to $149,999	5,101	19.7%	249,666	12.9%	642,112	13.5%
$150,000 to $199,999	1,966	7.6%	92,166	4.8%	229,128	4.8%
$200,000 or more	1,933	7.5%	103,217	5.3%	223,323	4.7%
Total	25,939	100.00%	1,936,481	100.00%	4,769,951	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 2006 to 2010 estimates.

Retail Activity

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

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

State Fiscal Year Ending June 30	State Sales Tax Distributions(2)	Home Rule Sales Tax Distributions	Total	Annual Percent Change + (-)
2003	$6,881,130	$1,996,693	$ 8,877,823	(2.88%)(3)
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%)
2011	7,245,268	4,138,020	11,383,288	3.58%
2012	8,197,117	4,292,394	12,489,511	9.72%
Growth from 2003 to 2012				40.68%

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 2003 percentage is based on a 2002 sales tax of $9,141,355.

PLAN OF FINANCING

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

Outstanding General Obligation Bonds, Series 2004A*(1)*

Refunded Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
12/01/2014	$ 425,000	$ 425,000	100.00%	12/01/2014
12/01/2015	445,000	445,000	100.00%	12/01/2014
12/01/2016	465,000	465,000	100.00%	12/01/2014
12/01/2017	490,000	490,000	100.00%	12/01/2014
12/01/2018	515,000	515,000	100.00%	12/01/2014
12/01/2019	545,000	545,000	100.00%	12/01/2014
12/01/2020	575,000	575,000	100.00%	12/01/2014
12/01/2021	610,000	610,000	100.00%	12/01/2014
12/01/2022	645,000	645,000	100.00%	12/01/2014
Total	$4,715,000	$4,715,000		

Note: (1) Subject to change.

Bond proceeds will 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.

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

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

DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding $112,839,523* principal amount of general obligation debt. The Village also has outstanding $122,402 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)

Calendar Year	Series 1989	Series 2003	Series 2004	Series 2005	Series 2007	Series 2008	Series 2009A	Series 2009B	Series 2009C	Series 2009D	Series 2009E	Series 2009F
2012	$ 0	$1,131,281	$ 2,410,000	$ 5,000	$ 1,060,000	$ 160,000	$ 45,000	$ 0	$ 0	$ 0	$ 0	$ 0
2013	0	350,452	910,000	830,000	1,110,000	170,000	45,000	425,000	0	385,000	0	0
2014	317,473	0	960,000	0	1,160,000	175,000	50,000	450,000	0	395,000	0	0
2015	523,137	0	1,025,000	0	1,305,000	185,000	50,000	475,000	0	410,000	0	0
2016	302,180	0	1,040,000	0	1,360,000	195,000	50,000	505,000	0	425,000	0	0
2017	0	0	1,110,000	0	1,485,000	205,000	55,000	535,000	0	440,000	750,000	0
2018	0	0	1,150,000	0	1,195,000	215,000	55,000	565,000	0	455,000	1,150,000	0
2019	0	0	1,195,000	0	1,255,000	225,000	60,000	600,000	500,000	0	1,250,000	0
2020	0	0	1,265,000	0	1,315,000	235,000	60,000	635,000	520,000	0	1,250,000	0
2021	0	0	610,000	0	1,390,000	250,000	60,000	675,000	550,000	0	2,000,000	0
2022	0	0	645,000	0	1,345,000	260,000	65,000	715,000	575,000	0	2,100,000	0
2023	0	0	0	0	700,000	275,000	70,000	760,000	600,000	0	0	500,000
2024	0	0	0	0	740,000	290,000	70,000	805,000	625,000	0	0	500,000
2025	0	0	0	0	780,000	305,000	75,000	855,000	665,000	0	0	500,000
2026	0	0	0	0	820,000	320,000	80,000	0	700,000	0	0	0
2027	0	0	0	0	0	340,000	80,000	0	725,000	0	0	0
2028	0	0	0	0	0	355,000	85,000	0	775,000	0	0	0
2029	0	0	0	0	0	0	90,000	0	800,000	0	0	0
Total	$1,142,790	$1,481,733	$12,320,000	$835,000	$17,020,000	$4,160,000	$1,145,000	$8,000,000	$7,035,000	$2,510,000	$8,500,000	$1,500,000

Calendar Year	Series 2009G	Series 2010A	Series 2010B	Series 2010C	Series 2010D	Series 2011A	Series 2011B	The 2012 Bonds(2)	Less: the Refunded Bonds(2)	Total Outstanding Debt(2)	Cumulative Principal Retired(2) Amount	Percent
2012	$ 290,000	$ 800,000	$ 2,085,000	$ 0	$140,000	$ 0	$ 10,000	$ 0	$ 0	$ 8,136,281	$8,136,281	7.21%
2013	295,000	640,000	2,140,000	0	145,000	0	160,000	85,000	0	7,690,452	15,826,733	14.03%
2014	300,000	510,000	2,195,000	0	145,000	475,000	180,000	505,000	(425,000)	7,392,473	23,219,206	20.58%
2015	675,000	530,000	2,300,000	0	380,000	25,000	180,000	510,000	(445,000)	8,128,137	31,347,343	27.78%
2016	0	550,000	500,000	0	0	825,000	175,000	515,000	(465,000)	5,977,180	37,324,523	33.08%
2017	0	565,000	1,790,000	0	0	875,000	175,000	525,000	(490,000)	8,020,000	45,344,523	40.18%
2018	0	590,000	0	0	0	900,000	0	540,000	(515,000)	6,300,000	51,644,523	45.77%
2019	0	615,000	0	0	0	900,000	0	555,000	(545,000)	6,610,000	58,254,523	51.63%
2020	0	650,000	0	0	0	900,000	0	570,000	(575,000)	6,825,000	65,079,523	57.67%
2021	0	675,000	0	0	0	1,000,000	0	595,000	(610,000)	7,195,000	72,274,523	64.05%
2022	0	705,000	0	0	0	1,000,000	0	615,000	(645,000)	7,380,000	79,654,523	70.59%
2023	0	0	0	0	0	100,000	0	0	0	3,005,000	82,659,523	73.25%
2024	0	0	0	725,000	0	0	0	0	0	3,755,000	86,414,523	76.58%
2025	0	0	0	735,000	0	0	0	0	0	3,915,000	90,329,523	80.05%
2026	0	0	0	1,275,000	0	0	0	0	0	3,195,000	93,524,523	82.88%
2027	0	0	0	1,325,000	0	0	0	0	0	2,470,000	95,994,523	85.07%
2028	0	0	0	1,340,000	0	0	0	0	0	2,555,000	98,549,523	87.34%
2029	0	0	0	1,400,000	0	0	0	0	0	2,290,000	100,839,523	89.37%
2030	0	0	0	2,200,000	0	0	0	0	0	2,200,000	103,039,523	91.32%
2031	0	0	0	2,300,000	0	0	0	0	0	2,300,000	105,339,523	93.35%
2032	0	0	0	2,400,000	0	0	0	0	0	2,400,000	107,739,523	95.48%
2033	0	0	0	2,500,000	0	0	0	0	0	2,500,000	110,239,523	97.70%
2034	0	0	0	2,600,000	0	0	0	0	0	2,600,000	112,839,523	100.00%
Total ..	$1,560,000	$6,830,000	$11,010,000	$18,800,000	$810,000	$7,000,000	$880,000	$5,015,000	$(4,715,000)	$112,839,523		

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

**Subject to change.*

Detailed Overlapping Bonded Debt*(1)*
(As of June 6, 2012)

	Outstanding Debt	Applicable to Village Percent(2)	Applicable to Village Amount
Schools:			
School District Number 15	$ 28,585,805	51.20%	$ 14,635,932
High School District Number 211	17,255,000	24.23%	4,180,887
High School District Number 214	48,305,000	0.02%	9,661
Community College District Number 512	185,775,000	9.63%	17,890,133
Total Schools			$ 36,716,612
Others:			
Cook County	$3,709,260,000	1.31%	$ 48,591,306
Cook County Forest Preserve District	94,885,000	1.31%	1,242,994
Metropolitan Water Reclamation District	2,300,335,115	1.33%	30,594,457
Arlington Heights Park District	23,434,550	0.06%	14,061
Palatine Park District	20,930,000	77.30%	16,178,890
Salt Creek Park District	4,473,000	53.09%	2,374,716
Total Others			$ 98,996,423
Total School and Others Overlapping Bonded Debt			$135,713,035

Notes: (1) Source: Cook County Clerk.
(2) Overlapping debt percentages based on 2011 EAV, the most current available.

Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Special Census 68,557)
Village's EAV of Taxable Property, 2011	$1,987,066,782	100.00%	33.33%	$28,984.16
Estimated Actual Value, 2011	$5,961,200,346	300.00%	100.00%	$86,952.47
Total General Obligation Bonded Debt	$ 112,839,523	5.68%	1.89%	$ 1,645.92
Less: Self-Supporting	(70,493,173)	(3.55%)	(1.18%)	(1,028.24)
Net General Obligation Bonded Debt	$ 42,346,350	2.13%	0.71%	$ 617.68
Overlapping Bonded Debt(2):				
Schools	$ 36,716,612	1.85%	0.62%	$ 535.56
Others	98,996,423	4.98%	1.66%	$ 1,444.00
Total Overlapping Bonded Debt(1)	$ 135,713,035	6.83%	2.28%	$ 1,979.56
Total Net Direct and Overlapping Bonded Debt	$ 178,059,385	8.96%	2.99%	$ 2,597.25

Notes: (1) Subject to change.
(2) Overlapping bonded debt as of June 6, 2012.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2010 levy year, the Village's EAV was comprised of 77.74% residential, 7.38% industrial, 14.85% commercial, less than 1% farm and railroad property valuations.

Equalized Assessed Valuation*(1)*

Property Class	2007(2)	2008	2009	2010(2)	2011
	Levy Years				
Residential	$1,584,575,451	$1,737,702,878	$1,900,562,138	$1,696,347,388	
Farm	180	180	0	0	Detail
Commercial	415,869,705	403,925,657	367,743,939	324,004,088	Not
Industrial	178,806,539	186,764,483	163,125,019	161,098,825	Available
Railroad	459,669	502,271	604,343	754,870	
Total	$2,179,711,544	$2,328,895,469	$2,432,035,439	$2,182,205,171	$1,987,066,782
Percent Change + (-)	18.35%(3)	6.84%	4.43%	(10.27%)	(8.94%)

Notes: (1) Source: Cook County Clerk.
(2) Tri-annual reassessment year.
(3) Percentage change based on 2006 EAV of $1,841,693,711.

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

	Levy Years				
	2007	2008	2009	2010	2011
Village Rates:					
Corporate	$0.220	$0.217	$0.215	$0.239	$0.233
Bonds and Interest	0.119	0.116	0.113	0.126	0.184
Police Pension	0.086	0.081	0.112	0.149	0.154
Fire Pension	0.061	0.056	0.085	0.110	0.147
I.M.R.F.	0.054	0.052	0.054	0.060	0.060
Fire Protection	0.316	0.301	0.215	0.239	0.233
Social Security	0.093	0.091	0.087	0.097	0.109
Total Village Rates(2)	$0.950	$0.914	$0.882	$1.022	$1.121
Cook County	0.446	0.415	0.394	0.423	0.462
Cook County Forest Preserve District	0.053	0.051	0.049	0.051	0.058
Metropolitan Water Reclamation District	0.263	0.252	0.261	0.274	0.320
Northwest Mosquito Abatement District	0.008	0.008	0.008	0.009	0.010
Consolidated Elections	0.012	0.000	0.021	0.000	0.025
Palatine Township(3)	0.107	0.106	0.103	0.119	0.135
Palatine Park District	0.406	0.419	0.408	0.468	0.517
Palatine Public Library District	0.246	0.240	0.229	0.198	0.222
School District Number 15	2.435	2.385	2.307	2.603	2.943
High School Township District 211	1.972	1.928	1.916	2.204	2.482
Community College District 512	0.260	0.256	0.258	0.295	0.334
Total Rates(4)	$7.158	$6.974	$6.836	$7.666	$8.629

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 81% of the Village's levy year 2011 EAV.

Tax Extensions and Collections*(1)(2)*

Levy Year	Collection Year	Taxes Extended	Total Collections Amount	Total Collections Percent
2004	2005	$18,187,861	$17,634,751	96.96%
2005	2006	19,090,228	18,584,701	97.35%
2006	2007	19,788,915	19,392,359	98.00%
2007	2008	20,706,978	20,106,977	97.10%
2008	2009	21,276,007	21,151,722	99.42%
2009	2010	21,445,308	21,602,443	100.73%
2010	2011	22,297,806	22,629,683	101.49%
2011	2012	22,274,842	21,269,256	95.49%

Notes: (1) Source: Cook County Treasurer's Office and the Village.
(2) Through September 30, 2012.

Principal Taxpayers*(1)*

Taxpayer Name	Type of Property	2011 EAV(2)
Mid-America Asset Management	Real Property	$ 16,227,128
Individual Taxpayers	Shopping Center	14,739,015
Wal-Mart	Retail Store	12,682,644
Weber Stephen Products	Real Property	12,298,721
Bourbon Square Apartments	Real Property	12,111,736
Brookind Corp Tax Department	United Parcel Service	9,973,308
Arlington Toyota	Car Dealership	9,811,500
Thimson Pts.	Real Property	9,557,008
Village Park Palatine 300	Apartments	8,648,133
Highland Mgmt. PP	Property Development	7,334,821
Total		$113,384,014
Ten Largest Taxpayers as a Percent of the Village's 2011 EAV ($1,987,066,782)		5.71%

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 2011 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.

Tax Levy Year	Equalization Factor
2002	2.4689
2003	2.4598
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706

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 pro rata 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 55% 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 55% 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.

Tax Levy Year	Second Installment Penalty Date
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 13, 2010
2010	November 1, 2011
2011	August 1, 2012

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

The Village Manager has implemented the following polices for the development of the annual budget.

- All budget requests should be predicated upon providing our core services. Recognizing the economic environment, there was to be no program expansion or personnel expansion.
- All non-personnel operating expenditures including commodities and contractual services were to receive no 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.

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, 2011 (the "2011 Audit"). The 2011 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 2011 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 2011 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2011 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 2012 fiscal year. To date, revenues and expenditures have been generally within budgeted amounts. See **APPENDIX A** for excerpts of the Village's 2011 fiscal year audit.

Statement of Net Assets
Governmental Activities

	Audited As of December 31				
	2007	2008	2009	2010	2011
ASSETS:					
Cash and Investments	$ 30,919,874	$ 33,830,550	$ 41,092,478	$ 46,588,210	$ 44,490,923
Receivables, Net:					
Property Taxes	22,607,093	21,471,347	22,126,014	25,644,551	22,421,878
Other	915,111	551,998	646,583	523,569	681,205
Accrued Interest	0	0	0	3,015	27,426
Prepaid Expenses	73,053	133,395	167,045	97,016	56,645
Inventories	167,601	188,596	198,530	203,515	168,865
Due From Other Governments	4,350,197	4,086,777	4,529,386	8,543,980	8,775,151
Due From/To Other Funds	0	0	88,369	0	0
Advance to Fiduciary Fund	84,415	63,599	41,965	12,208	2,289
Land Held For Resale	17,179,038	7,925,853	22,554,647	24,636,780	24,636,780
Restricted Assets:					
Restricted Cash and Investments	12,548,502	8,429,592	0	0	0
Deferred Charges	824,470	734,685	1,046,585	1,416,295	1,401,380
Capital Assets Not Being Depreciated	142,449,702	142,468,084	154,299,245	160,770,751	148,498,551
Capital Assets Being Depreciated	39,679,299	26,372,547	25,755,678	24,801,596	47,358,869
Total Assets	$271,798,355	$246,257,023	$272,546,525	$293,241,486	$298,519,962
LIABILITIES:					
Accounts Payable	$ 2,384,630	$ 3,479,569	$ 1,938,801	$ 2,899,974	$ 4,497,647
Accrued Payroll	452,050	1,252,204	1,975,442	602,920	781,435
Accrued Interest Payable	975,454	931,133	398,350	640,110	377,325
Due to Fiduciary and Other Funds	0	0	175,675	564,971	126,380
Due to Other Governments	106,734	55,236	0	0	0
Deposits Payable	1,310,343	990,484	424,148	352,410	361,021
Claims Payable	300,000	473,000	661,059	633,976	489,984
Other Payables	52,810	24,829	234,020	64,487	0
Deferred Property Tax Revenue	20,437,810	21,020,000	21,400,906	22,014,359	21,975,387
Other Deferred Revenues	238,085	232,863	4,030	130,771	143,099
Noncurrent Liabilities:					
Due Within One Year	7,505,109	6,923,342	5,804,005	6,092,564	6,775,865
Due In More Than One Year	85,599,748	63,646,581	80,946,614	94,716,022	94,993,697
Total Liabilities	$119,362,773	$ 99,029,241	$113,963,050	$128,712,564	$130,521,840
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	$ 92,401,441	$101,570,852	$133,517,262	$133,599,587	$129,862,356
Restricted For:					
Streets and Highways	320,875	328,387	162,852	287,280	767,930
Economic Development	2,120,713	0	0	0	3,159,695
Debt Service	14,842,673	10,690,591	6,861,017	6,960,461	3,608,198
Special Purposes	7,063,365	9,985,897	35,375,963	32,999,035	2,959,481
Public Safety	0	0	0	394,467	358,814
Unrestricted	35,686,515	24,652,055	(17,333,619)	(9,711,908)	27,281,648
Total Net Assets	$152,435,582	$147,227,782	$158,583,475	$164,528,922	$167,998,122

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

	Audited for the Fiscal Year Ending December 31				
	2007	2008	2009	2010	2011
EXPENSES:					
General Government	$ (4,102,437)	$ (4,991,167)	$ (1,399,413)	$ (2,834,866)	$ 10,969,243
Public Safety	(26,318,282)	(28,751,823)	(30,320,809)	(31,360,990)	(32,030,506)
Public Works	(6,867,237)	(11,185,406)	(10,215,678)	(7,606,137)	(8,347,869)
Economic Development	(5,833,489)	(11,026,044)	(479,994)	(4,425,099)	(6,684,905)
Interest and Fiscal Charges	(4,340,856)	(3,710,426)	(3,411,066)	(3,861,232)	(4,197,037)
Total Expenses	$(47,462,301)	$(59,664,866)	$(45,826,960)	$(50,088,324)	$(40,291,074)
GENERAL REVENUES:					
Taxes:					
Property	$ 30,267,938	$ 33,826,733	$ 34,470,637	$ 33,436,550	$ 33,563,321
Sales(2)	13,059,102	12,554,739	11,063,069	7,583,128	0
Home Rule Sales Tax	0	0	0	4,100,988	4,232,849
Use(2)	889,392	956,775	834,769	889,533	0
Telecommunications	2,987,002	2,870,797	2,834,118	2,796,032	2,462,499
Income(2)	5,863,302	6,270,922	5,476,622	5,307,674	0
Food and Beverage(3)	1,029,233	1,062,201	1,045,860	1,043,856	0
Other	420,513	405,705	240,351	237,067	2,677,464
Investment Income	2,211,847	1,081,574	400,701	305,545	285,881
Miscellaneous	214,546	326,910	403,633	333,398	285,260
Gain on Disposal of Capital Assets	231,191	171,738	50,333	0	0
Transfers	760,000	0	0	0	253,000
Total General Revenues	$ 57,934,066	$ 59,528,094	$ 56,820,093	$ 56,033,771	$ 43,760,274
Change in Net Assets	$ 10,471,765	$ (136,772)	$ 10,993,133	$ 5,945,447	$ 3,469,200
Net Assets, January 1	$141,963,817	$160,650,582(1)	$147,227,782	$158,583,475	$164,528,922
Prior Period Adjustment	0	(13,286,028)	362,560	0	0
Net Assets, December 31	$152,435,582	$147,227,782	$158,583,475	$164,528,922	$167,998,122

Notes: (1) As restated.
(2) Effective January 1, 2011, this revenue source is being accounted for as Intergovernmental Revenue and is included in the General Government net expense category.
(3) Effective January 1, 2011, this revenue is included in the Other Taxes category.

General Fund
Balance Sheet

	Audited as of December 31				
	2007	2008	2009	2010	2011
ASSETS:					
Cash and Investments	$12,788,481	$10,761,900	$ 8,684,369	$ 3,642,204	$ 8,086,602
Receivables, Net:					
Property Taxes	19,283,541	18,696,914	19,008,383	21,569,355	18,680,223
Other	856,853	384,847	492,897	498,339	642,072
Inventories	0	3,281	3,445	2,610	0
Prepaid Items	4,793	0	116,643	0	0
Due From Other Governments	3,286,734	3,221,289	3,714,502	5,152,404	5,098,543
Due From Other Funds	0	92,006	77,318	6,022,920	42,586
Advance to Other Funds	5,287,920	5,532,920	5,777,920	0	6,267,920
Total Assets	$41,508,322	$38,693,157	$37,875,477	$36,887,832	$38,817,946
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	$ 819,796	$ 820,624	$ 344,057	$ 205,776	$ 230,321
Accrued Payroll	442,840	1,230,304	1,954,127	590,410	753,061
Deposits Payable	1,310,343	990,484	424,148	352,410	361,021
Other Payables	52,810	24,829	65,091	64,487	0
Deferred Revenues	17,921,800	18,394,293	18,494,720	19,339,080	18,419,595
Due To Other Funds	2,616,733	55,236	87,306	0	1,676
All Other Liabilities	0	0	0	564,971	126,380
Total Liabilities	$23,164,322	$21,515,770	$21,369,449	$21,117,134	$19,892,054
Fund Balance:					
Nonspendable in Form - Reserved For Inventories	$ 0	$ 3,281	$ 3,445	$ 2,610	$ 0
Nonspendable in Form - Reserved For Advances	5,287,920	5,532,920	5,777,920	6,022,920	6,267,920
Nonspendable in Form - Reserved For Prepaid Items	0	0	116,643	0	0
Unrestricted - Undesignated	13,056,080	11,641,186	10,608,020	9,745,168	12,657,972
Total Fund Balance	$18,344,000	$17,177,387	$16,506,028	$15,770,698	$18,925,892
Total Liabilities and Fund Balance	$41,508,322	$38,693,157	$37,875,477	$36,887,832	$38,817,946

General Fund
Revenues and Expenditures

	Audited for the Fiscal Year Ending December 31				
	2007	2008	2009	2010	2011
REVENUES:					
Taxes:					
Property Tax	$16,895,147	$18,715,717	$18,500,462	$19,254,593	$19,099,371
Personal Property Replacement Tax(1)	136,891	126,781	111,489	117,220	0
State Sales Tax(1)	8,271,034	7,881,002	7,070,406	7,583,128	0
Home Rule Sales Tax	4,788,068	4,673,737	3,992,663	4,100,988	4,232,849
Local Use Tax(1)	889,392	956,775	834,769	889,533	0
Motel Occupancy Tax	353,581	341,506	229,454	230,478	197,893
Food and Beverage Tax	1,029,233	1,062,201	1,045,860	1,043,856	1,050,717
Other Tax	66,932	64,197	10,897	6,588	1,428,854
Licenses and Permits	3,061,764	3,088,823	3,081,984	3,112,015	2,695,124
Intergovernmental	7,083,356	7,537,063	6,750,546	6,675,206	16,891,419
Charges for Services	2,056,012	1,768,547	1,812,561	1,768,925	3,106,138
Fines and Forfeits	893,496	1,061,999	1,856,800	1,239,105	922,119
Investment Income	938,750	493,591	307,689	248,896	250,177
Miscellaneous	163,617	182,944	354,154	378,982	285,258
Total Revenues	$46,627,273	$47,954,883	$45,959,734	$46,649,513	$50,159,919
EXPENDITURES:					
General Government	$ 8,838,522	$10,747,502	$ 8,507,772	$ 7,713,816	$ 6,296,980
Public Safety	28,822,573	31,524,578	31,678,221	33,445,430	36,211,371
Public Works	5,653,227	6,849,416	6,360,644	6,290,597	5,865,054
Total Expenditures	$43,314,322	$49,121,496	$46,546,637	$47,449,843	$48,373,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 3,312,951	$(1,166,613)	$ (586,903)	$ (800,330)	$ 1,786,514
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Assets	$ 0	$ 0	$ 0	$ 0	$ 1,115,680
Transfers In	0	0	0	65,000	253,000
Transfers (Out)	(2,616,733)	0	(84,456)	0	0
Total Other Financing Sources (Uses)	$(2,616,733)	$ 0	$ (84,456)	$ 65,000	$ 1,368,680
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 696,218	$(1,166,613)	$ (671,359)	$ (735,330)	$ 3,155,194
Fund Balance, January 1	$17,647,782	$18,344,000	$17,177,387	$16,506,028	$15,770,698
Fund Balance, December 31	$18,344,000	$17,177,387	$16,506,028	$15,770,698	$18,925,892

Note: (1) Effective January 1, 2011, this revenue is being accounted for under the Intergovernmental category.

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, 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 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.

CERTAIN FEDERAL AND ILLINOIS INCOME TAX CONSIDERATIONS

THE BONDS WILL BE TREATED AS OBLIGATIONS NOT DESCRIBED IN SECTION 103(A) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, EXCLUDING FROM FEDERAL GROSS INCOME THE INTEREST ON AN OBLIGATION OF A POLITICAL SUBDIVISION OF A STATE. THE HOLDERS OF THE BONDS SHOULD TREAT THE INTEREST ON THE BONDS AS SUBJECT TO FEDERAL INCOME TAXATION. INTERST ON THE BONDS IS NOT EXEMPT FROM ILLINOIS INCOME TAXES.

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;
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 or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

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 has not previously been required to deliver an undertaking pursuant to the Rule 15(c)2-12.

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"**, 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 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 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 RATING

The Village has supplied certain information and material concerning the Bonds and the Village to the rating service shown on the cover page, including certain information and materials which may not have been included in this Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: 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 service to maintain a rating 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 of such Bonds, shall be deemed to have been paid if there shall have been deposited in trust with a bank, trust company or national banking association acting as fiduciary for such purpose either (i) moneys in an amount which shall be sufficient, or (ii) "Federal Obligations" as defined below, the principal of and the interest on which when due will provide moneys which, together with any moneys on deposit with such fiduciary at the same time for such purpose, shall be sufficient, to pay when due the principal of, redemption premium, if any, and interest due and to become due on said Bonds on and prior to the applicable redemption date or maturity date thereof.

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

UNDERWRITING

The Bonds were offered for sale by the Village at a public, competitive sale on December 3, 2012. The best bid submitted at the sale was submitted by ____________________ (the "Underwriter"). The Village awarded the contract for sale of the Bonds to the Underwriter at a price of $__________. The Underwriter has represented to the Village that the 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 is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). 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 November 14, 2012, for the $5,015,000* Taxable General Obligation Refunding Bonds, Series 2012, 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.*

APPENDIX A

VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2011 AUDITED FINANCIAL STATEMENTS

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2011

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

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

		Program Revenues			Net (Expense) Revenue and Change in Net Assets — Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	$ 8,092,022	$ 3,988,510	$ 14,603,571	$ 469,184	$ 10,969,243	$ -	$ 10,969,243
Public safety	37,174,518	4,167,979	476,033	500,000	(32,030,506)	-	(32,030,506)
Public works	11,346,788	1,001,900	1,997,019	-	(8,347,869)	-	(8,347,869)
Economic development	7,618,221	-	175,617	757,699	(6,684,905)	-	(6,684,905)
Interest and fiscal charges	4,965,687	-	768,650	-	(4,197,037)	-	(4,197,037)
Total governmental activities	69,197,236	9,158,389	18,020,890	1,726,883	(40,291,074)	-	(40,291,074)
Business-Type Activities							
Waterworks	7,199,466	9,084,694	-	-	-	1,885,228	1,885,228
Sewerage	3,063,914	3,250,125	-	-	-	186,211	186,211
Motor vehicle parking system	1,344,734	679,455	12,320	90,997	-	(561,962)	(561,962)
Refuse collection	4,388,685	4,649,761	-	-	-	261,076	261,076
Total business-type activities	15,996,799	17,664,035	12,320	90,997	-	1,770,553	1,770,553
TOTAL PRIMARY GOVERNMENT	$ 85,194,035	$ 26,822,424	$ 18,033,210	$ 1,817,880	(40,291,074)	1,770,553	(38,520,521)
General Revenues							
Taxes							
Property					33,563,321	-	33,563,321
Home rule sales tax					4,232,849	-	4,232,849
Telecommunications					2,462,499	-	2,462,499
Other					2,677,464	-	2,677,464
Investment income					285,881	13,714	299,595
Miscellaneous					285,260	-	285,260
Transfers					253,000	(253,000)	-
Total					43,760,274	(239,286)	43,520,988
CHANGE IN NET ASSETS					3,469,200	1,531,267	5,000,467
NET ASSETS, JANUARY 1					164,528,922	51,388,218	215,917,140
NET ASSETS, DECEMBER 31					$ 167,998,122	$ 52,919,485	$ 220,917,607

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

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

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

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2011

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

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

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

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

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

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

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2011

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

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

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2011

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ 14,095
Charges for services	9,032,285	3,243,296	679,455	4,649,761	17,604,797	9,025,497
Miscellaneous	52,409	6,829	-	-	59,238	34,029
Total operating revenues	9,084,694	3,250,125	679,455	4,649,761	17,664,035	9,073,621
OPERATING EXPENSES EXCLUDING DEPRECIATION						
Costs of sales and services	5,980,761	1,403,185	560,654	4,388,685	12,333,285	8,674,930
Total operating expenses excluding depreciation	5,980,761	1,403,185	560,654	4,388,685	12,333,285	8,674,930
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	3,103,933	1,846,940	118,801	261,076	5,330,750	398,691
DEPRECIATION AND AMORTIZATION	686,740	1,201,238	784,080	-	2,672,058	-
OPERATING INCOME (LOSS)	2,417,193	645,702	(665,279)	261,076	2,658,692	398,691
NONOPERATING REVENUES (EXPENSES)						
Investment income	258	9,215	549	3,692	13,714	31,402
Grants	-	-	101,877	-	101,877	-
Interest expense	(455,415)	(459,491)	-	-	(914,906)	-
Joint venture	(76,550)	-	-	-	(76,550)	-
Total nonoperating revenues (expenses)	(531,707)	(450,276)	102,426	3,692	(875,865)	31,402

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

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

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2011

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2011

ADDITIONS	
Contributions	
Employer	$ 6,135,517
Employee	1,873,783
Total contributions	8,009,300
Investment income	
Net appreciation in fair value of investments	1,211,438
Interest	1,839,169
Total investment income	3,050,607
Less investment expense	(420,371)
Net investment income	2,630,236
Total additions	10,639,536
DEDUCTIONS	
Administration	40,130
Benefits and refunds	
Benefits	5,328,870
Refunds of benefits	40,418
Total deductions	5,409,418
NET INCREASE	5,230,118
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
January 1	85,077,541
December 31	$ 90,307,659

VILLAGE OF PALATINE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

Police Pension Employees Retirement System

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Village reports the following major proprietary funds:

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

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

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

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

Additionally, the Village reports the following proprietary fund:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Interfund Receivables/Payables

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

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

g. Inventories

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

h. Deferred Charges

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

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

j. Land Held for Resale

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

k. Capital Assets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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

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

l. Compensated Absences

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

m. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2011, the Village has accrued no potential arbitrage liability. Where applicable, any liability for rebatable arbitrage is reported in the funds in which the excess interest income was recorded.

n. Long-Term Obligations

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Long-Term Obligations (Continued)

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

o. Fund Balance/Net Assets

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or internally restricted via enabling legislation. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Finance Director by the Village Board of Trustees. Any residual fund balance is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Interfund Transactions

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

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

2. DEPOSITS AND INVESTMENTS

a. Village Investments

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

Deposits with Financial Institutions

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

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

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments

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

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

Deposits with Financial Institutions

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

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

Investments

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

Investments (Continued)

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

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

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

Concentration of credit risk is the risk that the Police Pension Fund has a high percentage of their investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 35%-45% and 0%-10% ranges, respectively. Fixed income securities should comprise 54%-65% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2011. At December 31, 2011, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Police Pension Fund's investment policy.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments

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

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

Deposits with Financial Institutions

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

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

Investments

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments (Continued)

Investments (Continued)

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

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

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

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25%-35% and 0%-5% ranges, respectively. Fixed income securities should comprise 60%-75% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2011. At December 31, 2011, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Firefighters' Pension Fund's investment policy.

3. RECEIVABLES

a. Taxes

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2012 and August 1, 2012 and are payable in two installments, on or about March 1, 2012 and September 1, 2012. The County collects such taxes and remits them periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2011 tax levy has been recorded as unearned revenue on the financial statements.

b. Other Receivables

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

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	$ 11,223
Ambulance service and fees	127,555
Cable franchise fees	181,700
Food and beverage tax	113,510
Billed receivables	78,080
RedSpeed red light	21,025
Electric utility tax	148,112
Total governmental activities	681,205
BUSINESS-TYPE ACTIVITIES	
Disposal fees	205,624
Sewer loan program	57,788
Other	16,658
Total business-type activities	280,070
TOTAL OTHER RECEIVABLES	$ 961,275

3. RECEIVABLES (Continued)

c. Due from Other Governments

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

GOVERNMENTAL ACTIVITIES	
State sales tax	$ 2,253,245
Home rule sales tax	715,420
Grants	2,961,551
Local use tax	274,250
Court fines	63,635
Other state sources	98,125
Motor fuel tax allotments	144,200
Telecommunications tax	585,910
Rural fire district payments	80,690
Income tax	1,598,125
Total government activities	8,775,151
BUSINESS-TYPE ACTIVITIES	89,557
TOTAL DUE FROM OTHER GOVERNMENTS	$ 8,864,708

4. CAPITAL ASSETS

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

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

4. CAPITAL ASSETS (Continued)

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

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

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

5. LONG-TERM DEBT

a. General Obligation Bonds

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

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

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

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

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

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

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

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

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

b. Tax Increment Financing Revenue Bonds and Notes

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

5. LONG-TERM DEBT (Continued)

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

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

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

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

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

c. Legal Debt Margin

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

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

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

5. LONG-TERM DEBT (Continued)

d. Advance and Current Refundings

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

e. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled $5,950,000. These bonds are not an obligation of the Village and are secured solely by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for the repayment, but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

f. Tax Increment Financing Redevelopment Note Disclosures

Limited Obligation Redevelopment Notes - The Series 2006B Limited Obligation Redevelopment Notes were issued in conjunction with Downtown Redevelopment Projects. The ordinance authorizing the issuance of this obligation provided that this instrument was payable solely from the incremental property taxes generated from the subject project's parcel, if any. As such, there is no established principal and interest schedule.

g. Changes in Long-Term Liabilities

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

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

5. LONG-TERM DEBT (Continued)

g. Changes in Long-Term Liabilities (Continued)

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

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

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

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

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village is self-insured for medical benefits, and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of $100,000 per individual's claims paid and a maximum of 125% of the expected aggregate claims paid. The Village purchases commercial insurance for claims in excess of the coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

As of January 1, 2008, the Village became self-insured for first party property losses, third party liability claims, workers' compensation claims and public officials' liability claims. These self-insurance activities are reported in the Casualty and Liability Insurance Fund which is an internal service fund.

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

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

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

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

The Village has committed to purchase water from NWWC. The Village expects to pay approximately $2,759,375 through December 31, 2012. This amount has been calculated using the Village's current allocation percentage of 30%. In future years, this allocation percentage will be subject to change.

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

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

The Village's estimated payment for operations and maintenance costs for 2011 is $1,308,675. This is based on an estimated tipping fee of $53.00 per ton for 24,692 tons.

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

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

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

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

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

In accordance with the contract, the Village made payments totaling $1,284,240 to SWANCC in 2011. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2011.

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC)

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

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

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

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

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

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

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

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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

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

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

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

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

b. Advances From/To Other Funds

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

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

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

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

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Transfers

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

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At December 31, 2010, membership consisted of:

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

In the December 31, 2010 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

11. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 2011 was 13.21% of covered payroll.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2011, the Police Pension Plan membership consisted of:

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

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at $106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended December 31, 2011, the Village's contribution was 35.39% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2011, the Firefighters' Pension Plan membership consisted of:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at $106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2011, the Village's contribution was 33.67% of covered payroll.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

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

Administrative Costs

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

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

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

e. Trend Information

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

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

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

12. PENSION TRUST FUNDS

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

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

12. PENSION TRUST FUNDS (Continued)

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

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2011

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION FUND

December 31, 2011

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' PENSION FUND

December 31, 2011

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2011

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

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

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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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL FOR THE BONDS
[LETTERHEAD OF KATTEN MUCHIN ROSEMAN LLP]
[TO BE DATED CLOSING DATE]

December 20, 2012

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 Taxable General Obligation Refunding Bonds, Series 2012 (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 December 3, 2012 and entitled: "Ordinance Authorizing the Issuance of Taxable General Obligation Refunding Bonds, Series 2012, 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 December 20, 2012 and bear interest from their date payable on June 1, 2013 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
2013	$,000	. %
2014	,000	
2015	,000	
2016	,000	
2017	,000	
2018	,000	
2019	,000	
2020	,000	
2021	,000	
2022	,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.

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

Very truly yours,

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OFFICIAL BID FORM

Village of Palatine
200 East Wood Street
Palatine, Illinois 60067

(Open Speer Auction)

December 3, 2012
Speer Financial, Inc.
www.speerfinancial.com

Members of the Village Council:

For the $5,015,000* Taxable General Obligation Bonds, Series 2012, 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 $4,979,895). The 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

$ 85,000.......2013	______%	$540,000.......2018	______%
505,000.......2014	______%	555,000.......2019	______%
510,000.......2015	______%	570,000.......2020	______%
515,000.......2016	______%	595,000.......2021	______%
525,000.......2017	______%	615,000.......2022	______%

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 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 Bonds with the CUSIP numbers as entered on the 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: $100,300

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 Bonds sold by ordinance of the Village on December 3, 2012, 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	30,249.25
AVERAGE LIFE	6.032 Years

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OFFICIAL NOTICE OF SALE

$5,015,000*
VILLAGE OF PALATINE
Cook County, Illinois

Taxable General Obligation Bonds, Series 2012

(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 $5,015,000* Taxable General Obligation Bonds, Series 2012, (the "Bonds"), on an all or none basis between 10:15 A.M. and 10:30 A.M., C.S.T., on December 3, 2012.

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 Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

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.

Bidding Details

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

(1) All bids must be submitted on the SpeerAuction website at 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.

**Subject to change.*

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 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, 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 the Bonds to the winner reported by SpeerAuction, or (ii) deliver the 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 Bonds and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The 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 Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each 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 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 June 1, 2013, and is payable by Wells Fargo Bank, N.A., Chicago, Illinois (the "Bond Registrar"). The Bonds are dated the date of delivery, which is expected to be on or about December 20, 2012.

MATURITIES* – DECEMBER 1

$ 85,000	2013	$540,000	2018
505,000	2014	555,000	2019
510,000	2015	570,000	2020
515,000	2016	595,000	2021
525,000	2017	615,000	2022

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.

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

**Subject to change.*

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 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 Bonds and must be for not less than $4,979,895.

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

Award of the Bonds: The 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 Bonds from the payment dates thereof to the dated date and to the bid price. For the purpose of calculating true interest cost, the 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 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 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 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 Bonds and all others will be promptly returned. Should the successful bidder fail to take up and pay for the 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 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
Chicago, IL 60603
ABA # 071003405
Credit To: 3281 Speer Bidding Escrow
RE: The Village of Palatine, Cook County, Illinois
bid for the $5,015,000* Taxable General Obligation Refunding Bonds, Series 2012

The wire shall arrive in such account no later than 30 minutes prior to the date and time of the sale of the 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 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.

**Subject to change.*

Certified Public Accountants & Advisors

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Certified Public Accountants

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 financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Village of Palatine, Illinois as of and for the year ended December 31, 2012, which collectively comprise the basic financial statements of the Village of Palatine, Illinois, and have issued our report thereon dated April 16, 2013.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplementary financial information (schedule of revenues, expenditures, and changes in fund balance and schedule of fund balance by source for the Dundee Road Tax Increment Financing District Fund, Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, Rand Road Corridor Tax Increment Financing District Fund and the Rand/Lake Tax Increment Financing District Fund) is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich LLP

Naperville, Illinois
April 16, 2013

SUPPLEMENTARY INFORMATION

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICT FUNDS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2012

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand-Lake Cook TIF
REVENUES					
Taxes					
Incremental property taxes	$ 2,646,573	$ 248,691	$ 5,298,957	$ 2,736,497	$ -
Intergovernmental					
Build america bond interest rebate	-	-	136,474	-	-
Investment income	2,499	444	11,928	3,306	-
Total revenues	2,649,072	249,135	5,447,359	2,739,803	-
EXPENDITURES					
Economic development					
Supplies and services	-	-	3,063	38,280	-
Project expenditures	-	-	243,906	1,952,068	2,043,615
Surplus distribution	3,192,000	398,000	-	-	-
Capital outlay					
Buildings and facilities	-	-	879	-	-
Rights of way improvements	-	-	44,210	11,065	-
Flood control	-	-	-	102,153	-
Street improvements	-	-	552,816	45,533	-
Debt service					
Principal retirement	-	-	3,631,824	500,000	-
Interest	-	-	1,829,968	905,398	-
Fiscal charges	-	-	86,684	1,000	-
Total expenditures	3,192,000	398,000	6,393,350	3,555,497	2,043,615
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(542,928)	(148,865)	(945,991)	(815,694)	(2,043,615)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued, at par	-	-	5,025,000	-	-
Payment to refunded bond escrow agent	-	-	(4,939,073)	-	-
Proceeds from sale of capital assets	-	-	-	213,935	-
Transfers in (out)	-	-	-	(2,000,000)	2,000,000
Total other financing sources (uses)	-	-	85,927	(1,786,065)	2,000,000
NET CHANGE IN FUND BALANCE	(542,928)	(148,865)	(860,064)	(2,601,759)	(43,615)
FUND BALANCE, JANUARY 1	2,638,526	443,219	14,529,230	12,347,855	-
FUND BALANCE, DECEMBER 31	$ 2,095,598	$ 294,354	$ 13,669,166	$ 9,746,096	$ (43,615)

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICT FUNDS

SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended December 31, 2012

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand Road Corridor TIF
BEGINNING BALANCES, JANUARY 1, 2012	$ 2,638,526	$ 443,219	$ 14,529,230	$ 12,347,855	$ -
ADDITIONS					
Taxes					
Incremental property taxes	2,646,573	248,691	5,298,957	2,736,497	-
Intergovernmental					
Build america bond interest rebate	-	-	136,474	-	-
Investment income	2,499	444	11,928	3,306	-
Refunding bonds issued, at par	-	-	5,025,000	-	-
Proceeds from sale of capital assets	-	-	-	213,935	-
Transfers in	-	-	-	-	2,000,000
Total additions	2,649,072	249,135	10,472,359	2,953,738	2,000,000
BEGINNING BALANCES PLUS ADDITIONS	5,287,598	692,354	25,001,589	15,301,593	2,000,000
DEDUCTIONS					
Economic development					
Supplies and services	-	-	3,063	38,280	-
Project expenditures	-	-	243,906	1,952,068	2,043,615
Surplus distribution	3,192,000	398,000	-	-	-
Capital outlay					
Buildings and facilities	-	-	879	-	-
Rights of way improvements	-	-	44,210	11,065	-
Flood control	-	-	-	102,153	-
Street improvements	-	-	552,816	45,533	-
Debt service					
Principal retirement	-	-	3,631,824	500,000	-
Interest	-	-	1,829,968	905,398	-
Fiscal charges	-	-	86,684	1,000	-
Payment to refunded bond escrow agent	-	-	4,939,073	-	-
Transfers out	-	-	-	2,000,000	-
Total deductions	3,192,000	398,000	11,332,423	5,555,497	2,043,615
ENDING BALANCES, DECEMBER 31, 2012	$ 2,095,598	$ 294,354	$ 13,669,166	$ 9,746,096	$ (43,615)
ENDING BALANCES BY SOURCE					
Incremental property taxes	$ 2,095,598	$ 248,691	$ -	$ 1,132,638	$ (43,615)
Investment income	-	45,663	-	-	-
Investment in land held for resale	-	-	13,669,166	8,613,458	-
Subtotal	2,095,598	294,354	13,669,166	9,746,096	(43,615)
Less Surplus Funds	-	-	-	-	-
ENDING BALANCES, DECEMBER 31, 2011	$ 2,095,598	$ 294,354	$ 13,669,166	$ 9,746,096	$ (43,615)

(See independent auditor's report.)

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined management's assertion, included in its representation letter dated April 16, 2013 that the Village of Palatine complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended December 31, 2012. Management is responsible for the Village's assertion and for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with statutory requirements.

In our opinion, management's assertion that the Village of Palatine complied with the aforementioned requirements for the year ended December 31, 2012 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Mayor, the Village Council, management of the Village, Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
April 16, 2013