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LOCAL GOVERNMENT DIVISION  
ANNUAL TAX INCREMENT FINANCIAL REPORT  
STATE OF ILLINOIS  
COMPTROLLER

LESLIE GEISSLER MUNGER

Municipality TIF Administrator

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Fiscal Year 2014

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Municipality: Palatine Village (016/430/32)

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**FY 2014  
ANNUAL TAX INCREMENT FINANCE  
REPORT**



STATE OF ILLINOIS  
COMPTROLLER  
JUDY BAAR TOPINKA

Name of Municipality: Village of Palatine  
County: Cook  
Unit Code: 016/430/32

Reporting Fiscal Year: **2014**  
Fiscal Year End: **12/31/2014**

#### **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 <input checked="" type="checkbox"/> Email <input type="checkbox"/> Phone contact <input type="checkbox"/> Mobile <input type="checkbox"/> Mail

I attest to the best of my knowledge, this report of the redevelopment project areas in: City/Village of \_\_\_\_\_

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.]

Rid J. Otto

6/26/15

Written signature of TIF Administrator

Date \_\_\_\_\_

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

**FILL OUT ONE FOR EACH TIE DISTRICT**

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

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

**FY 2014**

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

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

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

**SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))**

Provide an analysis of the special tax allocation fund.

**FY 2014****TIF NAME: Downtown TIF**

Fund Balance at Beginning of Reporting Period

\$ 5,812,646

Revenue/Cash Receipts Deposited in Fund During Reporting FY:	Reporting Year	Cumulative*	% of Total
Property Tax Increment	\$ 4,775,941	\$ 58,508,761	44%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	\$ 14,006	\$ 946,644	1%
Land/Building Sale Proceeds		\$ 1,252,260	1%
Bond Proceeds	\$ 3,806,765	\$ 65,397,230	50%
Transfers from Municipal Sources	\$ 205,620	\$ 5,806,783	4%
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**

\$ 8,802,332

**Cumulative Total Revenues/Cash Receipts**

\$ 131,911,678 100%

**Total Expenditures/Cash Disbursements** (Carried forward from Section 3.2)

\$ 11,119,795

**Distribution of Surplus**

\$ -

**Total Expenditures/Disbursements**

\$ 11,119,795

**NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS**

\$ (2,317,463)

**FUND BALANCE, END OF REPORTING PERIOD\***

\$ 3,495,183

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

**SURPLUS\*/(DEFICIT)(Carried forward from Section 3.3)**

\$ (23,315,382)

**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**

## SECTION 3.2 A

PAGE 2

## SECTION 3.2 A

PAGE 3

## Section 3.2 B

FY 2014

**TIF NAME: Downtown TIF**

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

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

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

**Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period**

FY 2014

**TIF NAME: Downtown TIF**

**FUND BALANCE, END OF REPORTING PERIOD** \$ 3,495,183

Amount of Original Issuance	Amount Designated
--------------------------------	-------------------

## 1. Description of Debt Obligations

Redevelopment Notes, Limited Series 2006B	\$ 190,000	\$ 105,565
General Obligation Bonds, Series 2007A	\$ 365,000	\$ 365,000
General Obligation Taxable Bonds, Series 2007B	\$ 7,335,000	\$ 4,580,000
General Obligation Bonds, Series 2009E	\$ 8,500,000	\$ 8,500,000
General Obligation Refunding Bonds, Series 2010B	\$ 12,555,000	\$ 4,590,000
General Obligation Refunding Bonds, Series 2011B	\$ 850,000	\$ 525,000
General Obligation Taxable Refunding Bonds, Series 2012	\$ 5,025,000	\$ 4,425,000
General Obligation Taxable Refunding Bonds, Series 2014A	\$ 3,720,000	\$ 3,720,000

**Total Amount Designated for Obligations** \$ 38,540,000 \$ 26,810,565

## 2. Description of Project Costs to be Paid

**Total Amount Designated for Project Costs** \$ \_\_\_\_\_

**TOTAL AMOUNT DESIGNATED** \$ 26,810,565

**SURPLUS\*/(DEFICIT)** \$(23,315,382)

\* 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)]****FY 2014****TIF NAME: Downtown TIF**

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:	

FY 2014

TIF NAME: Downtown TIF

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 ONLY IF PROJECTS ARE LISTED ON THESE PAGES

Check here if NO projects were undertaken by the Municipality Within the Redevelopment Project Area:

**ENTER** total number of projects undertaken by the Municipality Within the Redevelopment Project Area and list them in detail below\*. 21

<b>TOTAL:</b>	<b>11/1/99 to Date</b>	<b>Estimated Investment for Subsequent Fiscal Year</b>	<b>Total Estimated to Complete Project</b>
Private Investment Undertaken (See Instructions)	\$ 270,016,070	\$ -	\$ -
Public Investment Undertaken	\$ 47,331,164	\$ 25,000	\$ 78,921
Ratio of Private/Public Investment	5 43/61		0

**Project 1: \*IF PROJECTS ARE LISTED NUMBER MUST BE ENTERED ABOVE**

Wellington Court			
Private Investment Undertaken (See Instructions)	\$ 6,000,000		\$ -
Public Investment Undertaken	\$ 400,000		
Ratio of Private/Public Investment	15		0

**Project 2:**

Groves of Palatine			
Private Investment Undertaken (See Instructions)	\$ 98,000,000		
Public Investment Undertaken	\$ 3,976,850		
Ratio of Private/Public Investment	24 9/14		0

**Project 3:**

Gateway Center			
Private Investment Undertaken (See Instructions)	\$ 18,000,000		
Public Investment Undertaken	\$ 18,273,000		
Ratio of Private/Public Investment	66/67		0

**Project 4:**

Hummel Building			
Private Investment Undertaken (See Instructions)	\$ 6,000,000		
Public Investment Undertaken	\$ 1,732,013		
Ratio of Private/Public Investment	3 13/28		0

**Project 5:**

Providence			
Private Investment Undertaken (See Instructions)	\$ 4,200,000		
Public Investment Undertaken	\$ 9,349,935		
Ratio of Private/Public Investment	31/69		0

**Project 6:**

Palatine Station			
Private Investment Undertaken (See Instructions)	\$ 35,000,000		
Public Investment Undertaken	\$ 164,830		
Ratio of Private/Public Investment	212 17/50		0

<b>Project 7:</b> Brownstones #1	
-------------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 4,000,000		
Public Investment Undertaken	\$ 1,374,300		
Ratio of Private/Public Investment	2 51/56		0

<b>Project 8:</b> Brownstones #2	
-------------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 5,000,000		
Public Investment Undertaken	\$ 990,000		
Ratio of Private/Public Investment	5 5/99		0

<b>Project 9:</b> Benchmark	
--------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 21,000,000		
Public Investment Undertaken	\$ 2,098,500		
Ratio of Private/Public Investment	10		0

<b>Project 10:</b> Preserves of Palatine	
---	--

Private Investment Undertaken (See Instructions)	\$ 30,000,000		
Public Investment Undertaken	\$ 2,089,963		
Ratio of Private/Public Investment	14 17/48		0

<b>Project 11:</b> Metropolitan	
------------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 13,000,000		
Public Investment Undertaken	\$ 1,952,000		
Ratio of Private/Public Investment	6 64/97		0

<b>Project 12:</b> Music Room	
----------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 1,000,000		
Public Investment Undertaken	\$ 125,000		
Ratio of Private/Public Investment	8		0

<b>Project 13:</b> 19 South Bothwell	
---	--

Private Investment Undertaken (See Instructions)	\$ 675,000		
Public Investment Undertaken	\$ 190,000		
Ratio of Private/Public Investment	3 21/38		0

<b>Project 14:</b> Lamplighters' Inn	
---	--

Private Investment Undertaken (See Instructions)	\$ 1,000,000		
Public Investment Undertaken	\$ 190,000		
Ratio of Private/Public Investment	5 5/19		0

<b>Project 15:</b> Mexico Uno	
----------------------------------	--

Private Investment Undertaken (See Instructions)	\$ 580,000		
Public Investment Undertaken	\$ 482,000		
Ratio of Private/Public Investment	1 12/59		0

<b>Project 16:</b> Stratford			
Private Investment Undertaken (See Instructions)	\$ 7,115,820		
Public Investment Undertaken	\$ 900,000		
Ratio of Private/Public Investment	7 29/32		0

<b>Project 17:</b> Heritage			
Private Investment Undertaken (See Instructions)	\$ 16,000,000		
Public Investment Undertaken	\$ 2,100,000		
Ratio of Private/Public Investment	7 13/21		0

<b>Project 18:</b> Bauer's Brauhaus			
Private Investment Undertaken (See Instructions)	\$ 300,000		
Public Investment Undertaken	\$ 30,000		
Ratio of Private/Public Investment	10		0

<b>Project 19:</b> Patzke/FSKS			
Private Investment Undertaken (See Instructions)	\$ 1,500,000		
Public Investment Undertaken	\$ 161,737	\$ 25,000	\$ 78,921
Ratio of Private/Public Investment	9 17/62		0

<b>Project 20:</b> Downtown Façade Program			
Private Investment Undertaken (See Instructions)	\$ 745,250		
Public Investment Undertaken	\$ 251,036		
Ratio of Private/Public Investment	2 31/32		0

<b>Project 21:</b> Tap House Grill			
Private Investment Undertaken (See Instructions)	\$ 900,000	\$ -	\$ -
Public Investment Undertaken	\$ 500,000	\$ -	\$ -
Ratio of Private/Public Investment	1 4/5		0

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

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

<b>Project 24:</b>			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

<b>Project 25:</b>			
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. \*even though optional MUST be included as part of complete TIF report**

## SECTION 6

FY 2014

**TIF NAME: Downtown TIF**

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	\$ 68,357,137

List all overlapping tax districts in the redevelopment project area.

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

The overlapping taxing districts did not receive a surplus.

## SECTION 7

Provide information about job creation and retention

## SECTION 8

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

For more information, contact the Office of the Vice President for Research and Economic Development at 319-273-2500 or [research@uiowa.edu](mailto:research@uiowa.edu).

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, 2014 and ending December 31, 2014.



Jim Schwantz  
Mayor



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, 2014 and ending December 31, 2014, to the best of my knowledge and belief.

Robert C. Kenny  
Robert C. Kenny  
Village Attorney

06/29/15  
Date

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

The Village Council approved an extensive remodel of the American Legion Palatine Post 690 building located at 122 W. Palatine Road. The Legion's total investment was approximately \$220,000, which included the Village's reimbursement of \$15,350, through the Village's Downtown Facade Improvement Program, for window and lighting improvements.

Kinsch Nursery received Village approval for a variety of phased exterior building improvements that would be completed as part of the Village's Facade Improvement Program. The overall project costs would exceed \$100,000, but to date they have only completed painting and signage improvements totaling \$3,600 (with \$1,800 reimbursed through the Facade Program)

The Village Council approved amendments to the Redevelopment Agreement and Lease with the Tap House Grill.

ORDINANCE NO. 0-46-14

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE THE  
FIRST AMENDMENT TO THE REDEVELOPMENT AGREEMENT BETWEEN THE  
VILLAGE OF PALATINE AND TAP HOUSE GRILL PALATINE LLC D/B/A  
TAP HOUSE GRILL IN DOWNTOWN PALATINE – 56 W. WILSON STREET

Published in pamphlet form by authority of the  
Mayor and Village Council of the Village of Palatine  
on April 14, 2014

Village of Palatine  
Downtown TIF

ORDINANCE NO. 0-46-14

**AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE THE FIRST  
AMENDMENT TO THE REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE  
OF PALATINE AND TAP HOUSE GRILL PALATINE LLC D/B/A TAP HOUSE GRILL  
IN DOWNTOWN PALATINE – 56 W. WILSON STREET**

**WHEREAS, the Village of Palatine by Ordinance Nos. 0-224-99, 0-225-99, 0-226-99 and passed by the Mayor and Village Council on December 16, 1999, established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for its downtown and designated a Redevelopment Project Area; and**

**WHEREAS, on January 24, 2000, the Village Council, at a meeting duly held, did adopt Ordinance No. 0-12-00 correcting certain scrivener's errors in the legal description attached as Exhibit A to Ordinance Nos. 0-224-99, 0-225-99 and 0-226-99 of the Village of Palatine, Cook County, Illinois; and**

**WHEREAS, on May 20, 2013, the Mayor and Village Council approved Ordinance #0-57-13 Authorizing Execution of a Lease and Ordinance #0-58-13 Authorizing Execution of a Redevelopment Agreement with Tap House Grill Palatine LLC D/B/A Tap House Grill in Downtown Palatine; and**

**WHEREAS, on April 14, 2014, the Mayor and Village Council approved Ordinance 0-45-14 Authorizing Execution of a First Amendment to the Lease between the Village of Palatine and Tap House Grill Palatine LLC d/b/a Tap House Grill; and**

WHEREAS, Tap House Grill Palatine LLC D/B/A Tap House Grill has requested a First Amendment to the Redevelopment Agreement to adjust the required project completion date and amend some definitions and terms in the previously approved Redevelopment Agreement to better reflect their interest, use, and long term investment in the building located at 56 W. Wilson Street; and

WHEREAS, the Mayor and Village Council have on April 14, 2014 considered the proposed First Amendment to the Redevelopment Agreement with Tap House Grill Palatine LLC D/B/A Tap House Grill and have determined that entering into this Amended Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for Downtown and furthers the public interest; and

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine, acting in the exercise of their home rule power that:

SECTION 1: The findings, representations and agreements set forth in the above Recitals are material to this Amendment and are hereby incorporated into and made part of this Amendment as though fully set out in this Section 1.

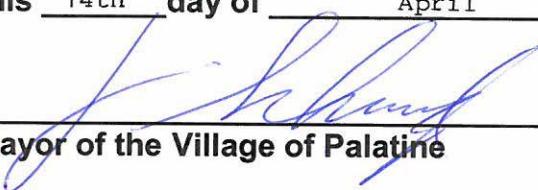
SECTION 2: The Village of Palatine hereby authorizes the Mayor to execute the First Amendment to the Redevelopment Agreement that substantially conforms to Exhibit "A" attached hereto, pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74.4-4 and authorizes the Mayor to execute any other supporting documents to the extent permitted by law.

**SECTION 3:** This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 14<sup>th</sup> day of April, 2014

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

APPROVED by me this 14<sup>th</sup> day of April, 2014

  
\_\_\_\_\_  
Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this 14<sup>th</sup> day of  
April, 2014

  
\_\_\_\_\_  
Village Clerk

**FIRST AMENDMENT TO  
REDEVELOPMENT AGREEMENT**

**THIS FIRST AMENDMENT TO REDEVELOPMENT AGREEMENT** ("First Amendment") is made and entered into as of this 15 day of April, 2014 ("Effective Date"), by and between the **VILLAGE OF PALATINE**, an Illinois municipal corporation ("Village"), and **TAP HOUSE GRILL PALATINE, LLC**, an Illinois limited liability company ("Developer"). (Village and Developer shall each sometimes hereinafter be individually referred to as "Party" or, collectively, "Parties").

**WITNESSETH:**

**WHEREAS**, Village and Developer entered into that certain Redevelopment Agreement dated June 11, 2013 (the "Redevelopment Agreement"), pertaining to 56 W. Wilson Street, Palatine, Illinois legally described on and cross hatched on the site plan all attached hereto and incorporated herein as Exhibit "A" (the "Property"), from which Property Developer intends to open the Tap House Grill Restaurant;

**WHEREAS**, Village, as Landlord, and Developer, as Tenant, entered into that certain Lease dated June 11, 2013 ("Original Lease") wherein the Village leased the Property to Developer, all pursuant to the terms and conditions contained in the Lease;

**WHEREAS**, the Property contains approximately 26,136 square feet and is improved with and contains a 10,080 square foot building ("Building") which is to contain a restaurant and bar and a portion containing approximately 2,000 square feet to be used for general office use for Developer;

**WHEREAS**, Village and Developer have agreed to amend the Original Lease and have agreed to enter into that certain First Amendment to Lease ("First Amendment to Lease"), of even date herewith (the Original Lease and First Amendment to Lease are hereinafter collectively referred to as "Lease")

**WHEREAS**, the Village and Developer have agreed to amend the Redevelopment Agreement and have agreed to enter into this First Amendment to the Redevelopment Agreement to correspond to the First Amendment to the Lease, all pursuant to the following terms and conditions.

**NOW, THEREFORE**, for and in consideration of the sum of Ten and 00/100 Dollars (\$10.00) in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Developer and Village hereby agree as follows:

1. **Definitions; Conflicts.** All capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Redevelopment Agreement. Wherever the terms and conditions of this First Amendment conflict with the terms and conditions of the Redevelopment Agreement and/or the Lease, the terms

and conditions of this First Amendment shall control and govern. In all other respects, the terms and conditions of the Redevelopment Agreement are hereby restated as if set forth fully herein.

**2. Revision to Section 2.2-c of the Redevelopment Agreement.** Village and Developer understand, acknowledge and agree and further clarify as follows:

- a. Title to the Building only, and not the Land, as hereinafter defined, shall pass to Developer for the duration of the Term of the Lease, as defined in the Lease. Village and Developer acknowledge and agree that, notwithstanding title to the Building being in the name of the Developer for the duration of the Term of the Lease, Village has fee simple title to the land underneath the Building making up the Property ("Land") and owns and shall continue to own the Land. Developer's interest in the Land is solely a possessory interest as a Developer and occupant pursuant to the terms and conditions of this Lease. At the termination of the Lease by lapse of time or otherwise or upon termination of Developer's rights of possession of the Property pursuant to the Lease without termination of the Lease, Developer shall surrender possession and legal title to the Building from Developer back to the Village pursuant to the Lease by the Village's counsel's delivery to the Village of the Quit Claim Deed, as defined in the Lease, executed by Developer, conveying the Building back to the Village. The Building shall then revert back to Village and shall be the Village's property and shall remain upon the Property, without compensation, allowance or credit to Developer. All obligations of Developer hereunder shall survive the expiration or sooner termination of the Redevelopment Agreement.
- b. Village acknowledges and agrees that, in consideration of the execution and delivery of this First Amendment by Developer, and Developer's agreement to improve and build out the Property for the Permitted Use, as defined in the Lease, and open for business to the public by August 15, 2014 ("New Required Opening Date"), Village shall forbear from claiming any default of Developer under the Redevelopment Agreement for failure to improve and build out the Property for the Permitted Use, as defined in the Lease, and for Developer's failure to be open to the public by the Required Opening Date, as set forth in the Lease. In the event this First Amendment is not fully executed and/or Developer fails to improve and build out the Property for the Permitted Use under the Lease and open to the public by the New Required Opening Date, upon five (5) days prior written notice from Village to Developer, such Landlord's forbearance shall cease and be null and void, and Landlord may exercise any and all remedies for any Developer default as set forth in the Redevelopment Agreement, the Lease or under applicable law. Village and Developer understand, acknowledge and agree that the Village has not waived and is not now waiving any defaults of Developer under the Redevelopment Agreement and/or the Lease.

**3. Binding Effect.** This First Amendment shall be binding upon and inure to the benefit of the Village and Developer and their respective successors and assigns.

4. **Facsimile and Counterpart Signatures.** This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be one in the same instrument. For purposes of executing this First Amendment, any signed copy of this First Amendment may be transmitted by facsimile machine or electronically and the signature of any Party hereon shall, for purposes of execution hereof, be considered an original signature. Neither Party shall raise the use of a facsimile machine or electronic mail or the fact that any signature was transmitted thereby, as a defense to the effectiveness of this First Amendment. Any facsimile or electronic mailing of this First Amendment shall, at the request of either Party, be re-executed by the other Party in an original form, and neither Party shall raise the use of a facsimile machine or electronic mail or the fact that any signature was transmitted thereby, as a defense to the effectiveness of this First Amendment.

5. **Ratification.** In all other respects, the Redevelopment Agreement, as amended, is hereby ratified and affirmed and shall remain in full force and effect.

**(SIGNATURES APPEAR ON THE FOLLOWING PAGE)**

**IN WITNESS WHEREOF**, Village and Developer have executed this First Amendment as of the date and year first above written.

**VILLAGE:**

**VILLAGE OF PALATINE, ILLINOIS,**  
an Illinois municipal corporation

By: *John*  
Name: *John Schwartz*  
Its: *Mayor*

Date of Execution: *April 15, 2014*

**DEVELOPER:**

**TAP HOUSE GRILL PALATINE, LLC,**  
an Illinois limited liability company

By: *ADM*  
Name: *Robert Scott Wink*  
Its: *Managing Partner*

Date of Execution: *April 15, 2014*

### **CONSENT OF GUARANTOR**

I, Robert Scott Ward, a/k/a Scott Ward ("Guarantor"), as Guarantor of the Lease, hereby consent to and approve of the foregoing execution of this First Amendment, and acknowledge and agree that Guarantor shall be bound by this instrument, the Lease and the Redevelopment Agreement, which shall all apply to Guarantor with the same force and effect as they apply to Developer, and hereby agree that the Guaranty of the Lease I executed on June 11, 2013 is hereby ratified and affirmed and shall be and remain in full force and effect.



ROBERT SCOTT WARD

Date: April 15, 2014

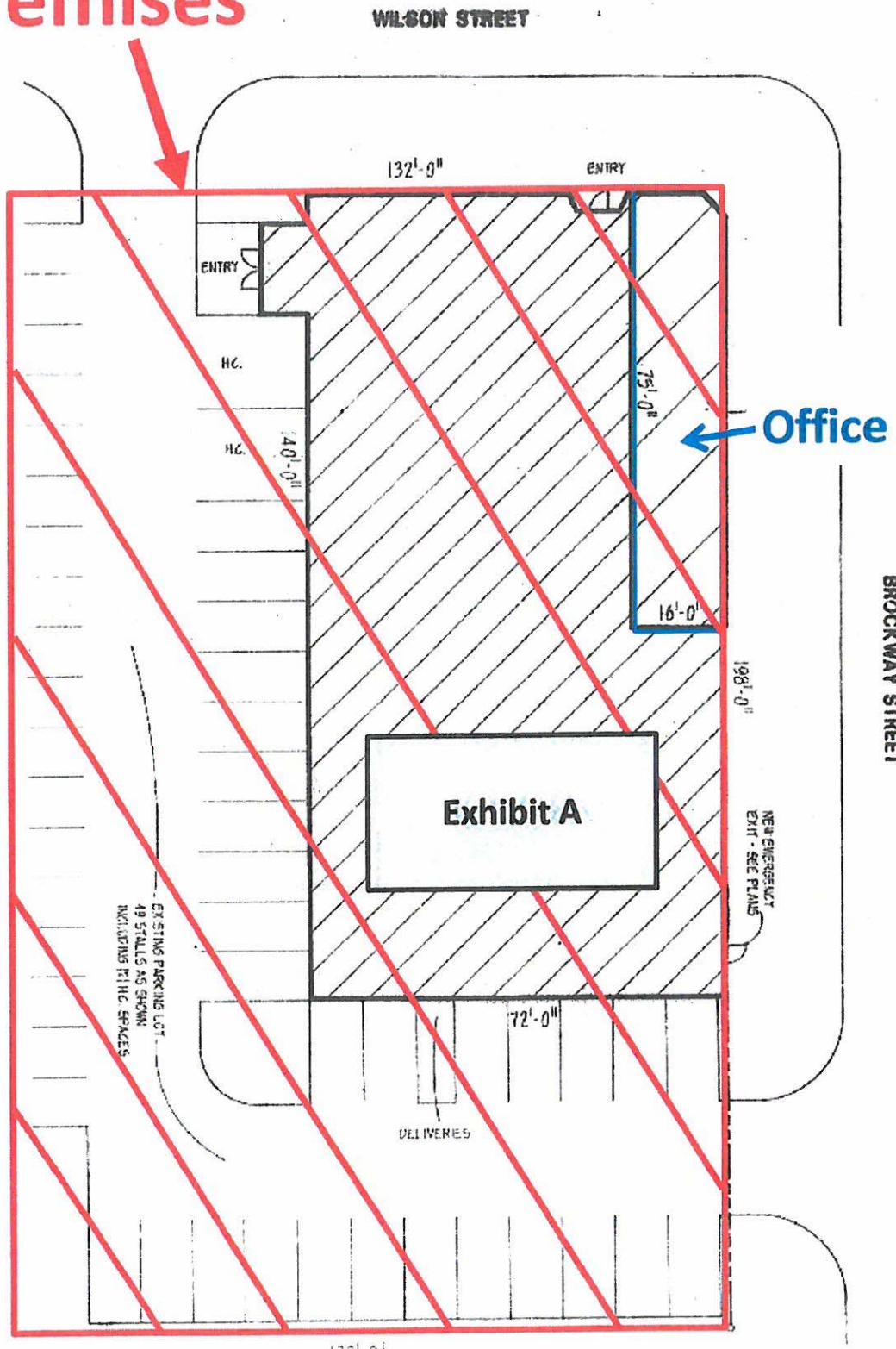
**EXHIBIT "A"**  
**LEGAL DESCRIPTION AND SITE PLAN**

***Exhibit A***

***Property Description***

Lot 3 except the north 66.05 feet, Lot 4 except the north 66.05 feet, Lot 5 and Lot 6 in Block B in the Town of Palatine in the East Half of the Southeast Quarter of Section 15, Township 42 North, Range 10 East of the Third Principal Meridian in Cook County, Illinois.

# Premises



**REDEVELOPMENT AGREEMENT**

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**THIS AGREEMENT** ("Agreement"), made and entered into as of this 11<sup>th</sup> day of June, 2013 ("Agreement Date"), by and between the **Village of Palatine, Illinois, an Illinois municipal home rule corporation** located in Cook County, Illinois ("Village") and **Tap House Grill Palatine, LLC., an Illinois Limited Liability Company** (sometimes referred to as "Tap House Grill" and/or "Developer"). The Village and Tap House Grill are sometimes referred to individually as a "Party" and collectively as the "Parties".

**WITNESSETH:**

**WHEREAS**, the Village is a home rule unit of government in accordance with Article VII Section 6 of the Constitution of the State of Illinois, 1977; and

**WHEREAS**, the Village is authorized, under the provisions of the Tax Increment Allocation Redevelopment Act 65 ILCS 5/74.4-1 *et seq.*, as amended ("the Act") to finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

**WHEREAS**, to stimulate and induce redevelopment in the Downtown, pursuant to the Act, the Village adopted the necessary ordinances, after giving all notices required and after conducting the public hearings required by law, and created the Village of Palatine Downtown TIF District.

**WHEREAS**, Tap House Grill has expressed a willingness to locate its Restaurant business to 56 W. Wilson Street, Palatine, Illinois ("Property"), the legal description of which is described on Exhibit "A"; and

**WHEREAS**, Tap House Grill desires to lease and remodel the Property; and

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**WHEREAS**, Tap House Grill will be the tenant of the Restaurant at the Property under the terms of a lease agreement entered into by and between the Parties hereto, dated Juveil, 2013; and

**WHEREAS**, Developer has been and continues to be unwilling to remodel the Restaurant at the Property but for certain tax increment financing ("TIF") incentives from Village, which Village is willing to provide under the terms and conditions contained herein; and

**WHEREAS**, this Agreement has been submitted to the Members of the Tap House Grill Palatine, LLC for consideration and review, the Members have taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon Tap House Grill according to the terms hereof, and any and all actions of Tap House Grill Manager precedent to the execution of this Agreement have been undertaken and performed in the manner required by law.

**WHEREAS**, the Village finds that the Agreement set forth below serves the public interest, assisting Tap House Grill in locating and operating its Restaurant within the Village, while at the same time furthering the Village's purposes for Downtown redevelopment.

**WHEREAS**, the financial assistance to be provided by the Village pursuant to this Redevelopment Agreement shall be in compliance with all applicable regulations of the Act.

**NOW, THEREFORE**, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, the Parties do hereby agree as follows:

**ARTICLE ONE**

**INCORPORATION OF RECITALS.**

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The findings, representations and agreements set forth in the above Recitals are material to this Agreement and are hereby incorporated into and made a part of this Agreement as though fully set out in this Article One, and constitute findings, representations and agreements of the Village and of Tap House Grill.

## ARTICLE TWO

### TIF ASSISTANCE FOR TAP HOUSE GRILL RESTAURANT AT 56 W. WILSON STREET, PALATINE, ILLINOIS

**2.1    Maximum Amount of TIF Benefit.** The total amount of financial assistance to be provided by the Village shall not exceed seven hundred fifty thousand (\$750,000) dollars as well as the terms and assistance outlined in the lease. Because Tap House Grill is willing to remodel the Property in order to open its Restaurant operation, the Village agrees to provide financial assistance to Tap House Grill in the form of a loan and cash reimbursement(s) to assist Tap House Grill in the expense of remodeling and opening a restaurant in the Property. This financial assistance shall be only for TIF eligible expenses under the Act which include but are not limited to costs of rehabilitation, reconstruction, repair, or remodeling of the existing fixtures and leasehold improvements.

**2.2    Payment of TIF Benefit**    Subject to Tap House Grill establishing that its costs are TIF eligible expenses under the Act and this Agreement, and subject to Tap House Grill providing the Village with proof of payment in a form satisfactory to the Village as set forth in Section 2.2 (d) below, barring uncontrollable circumstances, the Village shall pay to Tap House Grill a total amount not to exceed seven hundred fifty thousand (\$750,000) dollars as follows:

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(a) The initial TIF reimbursement payments made by the Village to Tap House Grill which shall total an amount not to exceed two hundred fifty thousand (\$250,000) dollars shall be provided by the Village to Developer in the form of a loan to be repaid by Developer. The Loan Agreement shall be substantially in the form of the Note attached as Exhibit "B" to this Agreement. The Village shall make its TIF reimbursable payments to Tap House Grill within thirty (30) days after Developer provides to the Village complete documentation as set forth in Section 2.2 (d).

(b) The remaining up to five hundred thousand (\$500,000) dollars shall be paid by the Village to Tap House Grill as a TIF reimbursement for TIF eligible expenses (and not as a loan) within thirty (30) days after Developer provides documentation from time to time as set forth in Section 2.2(d).

(c) As additional TIF assistance the Village agrees to lease the Premises pursuant to the terms of the Lease Agreement between the Parties dated July 11 2013. The lease shall provide Developer with an option to purchase the Property.

(d) All of the payments identified in Section 2.2 (a) and (b) shall be subject to the following conditions prior to any payment being made by the Village to Tap House Grill:

(i) The expenses are eligible for TIF Reimbursement under the Act and this Agreement as determined by the Village;

(ii) Tap House Grill shall submit to the Village copies of all financial information requested by the Village including, but not limited to actual paid invoices and receipts evidencing payment, associated waivers of liens, cancelled checks, and other proof of remodeling

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payments incurred by Tap House Grill or related information as may be requested by the Village;

(iii) Within sixty (60) days after completion of all of Tap House Grill's Work, Tap House Grill shall submit to Village (a) a sworn affidavit from Tap House Grill and its general contractor (if Tap House Grill is not acting as its own general contractor) in form and substance reasonably acceptable to Village stating (1) in reasonable detail the actual costs paid by Tap House Grill for construction and completion of Tap House Grill's Work and the actual TIF Eligible Expenses claimed by Tap House Grill, (2) the names and addresses of all architects, consultants, contractors, subcontractors or suppliers in respect of Tap House Grill's Work, and (3) that all of the persons identified in the sworn affidavit required pursuant to clause (a)(2) have been paid in full; (b) full and final mechanic's lien waivers, in form and substance reasonably acceptable to Village from each person identified in the sworn affidavit required pursuant to clause (a)(2); and (c) any and all further documentation reasonably required by Village, if any.

(iv) In the event that Village shall receive notice of impending liens, legal actions, or disputes relating to Tap House Grill's Work, Village shall not be obligated to pay the TIF Eligible Expenses, or any part thereof, until said matter is resolved to Village's satisfaction, in Village's sole but reasonable discretion.

(v) No payment will be made by the Village unless Tap House Grill is up to date on any and all applicable Village fees, taxes, and payments, including, but not limited to, business license, liquor license, and food and beverage taxes.

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- (vi) Tap House Grill shall complete all of the planned interior and exterior improvements and remodeling work within one hundred fifty (150) days after the commencement date of the Lease.
- (vii) Approval by the Village of an ordinance granting a Special Use for the Property for use as a restaurant with a liquor license. Failure of the Village to approve a Special Use ordinance for a restaurant shall result in termination of this Agreement without further action or notice.

(e) In the event that this Agreement is terminated after Tap House Grill has installed fixtures and/or equipment in the building, at any time prior to the expiration of this Redevelopment Agreement for any reason, all fixtures and equipment for which Tap House Grill has been reimbursed shall remain on the Property and remain the property of the Village.

**2.3 Agreement Does Not Constitute a Debt of the Village.** This Agreement shall not constitute a debt of the Village within the meaning of any constitutional statutory provision or limitation. Because the Special Tax Allocation Fund is a special fund, the aforesaid deposits into the Special Tax Allocation Fund shall not be subject to the appropriation process of the Corporate Authorities of the Village and the amounts deposited therein shall be disbursed in accordance with this Agreement without further action of the Corporate Authorities.

**2.4 Uncontrollable Circumstances.** For purposes of this Agreement, Uncontrollable Circumstances shall be defined to mean any event which:

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(a) is beyond the reasonable control of and without the fault of Tap House Grill;

and

(b) is one or more of the following events:

(i) a Change in Law;

(ii) insurrection, riot, civil disturbance, sabotage, act of the public enemy, explosion, nuclear incident, war or naval blockade;

(iii) epidemic, hurricane, tornado, landslide, earthquake, lightning, fire, windstorm, other extraordinary weather conditions or other similar Act of God;

(iv) governmental condemnation or taking other than by the Village;

(v) strikes or labor disputes, other than those caused by the acts of Tap House Grill;

(vi) unreasonable delay in the issuance of building or other permits or approvals by the Village or other governmental authority having jurisdiction;

(vii) shortage or unavailability of essential materials for a period not in excess of sixty (60) days and which materially change the ability of Tap House Grill to carry out its obligations under this Agreement;

Uncontrollable Circumstance shall not include: (1) economic hardship or impracticability of performance, (2) commercial or economic frustration of purpose, (3) unavailability of materials,

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strikes or labor disputes caused by the acts of Tap House Grill, or (4) a failure of performance by a contractor.

**ARTICLE THREE**

**REMEDIES FOR DEFAULT**

In the case of default by either Party, hereunder:

A. The defaulting Party shall, upon written notice from the non-defaulting Party, take action to cure or remedy such default. If, in case any monetary default is not cured or, if in the case of a non-monetary default, action is not taken or not diligently pursued, or if action is taken and diligently pursued but such default or breech shall not be cured or remedied within a reasonable time, but in no event more than thirty (30) additional days unless extended by mutual agreement, the non-defaulting Party may institute such proceedings as may be necessary or desirable, in its opinion, to cure or remedy such default or breech, including but not limited to, proceedings to compel specific performance of the defaulting Party's obligations under this Agreement.

B. In the case of default by Tap House Grill, in addition to any other remedies at law or equity, the Village shall be relieved of its obligations under this Agreement, including but not limited to, its obligations to make any payment to Tap House Grill. Payments shall resume in the event that Tap House Grill cures the default within the applicable cure period.

C. In the event a default is not cured within the applicable cure period, and the Parties employ an attorney or attorneys or incur other expenses for the collection of the

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payments due under this Agreement or the enforcement of performance or observance of any obligations or agreements herein contained, the non-prevailing Party shall pay, on demand but in no event more than forty-five (45) days after such demand, the prevailing Party's reasonable fees of such attorneys and such other reasonable expenses in connection with such enforcement action.

D. Any delay by either Party in instituting or prosecuting any actions or proceedings or otherwise asserting its rights under this Agreement, shall not operate, to act as a waiver of such rights or to deprive it of or, limit such rights in any such way, it being the intent of this provision that neither Party shall be deprived of or limited in the exercise of the remedies provided in this Agreement because of concepts of waiver, laches or otherwise nor shall any waiver in fact made with respect to any specific Event of Default be considered or treated as a waiver of the rights by the waiving party of any future Event of Default hereunder, except to the extent specifically waived in writing. No waiver made with respect to the performance, nor the manner or time thereof, of any obligation or any condition under the Agreement shall be considered a waiver of any rights except if expressly waived in writing.

**Section 3.1 Rights and Remedies Cumulative.** The rights and remedies of the Parties to this Agreement, whether provided by law or by this Agreement, shall be cumulative, and the exercise of any one or more of such remedies shall not preclude the exercise by such Party, at that time or different times, of any other such remedies for the same Event of Default.

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**Section 3.2 Notices.** All notices, certificates, approvals, consents or other communications desired or required to be given hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service, (b) overnight courier, or (c) registered or certified first class mail, postage prepaid, return receipt requested.

With a copy to: Village of Palatine  
200 E Wood Street  
Palatine, IL 60067  
Attn: Village Manager

With a copy to: Schain, Burney, Banks & Kenny  
70 W. Madison Street, Suite 4500  
Chicago, IL 60602  
Attn: Robert C. Kenny

Tap House Grill: Tap House Grill Palatine, LLC  
c/o Tap House Management Group  
708 S Vermont  
Palatine, IL 60067

With a copy to: Metrou & Associates, PC  
123 W Washington Street, Suite 216  
Oswego, IL 60543  
Attn: Peter Metrou

The Parties, by notice hereunder, may designate any further or different addresses to which subsequent notices, certificates, approvals, consents or other communications shall be sent. Any notice, demand or request sent pursuant to clause (a) shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to

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clause (b) shall be deemed received on the day immediately following deposit with the overnight courier, and any notices, demands or requests sent pursuant to clause (c) shall be deemed received forty-eight (48) hours following deposit in the mail.

**Section 3.3 Time of the Essence.** Time is of the essence of this Agreement.

**Section 3.4 Integration.** This Agreement supercedes all prior agreements, negotiations and discussions relative to the subject matter hereof and is a full integration of the agreement of the Parties. The Parties acknowledge that they have executed a Lease for the subject premises and wherever the terms and conditions of this Redevelopment Agreement conflict with the terms and conditions of the Lease, the Village and Tap House Grill agree the terms and conditions of this Redevelopment Agreement shall govern and control over the terms and conditions of the Lease.

**Section 3.5 Execution.** This Agreement may be executed in counterparts, each of which shall be an original and all of which will constitute one and the same Agreement.

**Section 3.6 Severability.** If any provision of this Agreement, or any Section, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held to be invalid, the remainder of this Agreement shall be construed as if such invalid part were never included herein, and this Agreement shall be and remain valid and enforceable to the fullest extent permitted by law.

**Section 3.7 Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

**Section 3.8 Entire Contract And Amendments.** This Agreement (together with the exhibits attached hereto) is the entire contract between the Village and Tap House Grill relating to

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the subject matter hereof, supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, between the Village and Tap House Grill, and may not be modified or amended except by a written instrument executed by the Parties hereto.

**Section 3.9    Third Parties.** Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any other persons other than the Village and Tap House Grill, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to either the Village or Tap House Grill, nor shall any provision give any third parties any rights of subrogation or action over or against either the Village or Tap House Grill. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

**Section 3.10    Waiver.** Any party to this Agreement may elect to waive any right or remedy it may enjoy hereunder, provided that no such waiver shall be deemed to exist unless such waiver is in writing. No such waiver shall obligate the waiver of any other right or remedy hereunder, or shall be deemed to constitute a waiver of other rights and remedies provided pursuant to this Agreement.

**Section 3.11    No Assignment.** Tap House Grill may not assign its rights under this Agreement to any other person without the express written approval of the Village.

**Section 3.12    No Joint Venture, Agency or Partnership Created.** Nothing in this Agreement, or any actions of the Parties to this Agreement, shall be construed by the Parties or any third person to create the relationship of a partnership, agency or joint venture between or among such parties.

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**Section 3.13 No Personal Liability of Officials of Village or Tap House Grill.** No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of the Mayor, Village Council member, Village Manager, any official, officer, partner, manager, member, director, agent, employee or attorney of the Village or Tap House Grill, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or Tap House Grill shall be liable personally under this Agreement or be subject to any personal liability or accountability by reason of or in connection with or arising out of the execution, delivery and performance of this Agreement, or any failure in that connection.

**Section 3.14 Compliance with Illinois Prevailing Wage Statute.** Pursuant to Illinois state statute, the Developer shall comply with the prevailing wage laws, which require all projects that receive governmental funding to comply with the requirements, including but not limited to the reporting requirements (including but not limited to the provision of weekly certified payroll records), of the Illinois Prevailing Wage Act. It shall be the duty of Developer to determine whether the Illinois Prevailing Wage Act applies to this Project. In the event Developer determines that the Illinois Prevailing Wage Act does not apply and the Illinois Department of Labor makes a contrary determination, it shall be the duty and responsibility of the Developer to pay all underpayments, penalties and interest, if any, assessed against the Developer, its contractors, or the Village. If the Illinois Prevailing Wage Act is determined to apply, then payments by the Village to the Developer shall not be made until full compliance with the Prevailing Wage Act has been achieved.

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**Section 3.15 Term.** This Agreement shall remain in full force and effect until effect for twenty-three (23) years from the date the Downtown Redevelopment Project Area was created, or until otherwise terminated pursuant to the terms of this Agreement.

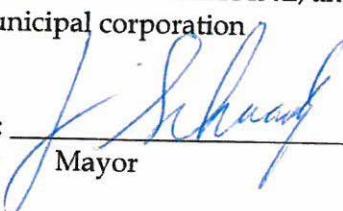
#### ARTICLE FOUR

#### EFFECTIVENESS

The effective date for this Agreement shall be the day on which this Agreement is fully executed pursuant to a duly enacted Village ordinance authorizing the execution of an adoption of this Agreement. Tap House Grill shall execute this Agreement not later than twenty-one (21) days after Village Council's authorization and execution of this Agreement, or else this Agreement will be deemed void.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on or as of the day and year first above written.

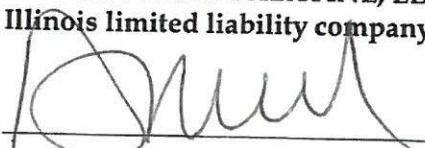
VILLAGE OF PALATINE, an Illinois  
municipal corporation

By:   
Its: Mayor

ATTEST:

By:   
Its: Village Clerk - DEPUTY

TAP HOUSE GRILL PALATINE, LLC  
An Illinois limited liability company

By:   
Its: Randy Monson

## Execution Copy

STATE OF ILLINOIS )  
COUNTY OF Cook )  
 ) SS

I, SUZANNE M. BARTELS, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that ROBERT SCOTT WARD of \_\_\_\_\_, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said Bauer Family Corporation, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 11th day of June, 2013.

My commission expires 9-18-2013  Notary Public



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EXHIBIT "A"

The South ½ of Lots 3 and 4 and all of Lots 5 and 6 in Block 'B' in Palatine in the East ½ of the Southeast ¼ of Section 15, Township 42 North, Range 10 East of the Third Principal Meridian, according to the Plat Thereof Recorded August 20, 1869 in Book 170 of Maps, Pages 94 and 95 as Document 2021 and recorded April 10, 1877 in Book 13 of Plats, Pages 3 and 4 as Document 129579 in Cook County, Illinois.

Permanent Tax Index Numbers:

02-15-414-002

02-15-414-004

02-15-414-007

02-15-414-008

Property Address: 56-58 W. Wilson Street, Palatine, IL 60067

**TYPE: ORDINANCES** **SUBMITTED BY: ADMINISTRATION** **DATE: 4/14/2014**

**DESCRIPTION:** Consider Ordinances authorizing: 1) the Village Manager to execute a First Amendment to the Lease with Tap House Grill Palatine, LLC; and, 2) the Mayor to Execute a First Amendment to the Redevelopment Agreement with Tap House Grill, all for the property located at 56 W. Wilson Street (Tap House Grill Palatine, LLC) (District: 6)

**COMMITTEE ACTION:**

**DATE:**

**BACKGROUND:**

On May 20, 2013, the Village Council approved ordinances authorizing the Village Manager to execute a Lease and the Mayor to execute a Redevelopment Agreement with Tap House Grill, LLC (THG) regarding the property at 56 W. Wilson Street. Due to some delays in commencing the project, THG is now requesting approval of the following:

- 1) **Ordinance authorizing the Village Manager to execute the First Amendment to the Lease; and**
- 2) **Ordinance authorizing the Mayor to execute the First Amendment to the Redevelopment Agreement.**

**KEY ISSUES**

- The proposed amendments to the Lease and Redevelopment Agreement will not modify the previous business terms, which included:
  - An initial term of ten years, with two additional five year options. In addition to the rent schedule contained within the proposed lease, THG is also responsible for all property taxes associated with the property, as well as all general maintenance.
  - An option to buy after 10 years (subject to appraisals to determine the property's value). The lease also contemplates a right of first refusal for THG, if the Village desires to sell the property, between years seven and ten of the lease.
  - Provides for TIF assistance consisting of \$500,000, plus an additional \$250,000 that will be provided through a loan with a term of 10 years. The TIF assistance is contingent upon THG providing appropriate documentation to ensure the costs for which they are seeking reimbursement are TIF eligible expenses.
- The proposed amendments will adjust the required project completion date to August 15, 2014 and amend some definitions and terms to better reflect Tap House Grill, LLC's interest, use, and long term investment in the building.

**ALTERNATIVES:**

1. Approve the Ordinances.
2. Do not approve the Ordinances.

**RECOMMENDATION:**

Staff recommends approval of the Ordinances.

**ACTION REQUIRED:**

Motion to approve the Ordinances authorizing: 1) the Village Manager to execute the First Amendment to the Lease with Tap House Grill Palatine, LLC; and, 2) the Mayor to Execute the First Amendment to the Redevelopment Agreement with Tap House Grill, all for the property located at 56 W. Wilson Street, subject to final approval by the Village Attorney.

Village of Palatine  
Downtown TIF

ORDINANCE NO. 0-45-14

AN ORDINANCE AUTHORIZING THE VILLAGE MANAGER TO EXECUTE A  
FIRST AMENDMENT TO THE LEASE WITH TAP HOUSE GRILL PALATINE LLC  
D/B/A TAP HOUSE GRILL FOR THE PROPERTY LOCATED AT  
56 W. WILSON STREET

Published in pamphlet form by authority of the  
Mayor and Village Council of the Village of Palatine  
on April 14, 2014

Village of Palatine  
Downtown TIF

ORDINANCE NO. 0-45-14

AN ORDINANCE AUTHORIZING THE  
VILLAGE MANAGER TO EXECUTE A FIRST AMENDMENT TO THE LEASE  
WITH TAP HOUSE GRILL PALATINE LLC D/B/A TAP HOUSE GRILL  
FOR THE PROPERTY LOCATED AT 56 W. WILSON STREET

WHEREAS, on May 20, 2013, the Mayor and Village Council approved Ordinance #0-57-13 Authorizing Execution of Lease and Ordinance #0-58-13 Authorizing Execution of a Redevelopment Agreement between the Village of Palatine and Tap House Grill Palatine LLC d/b/a Tap House Grill in Downtown Palatine; and

WHEREAS, on April 14, 2014 the Mayor and Village Council approved Ordinance 0-46-14 Authorizing Execution of a First Amendment to the Redevelopment Agreement between the Village of Palatine and Tap House Grill Palatine LLC d/b/a Tap House Grill in Downtown Palatine; and

WHEREAS, the Village of Palatine owns the property located at 56 W. Wilson Street; and

WHEREAS, Tap House Grill Palatine LLC D/B/A Tap House Grill has requested a First Amendment to the Lease to adjust the required project completion date and amend some definitions and terms in the previously approved Lease to better reflect their interest, use, and long term investment in the building located at 56 W. Wilson Street; and

BE IT ORDAINED, by the Mayor and Village Council of the Village of Palatine that:

SECTION 1: The findings, representations and agreements set forth in the above Recitals are material to this Amendment and are hereby incorporated into and made part of this First Amendment to the Lease as though fully set out in this Section 1.

**SECTION 2:** The Village Manager of the Village of Palatine is hereby authorized to execute a First Amendment to the Lease that substantially conforms to the attached Exhibit "A" with Tap House Grill Palatine LLC d/b/a Tap House Grill for the use of Village owned property at 56 W. Wilson Street.

PASSED This 14th day of April, 2014

AYES: 6 NAYS: 0 ABSENT: 0 PASS: 0

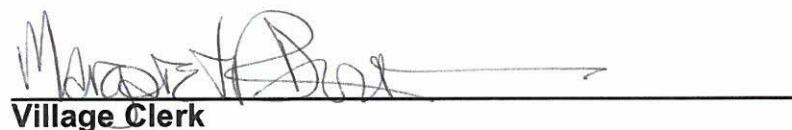
APPROVED by me this 14th day of April, 2014



\_\_\_\_\_  
Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this

14 day of April, 2014



\_\_\_\_\_  
Village Clerk

## FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE ("First Amendment") is made and entered into as of this 15 day of April, 2014 ("Effective Date"), VILLAGE OF PALATINE, ILLINOIS, an Illinois municipal corporation ("Landlord") and TAP HOUSE GRILL PALATINE, LLC, an Illinois limited liability company ("Tenant"). (Landlord and Tenant shall each sometimes hereinafter be individually referred to as "Party" or, collectively, "Parties")

### RECITALS:

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated June 11, 2013 ("Lease"), wherein Landlord leased to Tenant and Tenant leased from Landlord the Premises, as defined therein. A copy of the Lease is attached hereto and incorporated herein as Exhibit "A";

WHEREAS, pursuant to the Lease, Tenant was to obtain all required permits and licenses and improve and build out the Premises for the Permitted Use of a mid-scale, casual sit down restaurant and bar featuring 50 beers on tap, serving lunch and dinner, with beer infused menu items in a family friendly and energetic atmosphere, and a portion containing approximately 2,000 square feet to be used for general office use for Tenant, and for no other use or purpose whatsoever;

WHEREAS, the Commencement Date under the Lease was August 13, 2013, Base Rent was to commence on August 13, 2013 (subject to the first Lease Year Base Rent abatement as set forth in the Lease) and the Required Opening Date for Tenant to be open for business was January 10, 2014;

WHEREAS, possession of the Premises was delivered to Tenant on July 26, 2013;

WHEREAS, Tenant is in default under the Lease for its failure to timely improve and build out the Premises for the Permitted Use and for its failure to be open to the public by the Required Opening Date as set forth in the Lease;

WHEREAS, Landlord and Tenant acknowledge and agree that title to the Building only, and not the Land, all as hereinafter defined, shall pass to Tenant for the duration of the Term, subject to the terms and conditions of Section 5 of this First Amendment;

WHEREAS, Landlord acknowledges and agrees that, in consideration of the execution and delivery of this First Amendment by Tenant, and Tenant's agreement to improve and build out the Premises for the Permitted Use and open to the public by August 15, 2014, Landlord shall forbear from claiming any default for failure to improve and build out the Premises for the Permitted Use and for Tenant's failure to be open to the public by the Required Opening Date, as set forth in the Lease;

WHEREAS, Landlord and Tenant desire to enter into this First Amendment according to the covenants, conditions and restrictions all as hereinafter set forth.

**NOW, THEREFORE**, for and in consideration of the sum of Ten and 00/100 Dollars (\$10.00) in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby agree as follows:

1. **Definitions; Conflicts.** All capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Lease. Wherever the terms and conditions of this First Amendment conflict with the terms and conditions of the Lease, the terms and conditions of this First Amendment shall control and govern. In all other respects, the terms and conditions of the Lease are hereby restated as if set forth fully herein.

2. **Revision to Section 1.1 of the Lease.** Landlord and Tenant understand, acknowledge and agree that sub Section 1.1 of the Lease shall be deleted in its entirety and the following sub Section 1.1 shall be inserted in its place:

“1.1 Premises (Section 2.1): The space legally described on and cross hatched on the site plan attached hereto as Exhibit A. The Premises is improved with and contains a 10,080 square foot building (“Building”) which is to contain the restaurant and bar and a portion containing approximately 2,000 square feet to be used for general office use for Tenant.”

Landlord and Tenant acknowledge and agree that this Section 2 of this First Amendment shall survive the cancellation and termination of this First Amendment pursuant to Section 7 hereunder.

3. **Revision to Section 1.3 of the Lease.** Landlord and Tenant understand, acknowledge and agree that Section 1.3 of the Lease shall be deleted in its entirety and the following Section 1.1 shall be inserted in its place:

“1.3 Square Footage of Premises (Section 2.1): Approximately 26,136 square feet of which 10,080 square feet is the Building located on the Premises.”

Landlord and Tenant acknowledge and agree that this Section 3 of this First Amendment shall survive the cancellation and termination of this First Amendment pursuant to Section 7 hereunder.

4. **Revision to Section 1.5 of the Lease.** Landlord and Tenant understand, acknowledge and agree that Section 1.5 of the Lease shall be deleted in its entirety and the following Section 1.5 shall be inserted in its place:

“1.5 Commencement Date (Section 3.1): Tenant shall pay all utilities, Real Estate Taxes and Leasehold Taxes and Rent commencing August 13, 2013 (“Commencement Date”), Tenant shall open for business to the public on or before August 15, 2014 (“New Required Opening Date”).”

Landlord and Tenant acknowledge and agree that, subject to Paragraph 6 of this First Amendment, wherever the term "Required Opening Date" shall be found in the Lease, it shall be replaced by the term "New Required Opening Date", as defined in this First Amendment.

5. **Addition of Article IV to the Lease.** The following shall be inserted as Article IV of the Lease:

**"ARTICLE IV**  
**TITLE TO THE BUILDING**

**Section 4.1 Title to the Building.** Landlord and Tenant acknowledge and agree that legal title to the Building shall be in the name of Tenant for the duration of the Term. Landlord and Tenant acknowledge and agree that, notwithstanding title to the Building being in the name of the Tenant for the duration of the Term, Landlord has fee simple title to land underneath the Building making up the Premises ("Land") and owns and shall continue to own the Land. Tenant's interest in the Land is solely a possessory interest as a tenant and occupant pursuant to the terms and conditions of this Lease. Notwithstanding anything contained herein to the contrary, Tenant shall not voluntarily or by operation of law transfer, assign, sublet, license, concession, mortgage, hypothecate, pledge, encumber or otherwise transfer any interest in the Building, or any portion thereof, without first procuring the written consent of Landlord, which consent may be withheld in the sole, exclusive judgment and discretion of Landlord. Any attempt to so transfer, assign, sublet, license, concession, mortgage, hypothecate, pledge, encumber or otherwise transfer any interest in the Building, or any portion thereof, without first obtaining the Landlord's written consent, shall be void and confer no rights upon any third person and/or any transferee and shall be an automatic default under the Lease and Landlord may exercise any and all remedies for such default as set forth in the Lease or under applicable law, including, but not limited to the recording of the Quit Claim Deed, defined below.

**Section 4.2 Re-conveyance of Title to the Building Back to Landlord.** At the termination of this Lease by lapse of time or otherwise or upon termination of Tenant's rights of possession of the Premises without termination of this Lease, Tenant shall surrender possession of the Building to Landlord and make known to the Landlord the combination of all locks or vaults then remaining in the Premises, and shall return the Building, Premises and all fixtures therein to Landlord in as good of a condition as when Tenant originally took possession, ordinary wear, loss or damage by fire or other insured casualty excepted. Title to the Building shall then revert back to Landlord and the Building shall be Landlord's property and shall remain upon the Premises, without compensation, allowance or credit to Tenant. All obligations of Tenant hereunder shall survive the expiration or sooner termination of the Term of this Lease. Simultaneous with the execution and delivery of this Lease, Tenant shall execute and deliver a Quit Claim Deed ("Quit Claim Deed") conveying legal title to the Building from Tenant back to Landlord, using the legal description attached to the Lease as Exhibit "A". Such Quit Claim Deed shall be held by Landlord's counsel, and such Quit Claim Deed shall be delivered to Landlord at the termination of this Lease by lapse of time or otherwise or upon termination of Tenant's rights of possession of the Premises without termination of this Lease."

6. **Revision to Section 8.1 of the Lease.** Landlord and Tenant understand, acknowledge and agree that the first sentence of Section 8.1 of the Lease shall be deleted in its entirety and the following the first sentence shall be inserted into Section 8.1 in its place:

“Landlord agrees to and shall, at Landlord’s sole cost and expense, perform and complete the work on the improvements described as Landlord’s Work in Exhibit B, in cooperation and in coordination with Tenant’s contractors performing Tenant’s Work, and in no event later than August 15, 2014, subject to events and delays beyond Landlord’s reasonable control, and Landlord shall notify Tenant in writing when such work is substantially completed.”

7. **Addition of Article X to the Lease.** The following shall be inserted as Article X of the Lease:

**“ARTICLE X**  
**FORBEARANCE BY LANDLORD**

**Section 10.01 Forbearance by Landlord - Defaults by Tenant under the Lease.**

Landlord and Tenant understand, acknowledge and agree that Tenant has defaulted under the Lease. By execution and delivery of this First Amendment, Landlord and Tenant understand, acknowledge and agree that Landlord has not waived and is not now waiving any defaults of Tenant under the Lease and, subject to the amendments and modifications contained herein, the Lease is and remains in full force and affect. Landlord acknowledges and agrees that, in consideration of the execution and delivery of this First Amendment and Tenant’s agreement to improve and build out the Premises for the Permitted Use and open to the public by the New Required Opening Date, Landlord shall forbear from claiming any default for failure to improve and build out the Premises for the Permitted Use and for Tenant’s failure to be open to the public by the Required Opening Date, as set forth in the First Lease. In the event this First Amendment is not fully executed and Tenant fails to improve and build out the Premises for the Permitted Use and open to the public by the New Required Opening Date, upon five (5) days prior written notice from Landlord to Tenant, Landlord’s may cancel and terminate this First Amendment except as otherwise set forth herein, and such Landlord’s forbearance shall cease and be null and void, and Landlord may exercise any and all remedies for any Tenant default as set forth in the Lease or under applicable law.”

8. **Revision to Section 20.1 of the Lease.** Landlord and Tenant understand, acknowledge and agree that Section 20.1 of the Lease shall be deleted in its entirety and the following Section 20.1 shall be inserted in its place:

**“Section 20.1 No Landlord Repair or Replacement Obligations.**

Tenant shall keep or cause to be kept the foundations and structural portions of the walls of the Premises in good order, repair and condition including damage thereto due to the act or omissions of Tenant, its employees, agents, contractors or invitees. Tenant shall commence required repairs as soon as reasonably practicable after notice of any need of repair or replacement. Landlord shall not be obligated to make repairs, replacements or improvements of any kind upon the Premises and/or the Entire Area; or to any equipment, merchandise, stock in trade, facilities or fixtures therein, all of

which shall be Tenant's responsibility, but Tenant shall give Landlord prompt written notice of any accident, casualty, damage or other similar occurrence in or to the Premises and the Entire Area of which Tenant has knowledge."

9. **Binding Effect.** This First Amendment shall be binding upon and inure to the benefit of the Landlord and Tenant and their respective successors and assigns.

10. **Facsimile and Counterpart Signatures.** This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be one in the same instrument. For purposes of executing this First Amendment, any signed copy of this First Amendment may be transmitted by facsimile machine or electronically and the signature of any Party hereon shall, for purposes of execution hereof, be considered an original signature. Any facsimile or electronic mailing of this First Amendment shall, at the request of either Party, be re-executed by the other Party in an original form, and neither Party shall raise the use of a facsimile machine or electronic mail or the fact that any signature was transmitted thereby, as a defense to the effectiveness of this First Amendment.

11. **Authority.** Tenant and each person signing this First Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly formed and validly existing under the laws of the State of Illinois, (ii) Tenant has and is qualified to do business in Illinois, (iii) Tenant has the full right and authority to enter into this First Amendment, and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.

12. **Ratification.** In all other respects, the Lease, as amended and subject to Paragraph 7 of this First Amendment, is hereby ratified and affirmed and shall remain in full force and effect.

(SIGNATURES APPEAR ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment as of the date and year first above written.

**LANDLORD:**

**VILLAGE OF PALATINE, ILLINOIS**, an Illinois municipal corporation

By: Randy J. Ottosen  
Name: RANDY J. OTTISSON  
Its: Village Manager

Date of Execution: April 15, 2014

**TENANT:**

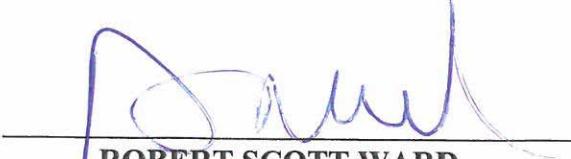
**TAP HOUSE GRILL PALATINE, LLC**, an Illinois limited liability company

By: Robert Scott Ward  
Name: ROBERT SCOTT WARD  
Its: Managing Member

Date of Execution: April 15, 2014

**CONSENT OF GUARANTOR**

I, Robert Scott Ward, a/k/a Scott Ward ("Guarantor"), as Guarantor of the Lease, hereby consent to and approve of the foregoing execution of the First Amendment, and acknowledge and agree that Guarantor shall be bound by this instrument and the Lease, which shall all apply to Guarantor with the same force and effect as they apply to Tenant, and hereby agree that the Guaranty of the Lease I executed on June 11, 2013 is hereby ratified and affirmed and shall be and remain in full force and effect.



ROBERT SCOTT WARD

Date: April 15, 2014

# Joint Review Board Minutes

## 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

Monday, November 10, 2014 - 3:00 p.m.

### Minutes

#### I. JOINT REVIEW BOARD CALL TO ORDER

Reid Ottesen, Village Representative, called the meeting to order at 3:01 p.m.

#### II. ROLL CALL OF TAX DISTRICT MEMBERS

##### Present:

Palatine Public Library District  
Anthony Auston, Executive Director  
Regina Stapleton, Finance Manager  
Township High School District 211  
Lauren Hummel, Chief Operating Officer  
Village of Palatine  
Reid Ottesen, Village Manager  
Mike Jacobs, Deputy Village Manager  
Paul Mehring, Finance Director  
Bob Kenny, Village Attorney  
Samantha Peters, Management Analyst  
William Rainer Harper Community College District 512  
Patrick Bauer, Chief Information Officer

##### Absent:

Community Consolidated School District 15  
Cook County  
Forest Preserve District of Cook County  
Illinois Department of Commerce and Economic Opportunity  
Long Grove Fire Protection District  
Metropolitan Water Reclamation District of Greater Chicago  
Northwest Mosquito Abatement District  
Palatine Park District  
Township of Palatine  
Ray Franczak, Public Member

#### III. NOMINATION FOR AND SELECTION OF PUBLIC MEMBER

Reid Ottesen indicated that Ray Franczak, who previously served as the Public Member, was notified of the meeting and planned on attending. Mr. Franczak contacted the Village on Thursday, November 6, 2014, and indicated he had to leave town due to an emergency and would not be able to attend. Reid Ottesen noted that due to these circumstances there was no need to nominate him as the public member.

#### IV. NOMINATION FOR CHAIR OF THE JOINT REVIEW BOARD

Anthony Auston, seconded by Lauren Hummel, nominated Reid Ottesen as the Chair of the Joint Review Board meeting for Monday, November 10, 2014. The motion was approved unanimously.

#### V. APPROVAL OF THE SEPTEMBER 30, 2013 MINUTES OF THE JOINT REVIEW BOARD

Reid Ottesen, seconded by Patrick Bauer, moved to approve the September 30, 2013 minutes of the Joint Review Board. The motion was approved unanimously.

#### VI. 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
- C. RAND ROAD CORRIDOR TIF DISTRICT
- D. DOWNTOWN AREA TIF DISTRICT
- E. RAND/LAKE COOK TIF DISTRICT

Mike Jacobs provided a brief overview of the development activity that occurred last year, is currently underway, and is anticipated in the coming year.

Reid Ottesen distributed summary charts for both TIF Districts that outlined the projected surplus distribution by agency for 2015 through 2018. He noted that 2015 includes a projected 30% payout of all surplus funds and the projected distribution for future years is also based on a 30% payout as the Village is looking to set aside some money for potential projects within the TIF District. He noted that future year projections will be reconsidered each year as part of the Village's annual budget review and approval process.

Reid Ottesen also distributed a chart summarizing the trend of decreasing EAVs from 2008 – 2013 in the Village, both as a whole and within the various TIF Districts. He noted that the reduction in the EAV, and associated reduction in increment within the TIF Districts, is what has resulted in the Village reducing the amount of TIF surplus to be paid out next year, thus ensuring the Village's ability to meet existing obligations and facilitate additional projects.

#### VII. ADJOURNMENT

Anthony Auston, seconded by Patrick Bauer, moved to adjourn the Joint Review Board Meeting at 3:13 p.m. The motion was approved unanimously.

Respectfully submitted,

Michael W. Jacobs  
Village of Palatine

## Final Official Statement Dated November 17, 2014

*Subject to compliance by the Village with certain covenants, in the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under present law, interest on the Series 2014A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2014A Bonds is not exempt from present State of Illinois income taxes. See "TAX EXEMPTION - THE 2014A BONDS" herein for a more complete discussion. The Series 2014A Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS - THE SERIES 2014A BONDS" herein. Interest on the Series 2014B Bonds IS subject to federal taxation. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS - THE SERIES 2014B BONDS" herein for a more complete discussion. Interest on the Series 2014B Bonds is not exempt from Illinois income taxes.*



**VILLAGE OF PALATINE  
Cook County, Illinois**  
**\$7,345,000 General Obligation Refunding Bonds, Series 2014A**  
**\$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B**

**Dated Date of Delivery      Book-Entry      Bank Qualified-Series 2014A Bonds      Due Serially on December 1 as Detailed Herein**

The \$7,345,000 General Obligation Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), and the \$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B (the "Series 2014B Bonds", and together with the Series 2014A Bonds, the "Bonds") are being issued by the Village of Palatine, Cook County, Illinois (the "Village"). Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2015. 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 series and 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 as detailed herein.

### OPTIONAL REDEMPTION

Series 2014A Bonds due December 1, 2014-2022, inclusive, are non-callable. Series 2014A Bonds due on or after due December 1, 2023 are callable in whole or in part on any date on or after December 1, 2022, at a price of par and accrued interest. If less than all the Series 2014A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See "OPTIONAL REDEMPTION - THE SERIES 2014A BONDS" herein.

The Series 2014B Bonds are **not** subject to optional redemption prior to maturity.

### PURPOSE, LEGALITY AND SECURITY

The Series 2014A Bond proceeds will be used: (i) to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2008, (ii) to currently refund a portion of the Village's outstanding General Obligation Refunding Bonds, Series 2004D, and (iii) to pay the costs of issuance of the Series 2014A Bonds. The Series 2014B Bond proceeds will be used to currently refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2009B, and to pay the costs of issuance of the Series 2014B Bonds. See "PLAN OF FINANCING" herein.

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.

This Final Official Statement is dated November 17, 2014, and has been prepared under the authority of the Village. An electronic copy of this Final Official Statement is available from the [www.speerfinancial.com](http://www.speerfinancial.com) web site under "Debt Auction Center/Competitive Final Official Statement Sales Calendar". Additional copies may be obtained from Mr. Paul D. Mehring, Finance Director, Village of Palatine, 200 East Wood Street, Palatine, Illinois 60067, or from the Independent Public Finance Consultants to the Village:

Established 1954

**Speer Financial, Inc.**  
**INDEPENDENT PUBLIC FINANCE CONSULTANTS**  
 ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602  
 Telephone: (312) 346-3700; Facsimile: (312) 346-8833  
[www.speerfinancial.com](http://www.speerfinancial.com)



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.

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(ii)

## **BOND ISSUE SUMMARY**

This Bond Issue Summary is expressly qualified by the entire Final Official Statement, which is provided for the convenience of potential investors and which should be reviewed in its entirety by potential investors. The following descriptions apply equally to each series of the Bonds. Other terms specific to each series are provided separately herein.

<b>Issuer:</b>	Village of Palatine, Cook County, Illinois.
<b>Dated Date:</b>	Date of delivery, expected to be on or about December 9, 2014.
<b>Interest Due:</b>	Each June 1 and December 1, commencing June 1, 2015.
<b>Authorization:</b>	The Village is a home rule unit under the 1970 Illinois Constitution, has no statutory debt limit, and is not required to seek referendum approval to issue the Bonds.
<b>Security:</b>	The Bonds are valid and legally binding general obligations of the Village and the Village is obligated to levy ad valorem taxes upon all the taxable property within the Village for the payment of the Bonds and the interest thereon without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.
<b>Investment Rating:</b>	The Bonds have been rated "AA +/Stable" from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P").
<b>Bond Registrar/Paying Agent</b> <b>Escrow Agent:</b>	Wells Fargo Bank, N.A., Chicago, Illinois.
<b>Verification Agent:</b>	Dunbar Breitweiser & Company, LLP, Bloomington, Illinois.
<b>Delivery:</b>	The Bonds are expected to be delivered on or about December 9, 2014.
<b>Book-Entry Form:</b>	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See <b>APPENDIX B</b> herein.
<b>Denomination:</b>	\$5,000 or integral multiples thereof.
<b>Financial Advisor:</b>	Speer Financial, Inc., Chicago, Illinois.

## THE SERIES 2014A BONDS

**Issue:** \$7,345,000 General Obligation Refunding Bonds, Series 2014A.

**Principal Due:** Serially each December 1, commencing December 1, 2015, through December 1, 2028, as detailed below.

**Optional Redemption:** Series 2014A Bonds maturing on or after December 1, 2023, are callable at the option of the Village on any date on or after December 1, 2022, at a price of par plus accrued interest. See “OPTIONAL REDEMPTION – THE SERIES 2014A BONDS” herein.

**Purpose:** The Series 2014A Bond proceeds will be used: (i) to advance refund a portion of the Village’s outstanding General Obligation Bonds, Series 2008, (ii) to currently refund a portion of the Village’s outstanding General Obligation Refunding Bonds, Series 2004D, and (iii) to pay the costs of issuance of the Series 2014A Bonds. See “PLAN OF FINANCING” herein.

**Tax Exemption:** Katten Muchin Rosenman LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the Series 2014A Bonds as discussed under “TAX EXEMPTION – THE SERIES 2014A BONDS” in this Final Official Statement. Interest on the Series 2014A Bonds is not exempt from present State of Illinois income taxes.

**Bank Qualified:** The Series 2014A Bonds are “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number
\$640,000 .....	2015	2.000%	0.400%	696089 A35	\$270,000.....	2022	2.100%	2.130%	696089 B26
820,000 .....	2016	2.000%	0.600%	696089 A43	280,000.....	2023	2.250%	2.280%	696089 B34
855,000 .....	2017	2.000%	0.950%	696089 A50	290,000.....	2024	2.400%	2.410%	696089 B42
870,000 .....	2018	2.000%	1.200%	696089 A68	300,000.....	2025	2.500%	2.520%	696089 B59
875,000 .....	2019	2.000%	1.500%	696089 A76	310,000.....	2026	2.700%	2.700%	696089 B67
910,000 .....	2020	2.000%	1.790%	696089 A84	325,000.....	2027	2.850%	2.850%	696089 B75
265,000 .....	2021	2.000%	1.970%	696089 A92	335,000.....	2028	3.000%	3.000%	696089 B83

(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. The Village is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

## THE SERIES 2014B BONDS

**Issue:** \$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B.

**Principal Due:** Serially each December 1, commencing December 1, 2015, through December 1, 2025, as detailed below.

**No Optional Redemption:** The Series 2014B Bonds are **not** subject to optional redemption prior to maturity.

**Purpose:** The Series 2014B Bond proceeds will be used to currently refund a portion of the Village's outstanding Taxable General Obligation Bonds, Series 2009B, and to pay the costs of issuance of the Series 2014B Bonds. See "**PLAN OF FINANCING**" herein.

**No Tax Exemption:** **None.** Interest on the Series 2014B Bonds is includable in gross income for federal income tax purposes. Interest on the Series 2014B Bonds is not exempt from Illinois income taxes. See "**CERTAIN FEDERAL AND ILLINOIS INCOME TAX CONSIDERATIONS – THE SERIES 2014B BONDS**" herein.

### AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Principal <u>Amount</u>	Due <u>Dec. 1</u>	Interest <u>Rate</u>	CUSIP(1) <u>Number</u>	Principal <u>Amount</u>	Due <u>Dec. 1</u>	Interest <u>Rate</u>	CUSIP(1) <u>Number</u>
\$550,000 .....	2015	2.000%	696089 B91	\$680,000.....	2021	3.000%	2.500%
570,000 .....	2016	2.000%	696089 C25	705,000.....	2022	3.000%	2.750%
585,000 .....	2017	2.000%	696089 C33	735,000.....	2023	3.000%	2.950%
605,000 .....	2018	2.000%	696089 C41	760,000.....	2024	3.125%	3.125%
630,000 .....	2019	3.000%	696089 C58	790,000.....	2025	3.300%	3.300%
655,000 .....	2020	3.000%	696089 C66				696089 D32

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## VILLAGE COUNCIL

Jim Schwantz  
*Mayor*

Jim Clegg  
Tim Millar  
Brad Helms

Kolin Kozlowski  
Scott Lamerand  
Gregory J. Solberg

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## 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, 2016. 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 three-year contract that expires on December 31, 2015. 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 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 112,700 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 approximately 12,800 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 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 approximately 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.....	2,057(2)
United Parcel Service	Product and Document Delivery.....	1,000
United States Postal Service	Product and Document Delivery.....	1,000
William Rainey Harper College	Community College .....	980
The Intec Group, Inc.	Plastic Insert & Injection Molding.....	425
Village of Palatine	Municipality .....	355
Schneider Electric, North America Operating Div.	Electrical Circuit Breakers & Panel Boards Company Headquarters .....	355
Weber-Stephen Products Co.	Barbecue Grills & Accessories Company Headquarters .....	200
Arlington Plating Co.	Metal Plating, Polishing & Buffing.....	110

Notes: (1) Source: 2014 Illinois Manufacturers Directory, 2014 Illinois Services Directory and a selective telephone survey.

(2) Includes employees at facilities outside the Village.

### Major Area Employers(1)

Location	Name	Business/Service	Approximate Employment
Northbrook	Allstate Insurance Company.....	Insurance Corporate Office .....	8,000
Arlington Heights	Arlington Heights International Race Course .....	Horse Racing .....	4,500(2)
Park Ridge	Advocate Lutheran General Hospital.....	Health Care Institution .....	4,200
Arlington Heights	Northwest Community Healthcare .....	General Hospital.....	4,000
Elk Grove Village	Alexian Brothers Medical Center .....	Regional Medical Center .....	3,100
Schaumburg	Zurich North America.....	Life Insurance Corporate Headquarters .....	2,500
Northbrook	Underwriter Laboratories .....	Independent Non-Profit Testing.....	2,000
Rolling Meadows	Northrop Grumman Corp.....	Divisional Headquarters and Search and Navigation Equipment .....	1,900
Buffalo Grove	Siemens Building Technologies, Inc.....	Corporate Headquarters and Building Control Systems .....	1,800
Barrington	Advocate Good Shepard Hospital .....	Hospital Care .....	1,700
Arlington	Arlington Heights High School District 214 .....	Public School.....	1,657
Elk Grove Village	Automatic Data Processing, Employer Services .....	Data Processing and Payroll Services .....	1,500
Des Plaines	U O P LLC .....	Chemical Engineering Services.....	1,500
Northbrook	CVS Caremark .....	Intermediate Health Facilities .....	1,400
Buffalo Grove	I.S.I. .....	Management Consulting.....	1,200
Buffalo Grove	Rexam Mold Manufacturing .....	Plastic Injection Molding .....	1,200
Northbrook	Astellas Pharma US, Inc.....	Corporate Headquarters, Pharmaceutical Products.....	1,150
Des Plaines	Holy Family Medical Center .....	General Hospital.....	1,036
Elk Grove Village	Swissport USA, Inc. ....	International Airline Cargo Services .....	1,000
Des Plaines	Oakton Community College.....	Public Community College .....	990
Schaumburg	Motorola Solutions, Inc. ....	Communications Equipment, Corporate Headquarters.....	970

Notes: (1) Source: 2014 Illinois Manufacturers Directory, 2014 Illinois Services Directory and a selective telephone survey.

(2) Employment is seasonal.

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 U.S. Census Bureau 2008-2012 American Community Survey 5-year estimated values.

### Employment By Industry(1)

<u>Classification</u>	The Village		The County		The State	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, Forestry, Fishing and Hunting, and Mining .....	49	0.1%	4,338	0.2%	63,512	1.1%
Construction .....	1,305	3.6%	115,364	4.8%	324,722	5.4%
Manufacturing .....	5,041	13.8%	262,106	10.8%	767,822	12.7%
Wholesale Trade .....	1,750	4.8%	69,217	2.9%	189,003	3.1%
Retail Trade .....	4,190	11.5%	240,271	9.9%	658,236	10.9%
Transportation and Warehousing, and Utilities .....	1,537	4.2%	151,762	6.3%	352,325	5.8%
Information .....	1,161	3.2%	59,488	2.5%	130,769	2.2%
Finance and Insurance, and Real Estate and Rental and Leasing .....	3,220	8.8%	204,563	8.4%	457,654	7.6%
Professional, Scientific, and Management, and Administrative and Waste Management Services .....	4,893	13.4%	326,261	13.5%	668,506	11.1%
Educational Services and Health Care and Social Assistance .....	6,656	18.3%	542,361	22.4%	1,362,901	22.6%
Arts, Entertainment and Recreation and Accommodation and Food Services .....	4,051	11.1%	233,937	9.6%	532,147	8.8%
Other Services, Except Public Administration .....	1,825	5.0%	123,518	5.1%	292,913	4.9%
Public Administration .....	734	2.0%	91,731	3.8%	234,916	3.9%
Total .....	36,412	100.0%	2,424,917	100.0%	6,035,426	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

### Employment By Occupation(1)

<u>Classification</u>	The Village		The County		The State	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Management, Business, Science and Arts .....	16,102	44.2%	908,106	37.4%	2,181,574	36.1%
Service .....	5,393	14.8%	433,308	17.9%	1,028,655	17.0%
Sales and Office .....	9,565	26.3%	606,960	25.0%	1,526,612	25.3%
Natural Resources, Construction, and Maintenance .....	1,763	4.8%	156,856	6.5%	462,090	7.7%
Production, Transportation, and Material Moving .....	3,589	9.9%	319,687	13.2%	836,495	13.9%
Total .....	36,412	100.0%	2,424,917	100.0%	6,035,426	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

### Annual Average Unemployment Rates(1)

<u>Calendar Year</u>	<u>The Village</u>	<u>Cook County</u>	<u>State of Illinois</u>
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 .....	6.6%	9.3%	8.9%
2013 .....	7.1%	9.6%	9.2%
2014(2) .....	5.2%	7.6%	7.2%

Notes: (1) Source: Illinois Department of Employment Security.  
 (2) Through May 2014.

## Building Permits

Residential building permits have averaged \$44,314,821 annually over the last four years in the Village, excluding the value of land.

### Village Building Permits(1)

Calendar Year	Single-Family		Multi-Family		All Other Value(2)	Total Value
	Units	Value	Units	Value		
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
2011.....	24	9,267,046	7	1,644,545	29,073,097	39,984,688
2012.....	20	6,524,575	3	342,000	21,821,461	28,688,036
2013.....	39	14,752,712	8	710,000	29,558,842	45,021,554

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 U.S. Census Bureau 5-year estimated values reported that the median value of the Village's owner-occupied homes was \$254,600. This compares to \$244,900 for the County and \$190,800 for the State. The following table represents the five year average market value of specified owner-occupied units for the Village, the County and the State at the time of the 2008-2012 American Community Survey.

### Specified Owner-Occupied Units(1)

Value	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$50,000 .....	1,067	6.6%	36,548	3.2%	224,361	6.9%
\$50,000 to \$99,999.....	1,496	9.2%	71,355	6.3%	468,659	14.4%
\$100,000 to \$149,999.....	2,018	12.4%	128,827	11.3%	482,500	14.9%
\$150,000 to \$199,999.....	909	5.6%	186,900	16.4%	531,538	16.4%
\$200,000 to \$299,999.....	4,910	30.2%	300,856	26.4%	712,975	21.9%
\$300,000 to \$499,999.....	4,145	25.5%	272,528	23.9%	563,122	17.3%
\$500,000 to \$999,999.....	1,715	10.5%	114,947	10.1%	214,681	6.6%
\$1,000,000 or more .....	0	0.0%	28,174	2.5%	50,685	1.6%
Total.....	16,260	100.0%	1,140,135	100.0%	3,248,521	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

### Mortgage Status(1)

Value	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage .....	11,644	71.6%	810,192	71.1%	2,238,082	68.9%
Housing Units without a Mortgage .....	4,616	28.4%	329,943	28.9%	1,010,439	31.1%
Total .....	16,260	100.0%	1,140,135	100.0%	3,248,521	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

## Income

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

Rank		2008-2012
1	DuPage County .....	\$38,398
2	Lake County.....	38,248
6	McHenry County .....	32,408
4	Monroe County .....	32,334
5	Kendall County .....	31,856
6	Will County.....	30,407
7	Woodford County.....	30,401
8	<b>Cook County .....</b>	<b>30,048</b>
9	McLean County.....	29,960
10	Kane County .....	29,730

Note: (1) Source: U.S. Bureau of the Census. 2008-2012 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2008-2012 American Community Survey.

### Ranking of Median Family Income(1)

County	Family Income	Rank
DuPage County.....	\$95,204	1
Kendall County .....	93,153	2
Lake County .....	92,952	3
McHenry County .....	88,370	4
Will County.....	86,953	5
Kane County .....	78,892	9
<b>Cook County .....</b>	<b>66,124</b>	<b>22</b>

Note: (1) Source: U.S. Bureau of the Census 2008-2012 American Community Survey 5-Year Estimates.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median family income of \$88,834. This compares to \$66,124 for the County and \$70,144 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 2008-2012 American Community Survey.

### Family Income(1)

Income	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000 .....	404	2.3%	64,046	5.4%	133,818	4.3%
\$10,000 to \$14,999.....	346	2.0%	40,067	3.4%	86,974	2.8%
\$15,000 to \$24,999.....	1,032	5.9%	98,689	8.3%	223,395	7.1%
\$25,000 to \$34,999.....	920	5.3%	104,896	8.8%	257,777	8.2%
\$35,000 to \$49,999.....	1,918	11.0%	145,383	12.2%	382,988	12.2%
\$50,000 to \$74,999.....	2,635	15.2%	209,624	17.6%	593,133	18.9%
\$75,000 to \$99,999.....	2,368	13.6%	162,429	13.7%	477,963	15.2%
\$100,000 to \$149,999.....	3,875	22.3%	191,314	16.1%	553,559	17.6%
\$150,000 to \$199,999.....	2,158	12.4%	81,238	6.8%	218,124	6.9%
\$200,000 or more .....	1,720	9.9%	91,635	7.7%	214,616	6.8%
Total.....	17,376	100.0%	1,189,321	100.0%	3,142,347	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

The U.S. Census Bureau 5-year estimated values reported that the Village had a median household income of \$73,811. This compares to \$54,648 for the County and \$56,853 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 2008-2012 American Community Survey.

#### Household Income(1)

Income	The Village		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000 .....	776	3.0%	160,478	8.3%	329,319	6.9%
\$10,000 to \$14,999.....	743	2.9%	95,450	4.9%	223,692	4.7%
\$15,000 to \$24,999.....	1,881	7.3%	200,336	10.4%	481,833	10.1%
\$25,000 to \$34,999.....	1,890	7.4%	186,866	9.7%	460,909	9.7%
\$35,000 to \$49,999.....	3,272	12.7%	249,606	12.9%	622,840	13.0%
\$50,000 to \$74,999.....	4,495	17.5%	339,402	17.6%	870,399	18.2%
\$75,000 to \$99,999.....	3,500	13.6%	235,745	12.2%	622,617	13.0%
\$100,000 to \$149,999.....	4,810	18.7%	253,222	13.1%	665,711	13.9%
\$150,000 to \$199,999.....	2,418	9.4%	101,113	5.2%	250,681	5.3%
\$200,000 or more .....	1,900	7.4%	111,452	5.8%	246,274	5.2%
Total.....	25,685	100.0%	1,933,670	100.0%	4,774,275	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2008 to 2012.

#### 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 + (-)
2005 .....	\$7,506,043	\$4,375,663	\$11,881,706	23.03%(3)
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%
2013 .....	7,931,726	4,152,875	12,084,601	(3.24%)
2014 .....	8,205,897	4,319,283	12,525,180	3.64%
Growth from 2005 to 2014 .....				5.41%

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 2005 percentage is based on a 2004 sales tax of \$9,657,703.

## PLAN OF FINANCING

A portion of the Series 2014A Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2008, and to currently refund a portion of the Village's outstanding General Obligation Refunding Bonds, Series 2004D, as listed below (the "Series 2014A Refunded Bonds"):

### Outstanding General Obligation Bonds, Series 2008

<u>Maturities</u>	<u>Outstanding Amount</u>	<u>Amount Refunded</u>	<u>Redemption Price(s)</u>	<u>Maturity or Redemption Date</u>
12/1/2014.....	\$ 175,000	\$ 0	N/A	12/1/2014
12/1/2015.....	185,000	0	N/A	12/1/2015
12/1/2016.....	195,000	195,000	100.00%	12/1/2015
12/1/2017.....	205,000	205,000	100.00%	12/1/2015
12/1/2018.....	215,000	215,000	100.00%	12/1/2015
12/1/2019.....	225,000	225,000	100.00%	12/1/2015
12/1/2020.....	235,000	235,000	100.00%	12/1/2015
12/1/2021.....	250,000	250,000	100.00%	12/1/2015
12/1/2022.....	260,000	260,000	100.00%	12/1/2015
12/1/2023.....	275,000	275,000	100.00%	12/1/2015
12/1/2024.....	290,000	290,000	100.00%	12/1/2015
12/1/2025.....	305,000	305,000	100.00%	12/1/2015
12/1/2026.....	320,000	320,000	100.00%	12/1/2015
12/1/2027.....	340,000	340,000	100.00%	12/1/2015
12/1/2028.....	355,000	355,000	100.00%	12/1/2015
Total .....	\$3,830,000	\$3,470,000		

### Outstanding General Obligation Bonds, Series 2004D

<u>Maturities</u>	<u>Outstanding Amount</u>	<u>Amount Refunded</u>	<u>Redemption Price(s)</u>	<u>Maturity or Redemption Date</u>
12/1/2014.....	\$ 535,000	\$ 0	N/A	12/1/2014
12/1/2015.....	580,000	580,000	100.00%	1/13/2015
12/1/2016.....	575,000	575,000	100.00%	1/13/2015
12/1/2017.....	620,000	620,000	100.00%	1/13/2015
12/1/2018.....	635,000	635,000	100.00%	1/13/2015
12/1/2019.....	650,000	650,000	100.00%	1/13/2015
12/1/2020.....	690,000	690,000	100.00%	1/13/2015
Total .....	\$4,285,000	\$3,750,000		

The remaining portion of the Series 2014A Bond proceeds will be used to pay the costs of issuance of the Series 2014A Bonds.

A portion of the Series 2014B Bond proceeds will be used to currently refund the Village's outstanding Taxable General Obligation Bonds, Series 2009B, as listed below (the "Series 2014B Refunded Bonds", and together with the Series 2014A Refunded Bonds, the "Refunded Bonds") and the remaining proceeds will be used to pay the costs of issuance of the Series 2014B Bonds.

**Outstanding General Obligation Bonds, Series 2009B**

<b>Maturities</b>	<b>Outstanding Amount</b>	<b>Amount Refunded</b>	<b>Redemption Price(s)</b>	<b>Maturity or Redemption Date</b>
12/1/2014.....	\$ 450,000	\$ 0	N/A	12/1/2014
12/1/2015.....	475,000	475,000	102.00%	1/13/2015
12/1/2016.....	505,000	505,000	102.00%	1/13/2015
12/1/2017.....	535,000	535,000	102.00%	1/13/2015
12/1/2018.....	565,000	565,000	102.00%	1/13/2015
12/1/2019.....	600,000	600,000	102.00%	1/13/2015
12/1/2020.....	635,000	635,000	102.00%	1/13/2015
12/1/2021.....	675,000	675,000	102.00%	1/13/2015
12/1/2022.....	715,000	715,000	102.00%	1/13/2015
12/1/2023.....	760,000	760,000	102.00%	1/13/2015
12/1/2024.....	805,000	805,000	102.00%	1/13/2015
12/1/2025.....	<u>855,000</u>	<u>855,000</u>	102.00%	1/13/2015
Total.....	\$7,575,000	\$7,125,000		

Series 2014A Bond proceeds used to refund the Series 2014A Refunded Bonds will be used to purchase direct full faith and credit obligations of the United States of America (the "Government Securities"), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Series 2014A Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the Series 2014A 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").

Series 2014B Bond proceeds used to refund the Series 2014B Refunded Bonds will be held in cash in an amount sufficient (i) to pay when due the interest on the Series 2014B Refunded Bonds as stated above, and (ii) to pay principal of and call premium on the Series 2014B Refunded Bonds on their respective redemption dates.

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.

Village of Palatine, Cook County, Illinois  
 General Obligation Refunding Bonds, Series 2014A  
 Taxable General Obligation Refunding Bonds, Series 2014B

**DEBT INFORMATION**

After issuance of the Bonds and the refunding of the Refunded Bonds, the Village will have outstanding \$104,402,790 principal amount of general obligation debt. The Village also has outstanding \$5,835,000 of special service area (SSA) bonds and \$111,664 of tax increment financing (TIF) revenue bonds and notes, both as of December 31, 2013. The SSA bonds and TIF bonds and notes are not obligations of the Village, but of a SSA area and TIF districts within the Village, respectively. The Village does not expect to issue additional general obligation debt in 2014.

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

Calendar Year	Series 1989	Series 2004	Series 2007	Series 2008	Series 2009A	Series 2009B	Series 2009C	Series 2009D	Series 2009E	Series 2009F	Series 2009G	Series 2010A
2014 .....	\$ 317,473	\$ 1,160,000	\$ 175,000	\$ 50,000	\$ 450,000	\$ 0	\$ 395,000	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 510,000
2015 .....	523,137	580,000	1,305,000	185,000	50,000	475,000	0	410,000	0	0	675,000	530,000
2016 .....	302,180	575,000	1,380,000	195,000	50,000	505,000	0	425,000	0	0	0	550,000
2017 .....	0	620,000	1,485,000	205,000	55,000	535,000	0	440,000	750,000	0	0	565,000
2018 .....	0	635,000	1,195,000	215,000	55,000	565,000	0	455,000	1,150,000	0	0	590,000
2019 .....	0	650,000	1,255,000	225,000	60,000	600,000	500,000	0	1,250,000	0	0	615,000
2020 .....	0	690,000	1,315,000	235,000	60,000	635,000	520,000	0	1,250,000	0	0	650,000
2021 .....	0	0	1,390,000	250,000	60,000	675,000	550,000	0	2,000,000	0	0	675,000
2022 .....	0	0	1,345,000	260,000	65,000	715,000	575,000	0	2,100,000	0	0	705,000
2023 .....	0	0	700,000	275,000	70,000	760,000	600,000	0	0	500,000	0	0
2024 .....	0	0	740,000	290,000	70,000	805,000	625,000	0	0	500,000	0	0
2025 .....	0	0	780,000	305,000	75,000	855,000	665,000	0	0	500,000	0	0
2026 .....	0	0	820,000	320,000	80,000	700,000	0	0	0	0	0	0
2027 .....	0	0	0	340,000	80,000	725,000	0	0	0	0	0	0
2028 .....	0	0	0	365,000	85,000	775,000	0	0	0	0	0	0
2029 .....	0	0	0	0	90,000	800,000	0	0	0	0	0	0
2030 .....	0	0	0	0	0	0	0	0	0	0	0	0
2031 .....	0	0	0	0	0	0	0	0	0	0	0	0
2032 .....	0	0	0	0	0	0	0	0	0	0	0	0
2033 .....	0	0	0	0	0	0	0	0	0	0	0	0
2034 .....	0	0	0	0	0	0	0	0	0	0	0	0
Total.....	\$1,142,790	\$4,285,000	\$14,850,000	\$3,830,000	\$1,055,000	\$7,575,000	\$7,035,000	\$2,125,000	\$8,500,000	\$1,500,000	\$975,000	\$5,390,000

Calendar Year	Series 2010B	Series 2010C	Series 2010D	Series 2011A	Series 2011B	Series 2012	The Bonds	Less: Series 2014A Refunded Bonds		Less: Series 2014B Refunded Bonds		Total Outstanding Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent						
								2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2014 .....	\$2,195,000	\$ 0	\$145,000	\$ 475,000	\$180,000	\$ 505,000	\$ 0	\$ 1,190,000	(580,000)	(475,000)	8,738,137	16,130,610	15,45%							
2015 .....	2,300,000	0	380,000	25,000	180,000	510,000	0	1,390,000	(770,000)	(505,000)	6,597,180	22,727,790	21,77%							
2016 .....	500,000	0	0	825,000	175,000	515,000	0	1,440,000	(825,000)	(535,000)	8,635,000	31,362,790	30,04%							
2017 .....	1,790,000	0	0	875,000	175,000	525,000	0	1,475,000	(850,000)	(565,000)	6,925,000	38,287,790	38.67%							
2018 .....	0	0	0	900,000	0	540,000	0	1,475,000	(850,000)	(565,000)	7,240,000	45,527,790	43.61%							
2019 .....	0	0	0	900,000	0	555,000	0	1,505,000	(875,000)	(600,000)	7,240,000	45,527,790	43.61%							
2020 .....	0	0	0	900,000	0	570,000	0	1,565,000	(925,000)	(635,000)	7,485,000	52,992,790	50.76%							
2021 .....	0	0	0	1,000,000	0	595,000	0	945,000	(250,000)	(675,000)	7,890,000	60,882,790	58.32%							
2022 .....	0	0	0	1,000,000	0	615,000	0	975,000	(260,000)	(715,000)	8,095,000	68,977,790	68.07%							
2023 .....	0	0	0	100,000	0	0	0	1,015,000	(275,000)	(760,000)	3,745,000	72,722,790	69.66%							
2024 .....	725,000	0	0	0	0	0	0	1,050,000	(290,000)	(805,000)	4,515,000	77,237,790	73.98%							
2025 .....	735,000	0	0	0	0	0	0	1,090,000	(305,000)	(855,000)	4,700,000	81,937,790	78.48%							
2026 .....	1,275,000	0	0	0	0	0	0	310,000	(320,000)	0	3,185,000	85,122,790	81.53%							
2027 .....	1,325,000	0	0	0	0	0	0	325,000	(340,000)	0	2,455,000	87,577,790	83.88%							
2028 .....	1,340,000	0	0	0	0	0	0	335,000	(355,000)	0	2,535,000	90,112,790	85.31%							
2029 .....	1,400,000	0	0	0	0	0	0	0	0	0	2,290,000	92,402,790	88.51%							
2030 .....	2,200,000	0	0	0	0	0	0	0	0	0	2,200,000	94,602,790	90.61%							
2031 .....	2,300,000	0	0	0	0	0	0	0	0	0	2,300,000	96,902,790	92.82%							
2032 .....	2,400,000	0	0	0	0	0	0	0	0	0	2,400,000	99,302,790	95.12%							
2033 .....	2,500,000	0	0	0	0	0	0	0	0	0	2,500,000	101,802,790	97.51%							
2034 .....	2,600,000	0	0	0	0	0	0	0	0	0	2,600,000	104,402,790	100.00%							
Total.....	\$6,785,000	\$18,800,000	\$525,000	\$7,000,000	\$710,000	\$4,930,000	\$14,610,000	\$0	\$7,220,000	\$0	\$7,125,000	\$104,402,790								

Note: (1) Source: the Village.

**Detailed Overlapping Bonded Debt(1)**  
 (As of July 23, 2014)

	Outstanding Debt	Applicable to Village Percent(2)	Applicable to Village Amount
<b>Schools:</b>			
School District Number 15 .....	\$ 22,338,440	50.50%	\$ 11,280,912
High School District Number 211 .....	16,430,000	23.57%	3,872,551
High School District Number 214 .....	44,695,000	0.02%	8,939
Community College District Number 512 .....	175,310,000	10.25%	<u>17,969,275</u>
<b>Total Schools .....</b>			<u>\$ 33,131,677</u>
<b>Others:</b>			
Cook County .....	\$ 3,572,060,000	1.25%	\$ 44,650,750
Cook County Forest Preserve District .....	124,455,000	1.25%	1,555,688
Metropolitan Water Reclamation District .....	2,481,972,000	1.27%	31,521,044
Arlington Heights Park District .....	14,790,000	0.06%	8,874
Palatine Park District .....	10,600,000	76.23%	8,080,380
Salt Creek Park District .....	645,000	50.23%	<u>323,984</u>
<b>Total Others .....</b>			<u>\$ 86,140,719</u>
<b>Total School and Others Overlapping Bonded Debt .....</b>			<u>\$119,272,396</u>

Notes: (1) Source: Cook County Clerk.

(2) Excludes general obligation alternate revenue source bonds.

(3) Overlapping debt percentages based on 2013 EAV, the most current available.

**Statement of Bonded Indebtedness(1)**

	Amount Applicable	Ratio To Equalized Assessed	Per Capita (2010 Special Census 68,557)
Village's EAV of Taxable Property, 2013 .....	\$ 1,589,762,203	100.00%	\$23,188.91
Estimated Actual Value, 2013 .....	\$ 4,769,286,609	300.00%	\$69,566.73
<b>Total General Obligation Bonded Debt .....</b>	<b>\$ 104,402,790</b>	<b>6.57%</b>	<b>\$ 1,522.86</b>
Less: Self-Supporting .....	<u>(69,425,000)</u>	<u>(4.37%)</u>	<u>(1,012.66)</u>
<b>Net General Obligation Bonded Debt .....</b>	<b>\$ 34,977,790</b>	<b>2.20%</b>	<b>\$ 510.20</b>
<b>Overlapping Bonded Debt(1):</b>			
Schools .....	\$ 33,131,677	2.08%	\$ 483.27
Others .....	<u>86,140,719</u>	<u>5.42%</u>	<u>1,256.48</u>
<b>Total Overlapping Bonded Debt .....</b>	<b><u>\$ 119,272,396</u></b>	<b><u>7.50%</u></b>	<b><u>\$ 1,739.76</u></b>
<b>Total Net Direct and Overlapping Bonded Debt .....</b>	<b>\$ 154,250,186</b>	<b>9.70%</b>	<b>3.23%</b>

Note: (1) Overlapping bonded debt as of July 23, 2014.

**PROPERTY ASSESSMENT AND TAX INFORMATION**

For the 2013 levy year, the Village's EAV was comprised of approximately 77% residential, 7% industrial, 16% commercial, less than 1% railroad property valuations.

**Equalized Assessed Valuation(1)**

Property Class	Levy Years				
	2009	2010	2011	2012	2013
Residential .....	\$1,900,562,138	\$1,696,347,388	\$1,563,334,770	\$1,448,021,095	\$1,218,389,388
Commercial .....	367,743,939	324,004,088	278,224,339	266,901,767	248,664,150
Industrial .....	163,125,019	161,098,825	144,705,730	133,253,208	121,589,125
Railroad .....	604,343	754,870	801,943	906,811	1,119,540
Total .....	\$2,432,035,439	\$2,182,205,171	\$1,987,066,782	\$1,849,082,881	\$1,589,762,203
Percent Change + (-)	4.43%(2)	(10.27%)	(8.94%)	(6.94%)	(14.02%)

Notes: (1) Source: Cook County Clerk.

(2) Percentage change based on a levy year 2008 EAV of \$2,328,895,469.

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

	Levy Years				
	2009	2010	2011	2012	2013
<b>Village Rates:</b>					
Corporate .....	\$0.215	\$0.239	\$0.233	\$0.267	\$ 0.305
Bonds and Interest.....	0.113	0.126	0.184	0.153	0.168
Police Pension .....	0.112	0.149	0.154	0.163	0.187
Fire Pension.....	0.085	0.110	0.147	0.163	0.196
I.M.R.F. ....	0.054	0.060	0.060	0.065	0.081
Fire Protection.....	0.215	0.239	0.233	0.267	0.305
Social Security .....	<u>0.087</u>	<u>0.097</u>	<u>0.109</u>	<u>0.122</u>	<u>0.148</u>
Total Village Rates(2) .....	\$0.882	\$1.022	\$1.121	\$1.200	\$ 1.390
Cook County .....	0.394	0.423	0.462	0.594	0.560
Cook County Forest Preserve District.....	0.049	0.051	0.058	0.062	0.069
Metropolitan Water Reclamation District.....	0.261	0.274	0.320	0.370	0.417
Northwest Mosquito Abatement District.....	0.008	0.009	0.010	0.011	0.013
Consolidated Elections .....	0.021	0.000	0.025	0.000	0.031
Palatine Township(3) .....	0.103	0.119	0.135	0.145	0.167
Palatine Park District.....	0.408	0.468	0.517	0.574	0.680
Palatine Public Library District .....	0.229	0.198	0.222	0.248	0.293
School District Number 15 .....	2.307	2.603	2.943	3.269	3.849
High School Township District 211 .....	1.916	2.204	2.482	2.772	3.197
Community College District 512.....	<u>0.258</u>	<u>0.295</u>	<u>0.334</u>	<u>0.373</u>	<u>0.444</u>
Total Rates(4) .....	\$6.836	\$7.666	\$8.629	\$9.618	\$11.110

Notes: (1) Source: Cook County Clerk.  
 (2) The Village is a home-rule municipality and based on the 1970 Illinois Constitution has no statutory tax rate limits.  
 (3) Includes township, general assistance, and road and bridge.  
 (4) Representative tax rates for other governmental units are from Palatine Township tax code 29007, which represents approximately 78% of the Village's levy year 2013 EAV.

**Tax Extensions and Collections(1)**

Levy Year	Collection Year	Taxes Extended	Total Collections	
			Amount	Percent
2004.....	2005 .....	\$18,187,861	\$17,633,661	96.95%
2005.....	2006 .....	19,077,679	18,584,711	97.42%
2006.....	2007 .....	19,798,961	19,384,824	97.91%
2007.....	2008 .....	20,692,509	20,055,053	96.92%
2008.....	2009 .....	21,282,714	21,101,129	99.15%
2009.....	2010 .....	21,435,198	21,437,624	100.01%
2010.....	2011 .....	22,288,003	22,512,863	101.01%
2011.....	2012 .....	22,266,256	22,409,844	100.64%
2012.....	2013 .....	22,182,440	22,069,618	99.49%
2013.....	2014 .....	22,097,694	-----In Collection-----	

Note: (1) Source: Cook County Clerk.

### Principal Taxpayers(1)

<u>Taxpayer Name</u>	<u>Type of Property</u>	<u>2012 EAV(2)</u>
McCaffery Interests .....	Commercial Real Estate .....	\$13,505,909
Weber Stephen Products .....	Corporate Headquarters .....	12,452,232
Renaissance Residential .....	Apartments .....	12,056,643
Wal Mart Prop Tax Dept .....	Retail Store .....	11,978,195
Bourbon Square Apartments .....	Apartments .....	11,438,998
Brookind Corporate Tax Dept .....	United Parcel Service .....	9,419,348
Thomson Pts .....	Commercial Real Estate .....	9,026,171
Village Park Palatine 300 .....	Apartments .....	8,167,778
Arlington Toyota .....	Automobile Dealership .....	8,111,882
Highland Management Properties .....	Commercial Real Estate .....	6,928,283
<b>Total .....</b>		<b>\$103,085,439</b>
<b>Ten Largest Taxpayers as a Percent of the Village's 2012 EAV (\$1,849,082,881) .....</b>		<b>5.57%</b>

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.

## 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 2013 tax levy year.

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

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

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

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

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

## Equalization

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

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

<u>TAX LEVY YEAR</u>	<u>EQUALIZATION FACTOR</u>
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056
2013	2.6621

## 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. Public Act 98-0007, effective April 23, 2013, (together with Public Act 95-644, (the "Acts")) increased certain exemptions. The changes made by the Acts 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 up to a maximum reduction of \$5,000 for assessment years 2004 through assessment year 2007. The maximum reduction is \$5,500 for assessment year 2008, and \$6,000 for assessment years 2009 through 2011. For assessment years 2012 and thereafter, the maximum reduction is \$7,000.

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 1<sup>st</sup> 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 1<sup>st</sup> of the assessment year, provided that the property was purchased with certain government assistance.

In addition, the 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 operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by \$2,500 in counties with 3,000,000 inhabitants or more. For assessment years 2004 through 2005, the maximum reduction is \$3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is \$3,500 in all counties. For assessment years 2008 through 2011, the maximum reduction is \$4,000 for all counties. For assessment year 2012, the maximum reduction is \$5,000 in counties with 3,000,000 or more inhabitants. For the assessment years 2013 and thereafter, the maximum reduction is \$5,000 in 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 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 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 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 is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of \$5,000, which is applicable in all counties. In order to apply for this exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, subject to some limitations. Those individuals eligible for this exemption may claim the exemption in addition to other homestead exemptions, unless otherwise noted.

## Tax Levy

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

## Property Tax Extension Limitation Law

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

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

## Extensions

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

## Collections

Property taxes are collected by the County Collector, who is also the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. The first installment is equal to one-half of the prior year's tax bill; beginning in collection year 2010, this estimated amount was raised to 55% of the prior year's tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead equal to one-half of the corrected prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the then current tax year levy, assessed value and Equalization Factor, and reflects any changes from the prior year in those factors. The following table sets forth the second installment penalty date for the last 10 tax levy years in Cook County; the first installment penalty date has been March 1 for all such years.

<u>TAX LEVY YEAR</u>	<u>SECOND INSTALLMENT</u>
	<u>PENALTY DATE</u>
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
2012	August 1, 2013
2013	August 1, 2014

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 policies 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, 2013 (the "2013 Audit"), which was approved by formal action of the Village Board. 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 Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2013 Audit. The inclusion of the Excerpted Financial Information in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2013 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2013 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 2014 fiscal year. To date, revenues and expenditures have been generally within budgeted amounts. See **APPENDIX A** for excerpts of the Village's 2013 fiscal year audit.

### Statement of Net Assets/Position Governmental Activities

	Audited As of December 31				
	2009	2010	2011	2012	2013
<b>ASSETS:</b>					
Cash and Investments .....	\$ 41,092,478	\$ 46,588,210	\$ 44,490,923	\$ 45,002,152	\$ 48,396,130
Receivables, Net:					
Property Taxes .....	22,126,014	25,644,551	22,421,878	22,051,022	21,972,674
Other .....	646,583	523,569	681,205	685,223	695,088
Accrued Interest .....	0	3,015	27,426	62,170	7,590
Due From Other Governments .....	4,529,386	8,543,980	8,775,151	5,634,513	4,574,956
Prepaid Expenses .....	167,045	97,016	56,645	55,787	60,650
Inventories .....	198,530	203,515	168,865	185,000	166,005
Due From/To Other Funds .....	88,369	0	0	0	0
Advance to Fiduciary Fund .....	41,965	12,208	2,289	0	0
Land Held For Resale .....	22,554,647	24,636,780	24,636,780	23,110,440	16,867,257
Deferred Charges .....	1,046,585	1,416,295	1,401,380	0	0
Capital Assets Not Being Depreciated .....	154,299,245	160,770,751	148,498,551	149,383,825	151,415,325
Capital Assets Being Depreciated .....	<u>25,755,678</u>	<u>24,801,596</u>	<u>47,358,869</u>	<u>47,273,745</u>	<u>47,186,250</u>
Total Assets .....	<u>\$272,546,525</u>	<u>\$293,241,486</u>	<u>\$298,519,962</u>	<u>\$293,443,877</u>	<u>\$291,341,925</u>
<b>LIABILITIES:</b>					
Accounts Payable .....	\$ 1,938,801	\$ 2,899,974	\$ 4,497,647	\$ 1,953,842	\$ 1,480,187
Accrued Payroll .....	1,975,442	602,920	781,435	705,601	949,423
Accrued Interest Payable .....	398,350	640,110	377,325	360,770	327,330
Due to Fiduciary and Other Funds .....	175,675	564,971	126,380	29,272	35,877
Deposits Payable .....	424,148	352,410	361,021	729,128	877,706
Claims Payable .....	661,059	633,976	489,984	1,375,960	1,610,635
Other Payables .....	234,020	64,487	0	0	0
Deferred or Unearned Property Tax Revenue .....	21,400,906	22,014,359	21,975,387	0	0
Other Deferred or Unearned Revenues .....	4,030	130,771	143,099	39,086	14,291
Noncurrent Liabilities:					
Due Within One Year .....	5,804,005	6,092,564	6,775,865	7,212,528	6,512,347
Due In More Than One Year .....	<u>80,946,614</u>	<u>94,716,022</u>	<u>94,993,697</u>	<u>89,179,798</u>	<u>83,829,738</u>
Total Liabilities .....	<u>\$113,963,050</u>	<u>\$128,712,564</u>	<u>\$130,521,840</u>	<u>\$101,585,985</u>	<u>\$ 95,637,534</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Property Tax Revenue .....	\$ 0	\$ 0	\$ 0	\$ 21,900,345	\$ 21,814,343
<b>NET ASSETS/POSITION:</b>					
Invested in Capital Assets, Net of Related Debt .....	\$133,517,262	\$133,599,587	\$129,862,356	\$134,215,974	\$140,609,666
Restricted For:					
Streets and Highways .....	162,852	287,280	767,930	848,331	994,753
Economic Development .....	0	0	3,159,695	0	0
Debt Service .....	6,861,017	6,960,461	3,608,198	2,064,208	1,865,098
Special and Capital Purposes .....	35,375,963	32,999,035	2,959,481	0	0
Public Safety .....	0	394,467	358,814	321,038	740,936
Unrestricted .....	<u>(17,333,619)</u>	<u>(9,711,908)</u>	<u>27,281,648</u>	<u>33,174,261</u>	<u>30,210,005</u>
Total Net Assets/Position .....	<u>\$158,583,475</u>	<u>\$164,528,922</u>	<u>\$167,998,122</u>	<u>\$170,623,812</u>	<u>\$174,420,458</u>

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

	Audited for the Fiscal Year Ending December 31				
	2009	2010	2011	2012	2013
<b>EXPENSES:</b>					
General Government.....	\$ (1,399,413)	\$ (2,834,866)	\$ 10,969,243	\$ 7,101,507	\$ 9,928,310
Public Safety.....	(30,320,809)	(31,360,990)	(32,030,506)	(34,685,326)	(34,452,050)
Public Works.....	(10,215,678)	(7,606,137)	(8,347,869)	(6,263,539)	(9,906,988)
Economic Development.....	(479,994)	(4,425,099)	(6,684,905)	(7,650,251)	(5,789,208)
Interest and Fiscal Charges.....	(3,411,066)	(3,861,232)	(4,197,037)	(4,106,440)	(3,712,146)
Total Expenses.....	\$ (45,826,960)	\$ (50,088,324)	\$ (40,291,074)	\$ (45,604,049)	\$ (43,932,082)
<b>GENERAL REVENUES:</b>					
Taxes:					
Property.....	\$ 34,470,637	\$ 33,436,550	\$ 33,563,321	\$ 32,904,361	\$ 31,515,066
Sales.....	11,063,069	7,583,128	(2)	(2)	(2)
Home Rule Sales Tax.....	0	4,100,988	4,232,849	4,199,803	4,305,118
Use.....	834,769	889,533	(2)	(2)	(2)
Telecommunications.....	2,834,118	2,796,032	2,462,499	2,550,703	2,239,240
Income.....	5,476,622	5,307,674	(2)	6,023,925	6,532,135
Food and Beverage.....	1,045,860	1,043,856	(3)	(3)	(3)
Other.....	240,351	237,067	2,677,464	3,018,992	2,964,703
Investment Income.....	400,701	305,545	285,881	321,140	300,305
Miscellaneous.....	403,633	333,398	285,260	164,057	193,597
Gain on Disposal of Capital Assets.....	50,333	0	0	0	0
Transfers.....	0	0	253,000	339,557	250,000
Total General Revenues.....	\$ 56,820,093	\$ 56,033,771	\$ 43,760,274	\$ 49,522,538	\$ 48,300,164
Change in Net Assets.....	\$ 10,993,133	\$ 5,945,447	\$ 3,469,200	\$ 3,918,489	\$ 4,368,082
Net Assets, January 1(1).....	\$147,227,782	\$158,583,475	\$164,528,922	\$166,705,323	\$170,052,376
Prior Period Adjustment.....	362,560	0	0	0	0
Net Assets, December 31.....	\$158,583,475	\$164,528,922	\$167,998,122	\$170,623,812	\$174,420,458

Note: (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**

	<u>Audited as of December 31</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>ASSETS:</b>					
Cash and Investments .....	\$ 8,684,369	\$ 3,642,204	\$ 8,086,602	\$11,790,228	\$14,703,048
Receivables, Net:					
Property Taxes .....	19,008,383	21,569,355	18,680,223	19,240,191	19,344,267
Other .....	492,897	498,339	642,072	665,701	670,240
Due From Other Governments .....	3,714,502	5,152,404	5,098,543	4,248,491	3,623,068
Accrued Interest .....	0	0	0	4,255	1,105
Inventories .....	3,445	2,610	0	0	0
Prepaid Items .....	116,643	0	0	0	0
Due From Other Funds .....	77,318	6,022,920	42,586	23,281	18,532
Advance to Other Funds .....	<u>5,777,920</u>	<u>0</u>	<u>6,267,920</u>	<u>5,772,920</u>	<u>5,277,920</u>
Total Assets .....	<u><u>\$37,875,477</u></u>	<u><u>\$36,887,832</u></u>	<u><u>\$38,817,946</u></u>	<u><u>\$41,745,067</u></u>	<u><u>\$43,638,180</u></u>
<b>LIABILITIES AND FUND BALANCE:</b>					
Liabilities:					
Accounts Payable .....	\$ 344,057	\$ 205,776	\$ 230,321	\$ 311,396	\$ 408,168
Accrued Payroll .....	1,954,127	590,410	753,061	686,150	931,909
Deposits Payable .....	424,148	352,410	361,021	729,128	877,706
Other Payables .....	65,091	64,487	0	0	0
Deferred Revenues .....	18,494,720	19,339,080	18,419,595	0	0
Due To Other Funds .....	87,306	0	1,676	29,272	35,877
All Other Liabilities .....	0	<u>564,971</u>	<u>126,380</u>	0	0
Total Liabilities .....	<u>\$21,369,449</u>	<u>\$21,117,134</u>	<u>\$19,892,054</u>	<u>\$1,755,946</u>	<u>\$ 2,253,660</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Property Tax Revenue .....	\$ 0	\$ 0	\$ 0	\$19,151,250	\$19,225,850
Fund Balance:					
Nonspendable in Form - Inventories .....	\$3,445	\$2,610	\$ 0	\$ 0	\$ 0
Nonspendable in Form - Advances .....	5,777,920	6,022,920	6,267,920	5,772,920	5,277,920
Nonspendable in Form - Prepaid Items .....	116,643	0	0	0	0
Unrestricted - Unassigned .....	10,608,020	<u>9,745,168</u>	<u>12,657,972</u>	<u>15,064,951</u>	<u>16,880,750</u>
Total Fund Balance .....	<u>\$16,506,028</u>	<u>\$15,770,698</u>	<u>\$18,925,892</u>	<u>\$20,837,871</u>	<u>\$22,158,670</u>
Total Liabilities and Fund Balance .....	<u><u>\$37,875,477</u></u>	<u><u>\$36,887,832</u></u>	<u><u>\$38,817,946</u></u>	<u><u>\$41,745,067</u></u>	<u><u>\$43,638,180</u></u>

**General Fund  
 Revenues and Expenditures**

	Audited for the Fiscal Year Ending December 31				
	2009	2010	2011	2012	2013
<b>REVENUES:</b>					
Taxes:					
Property Tax.....	\$18,500,462	\$19,254,593	\$19,099,371	\$18,829,013	\$19,260,384
Personal Property Replacement Tax(1).....	111,489	117,220	0	0	0
State Sales Tax(1) .....	7,070,406	7,583,128	0	0	0
Home Rule Sales Tax .....	3,992,663	4,100,988	4,232,849	4,181,600	4,150,950
Local Use Tax(1) .....	834,769	889,533	0	0	0
Motel Occupancy Tax .....	229,454	230,478	197,893	219,300	150,000
Food and Beverage Tax.....	1,045,860	1,043,856	1,050,717	1,058,700	1,100,000
Other Taxes .....	10,897	6,588	1,428,854	1,300,000	1,400,000
Licenses and Permits.....	3,081,984	3,112,015	2,695,124	2,612,185	2,822,149
Intergovernmental .....	6,750,546	6,675,206	16,891,419	17,742,034	18,176,446
Charges for Services.....	1,812,561	1,768,925	3,106,138	3,075,790	3,380,429
Fines and Forfeits .....	1,856,800	1,239,105	922,119	1,361,163	1,336,226
Investment Income.....	307,689	248,896	250,177	260,139	257,429
Miscellaneous .....	354,154	378,982	285,258	139,661	152,334
Total Revenues .....	<u>\$45,959,734</u>	<u>\$46,649,513</u>	<u>\$50,159,919</u>	<u>\$50,779,585</u>	<u>\$52,186,347</u>
<b>EXPENDITURES:</b>					
General Government.....	\$ 8,507,772	\$ 7,713,816	\$ 6,296,980	\$ 5,448,017	\$ 5,532,910
Public Safety .....	31,678,221	33,445,430	36,211,371	36,298,800	36,975,266
Public Works .....	6,360,644	6,290,597	5,865,054	5,850,899	6,228,622
Total Expenditures .....	<u>\$46,546,637</u>	<u>\$47,449,843</u>	<u>\$48,373,405</u>	<u>\$47,597,716</u>	<u>\$48,736,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures .....	<u>\$ (586,903)</u>	<u>\$ (800,330)</u>	<u>\$ 1,786,514</u>	<u>\$ 3,181,869</u>	<u>\$ 3,449,549</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from Sale of Capital Assets.....	\$ 0	\$ 0	\$ 1,115,680	\$ 0	\$ 0
Transfers In .....	0	65,000	253,000	0	0
Transfers (Out) .....	(84,456)	0	0	(1,269,890)	(1,848,000)
Total Other Financing Sources (Uses) .....	<u>\$ (84,456)</u>	<u>\$ 65,000</u>	<u>\$ 1,368,680</u>	<u>\$ (1,269,890)</u>	<u>\$ (1,848,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	<u>\$ (671,359)</u>	<u>\$ (735,330)</u>	<u>\$ 3,155,194</u>	<u>\$ 1,911,979</u>	<u>\$ 1,601,549</u>
Fund Balance, January 1 .....	<u>\$17,177,387</u>	<u>\$16,506,028</u>	<u>\$15,770,698</u>	<u>\$18,925,892(2)</u>	<u>\$20,557,121(2)</u>
Fund Balance, December 31 .....	<u>\$16,506,028</u>	<u>\$15,770,698</u>	<u>\$18,925,892</u>	<u>\$20,837,871</u>	<u>\$22,158,670</u>

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

(2) As restated.

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

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

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Registration and Record Date**

The registered owner of a Bond will be deemed and regarded as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest thereon and for all other purposes whatsoever, and all such payments so made to 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 will be affected by any notice to the contrary.

Interest on the Bonds will be paid to the registered owners of the Bonds appearing on the registration books of the Bond Registrar as of the close of business on the 15<sup>th</sup> day of the calendar month next preceding an interest payment date (the "Record Date").

### **Transfers and Exchanges**

The transfer of Bonds will be registrable only upon the registration books maintained by the Village for that purpose at the principal corporate trust office of the Bond Registrar, by the registered owner thereof or by his attorney duly authorized in writing, upon surrender thereof together with an instrument of transfer satisfactory to the Bond Registrar and duly executed by the registered owner or his duly authorized agent. Upon such surrender for registration of transfer, the Village will execute and the Bond Registrar will authenticate and deliver a new Bond or Bonds of any authorized denominations, registered in the name of the transferee, and of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate and of any authorized denominations, upon surrender thereof as the principal corporate trust office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or his duly authorized agent.

For every such exchange or registration of transfer of Bonds, the Village or the Bond Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. No charge will be made in connection with such exchange or registration of transfer to pay the cost of preparing each new Bond issued upon such exchange or registration of transfer.

## TAX EXEMPTION – THE SERIES 2014A BONDS

### Summary of Bond Counsel Opinion

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Series 2014A Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Series 2014A Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Bond Counsel is further of the opinion that the Series 2014A Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Series 2014A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2014A Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for tax purposes of the corporate alternative minimum tax. Interest on the Series 2014A Bonds is not exempt from State of Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2014A Bonds. These requirements relate to the use and investment of the proceeds of the Series 2014A Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2014A Bonds and the use of property financed with the proceeds of the Series 2014A Bonds. The Village has covenanted in the Series 2014A Bond Ordinance to comply with these requirements.

### Bonds Purchased at a Premium or a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2014A Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Series 2014A Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2014A Bond, the difference between the two is known as "bond premium"; if the Offering Price is lower than the maturity value of a Series 2014A Bond, the difference between the two is known as "original issue discount".

Series 2014A Bond premium and original issue discount are amortized over the term of a Series 2014A Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner's tax basis in the Series 2014A. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Series 2014A for Federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 2014A. A Series 2014A's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon disposition of the Series 2014A (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2014A).

Owners of Series 2014A Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Series 2014A Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Series 2014A Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a year later.

## **Exclusion From Gross Income Requirements**

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Series 2014A Bonds. Among these requirements are the following:

**Limitations on Private Use.** The Code includes limitations on the amount of Series 2014A Bonds proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

**Investment Restrictions.** Except during certain "temporary periods," proceeds of the Series 2014A Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Series 2014A Bonds.

**Rebate of Arbitrage Profit.** Unless the Village qualifies for one of several exemptions, earnings from the investment of the "gross proceeds" of the Series 2014A Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2014A Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Series 2014A Bonds, amounts received as a result of investing such proceeds, and amounts to be used to pay debt service on the Series 2014A Bonds.

**Covenants to Comply.** The Village has covenanted in the Series 2014A Ordinance to comply with the requirements of the Code relating to the exclusion from gross income for Federal income tax purposes of interest on the Series 2014A Bonds.

## **Risks of Non-Compliance**

In the event that the Village fails to comply with the requirements of the Code, interest on the Series 2014A Bonds may become includable in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issue. In such event, the Series 2014A Ordinance requires neither acceleration of payment of principal of, or interest on, the Series 2014A Bonds nor payment of any additional interest or penalties to the owners of the Series 2014A Bonds.

## **Federal Income Tax Consequences**

Pursuant to Section 103 of the Code, interest on the Series 2014A Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2014A Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. **PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2014A Bonds.**

## **QUALIFIED TAX EXEMPT OBLIGATIONS – THE SERIES 2014A BONDS**

Section 265(b)(3)(B) of the Code provides that certain issues designated or deemed as “qualified tax-exempt obligations” and purchased by financial institutions (either from the issuer or in a secondary market transaction) may be disregarded in computing the proportional disallowance of interest expense provided in such Section. In the Series 2014A Ordinance, the Village has designated the Series 2014A Bonds as “qualified tax-exempt obligations”. In addition, as required by Section 265 of the Code, the Village has represented that the reasonably anticipated amount of “tax-exempt obligations” that are required to be taken into account under Section 265 of the Code and will be issued by the Village and all subordinate entities of the Village during 2014 does not exceed \$10,000,000 except to the extent that refunding bonds may be deemed as “qualified tax-exempt obligations” in excess of \$10,000,000, and has covenanted that it will not designate and issue more than \$10,000,000 aggregate principal amount of “tax-exempt obligations” during 2014. For purposes of the foregoing sentence, the term “tax-exempt obligations” includes “qualified 501(c)(3) bonds” (as defined in Section 145 of the Code) but does not include other “private activity bonds” (as defined in Section 141(a) of the Code).

## **CERTAIN FEDERAL INCOME TAX CONSIDERATIONS – THE SERIES 2014B BONDS**

**THE SERIES 2014B 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 SERIES 2014B BONDS SHOULD TREAT THE INTEREST ON THE SERIES 2014B BONDS AS SUBJECT TO FEDERAL INCOME TAXATION.**

## **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 Final Official Statement contained under the captions “Retailers’ Occupation, Service Occupation and Use Tax”, “DEBT INFORMATION”, “PROPERTY ASSESSMENT AND TAX INFORMATION” and “FINANCIAL INFORMATION” (Excluding Budget and Interim 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 Bond Ordinance upon a change in circumstances provided that (a) the change in circumstances arises from a change in legal requirements, law, or change in the identity, nature or status of the Village or the type of business conducted by the Village, (b) the undertakings, as amended, would have complied with the requirements of Rule 15c2-12(b)(5) at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (c) in the opinion of nationally recognized bond counsel selected by the Village, the amendment does not materially impair the interests of the beneficial owners of the Bonds.

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

## OPTIONAL REDEMPTION - THE SERIES 2014A BONDS

Series 2014A Bonds due December 1, 2014-2022, inclusive, are not subject to optional redemption. Series 2014A Bonds due on or after December 1, 2023, are callable in whole or in part on any date on or after December 1, 2022, at a price of par and accrued interest. If less than all the Series 2014A Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot.

The Bond Registrar will give notice of redemption, identifying the Series 2014A Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Series 2014A Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Unless moneys sufficient to pay the redemption price of the Series 2014A Bonds to be redeemed are received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Village, state that said redemption will be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the Village will not redeem such Series 2014A Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Series 2014A Bonds will not be redeemed. Otherwise, prior to any redemption date, the Village will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Series 2014A Bonds or portions of Series 2014A Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, the Series 2014A Bonds or portions of Series 2014A Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Village shall default in the payment of the redemption price) such Series 2014A Bonds or portions of Series 2014A Bonds shall cease to bear interest. Upon surrender of such Series 2014A Bonds for redemption in accordance with said notice, such Series 2014A Bonds will be paid by the Bond Registrar at the redemption price.

The Series 2014B Bonds are not subject to optional redemption prior to maturity.

## 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. There is no litigation now pending, or to the knowledge of the Village, threatened against the Village that is expected to materially impact the financial condition of the Village.

## 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 Final Official Statement appearing under the heading "**TAX EXEMPTION - THE SERIES 2014A BONDS**" and is of the opinion that the statements contained under such heading 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 Final Official Statement and does not assume any responsibility of the accuracy or completeness of such statements and information.

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

### **FINAL OFFICIAL STATEMENT AUTHORIZATION**

This Final 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 Bonds have been rated "AA+/Stable" from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P"). The Village has supplied certain information and material concerning the Bonds and the Village to S&P, including certain information and materials which may not have been included in this Final 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.

### **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 this ordinance, then the pledge of taxes, securities and funds hereby pledged and the covenants, agreements and other obligations of the Village to the registered owners and the beneficial owners of the bonds shall be discharged and satisfied.

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

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

## **UNDERWRITING**

### **Series 2014A Bonds**

The Series 2014A Bonds were offered for sale by the Village at a public, competitive sale on November 17, 2014. The best bid submitted at the sale was submitted by Mesirow Financial, Inc., Chicago, Illinois (the "Series 2014A Underwriter"). The Village awarded the contract for sale of the Series 2014A Bonds to the Series 2014A Underwriter at a price of \$7,437,981.59. The Series 2014A Underwriter has represented to the Village that the Series 2014A Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in this Final Official Statement.

### **Series 2014B Bonds**

The Series 2014B Bonds were offered for sale by the Village at a public, competitive sale on November 17, 2014. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "Series 2014B Underwriter"). The Village awarded the contract for sale of the Series 2014B Bonds to the Series 2014B Underwriter at a price of \$7,358,940.35. The Series 2014B Underwriter has represented to the Village that the Series 2014B Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in this Final 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 an Independent 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 Final 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 Final Official Statement, nor is the Financial Advisor obligated by the Village's continuing disclosure undertaking.

## **CERTIFICATION**

We have examined this Final Official Statement dated November 17, 2014, for the \$7,345,000 General Obligation Refunding Bonds, Series 2014A, and the \$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B, believe it to be true and correct and will provide to the purchaser 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 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

**APPENDIX A**  
**VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS**  
**EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS**

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF NET POSITION

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 48,396,130	\$ 13,381,572	\$ 61,777,702
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	21,972,674	-	21,972,674
Accounts	695,088	1,652,874	1,652,874
Other	4,574,956	200,321	4,574,956
Due from other governments	7,590	-	7,590
Accrued interest	60,650	690	8,280
Prepaid expenses	166,005	-	166,005
Inventories	16,867,257	-	16,867,257
Land held for resale			
Investment in joint venture			
Northwest Water Commission	151,415,325	11,841,410	11,841,410
Capital assets not being depreciated		4,858,690	4,858,690
Capital assets being depreciated (net of accumulated depreciation)	47,186,250	45,182,055	92,368,305
<b>Total assets</b>	<b>291,341,925</b>	<b>77,117,612</b>	<b>368,459,537</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	53,0410	105,020	63,5430
<b>Total deferred outflows of resources</b>	<b>53,0410</b>	<b>105,020</b>	<b>63,5430</b>
<b>LIABILITIES</b>			
Accounts payable	1,480,187	1,000,685	2,480,872
Accrued payroll	949,423	46,382	995,805
Accrued interest payable	32,330	33,550	360,880
Due to fiduciary funds	35,877	-	35,877
Deposits payable	877,706	145,588	1,023,394
Claims payable	1,610,635	-	1,610,635
Unearned revenues	14,291	142,580	156,871
Noncurrent liabilities			
Due within one year	6,512,347	2,705,582	9,217,929
Due in more than one year	83,829,738	14,088,845	97,918,583
<b>Total liabilities</b>	<b>95,637,534</b>	<b>18,163,212</b>	<b>113,800,746</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	21,814,343	-	21,814,343
<b>Total deferred inflows of resources</b>	<b>21,814,343</b>	<b>-</b>	<b>21,814,343</b>
<b>NET POSITION</b>			
Net investment in capital assets	140,669,666	36,430,520	179,040,186
Restricted for			
Streets and highways	994,753	-	994,753
Debt service	1,865,098	-	1,865,098
Public safety	740,936	-	740,936
Unrestricted	30,210,005	20,628,900	50,838,905
<b>TOTAL NET POSITION</b>	<b>\$ 174,420,458</b>	<b>\$ 59,059,420</b>	<b>\$ 233,479,878</b>

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Attachment I

Village of Palatine  
 Downtown TIF

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Charges for Services	Operating Grants	Capital Grants and Contributions	
General Government	\$ 3,618,746	\$ 3,684,856	\$ 9,862,200	\$ 9,928,310
General Government	36,225,832	4,128,702	585,595	(34,452,050)
Public safety	14,290,195	2,107,948	20,914	(9,906,988)
Public works	5,314,067	-	124,859	(5,789,208)
Economic development	4,334,822	-	622,676	(3,712,146)
Interest and fiscal charges	-	-	-	-
<b>Total governmental activities</b>	<b>67,384,662</b>	<b>9,921,506</b>	<b>13,215,244</b>	<b>(43,932,082)</b>
 Business-Type Activities				
Waterworks	7,511,430	9,767,730	-	2,256,300
Sewerage	3,335,908	3,422,980	-	312,417
Motor vehicle parking system	1,269,805	683,780	-	1,366,730
Refuse collection	4,426,461	4,511,043	-	84,582
 Total business-type activities	<b>16,543,404</b>	<b>18,385,533</b>	<b>-</b>	<b>4,020,029</b>
 <b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 83,928,066</b>	<b>\$ 28,307,039</b>	<b>\$ 13,215,244</b>	<b>\$ 2,493,730</b>

General Revenues

	Governmental Activities	Business-Type Activities	Total
Taxes			
Property	31,515,066	-	31,515,066
Home rule sales	4,305,118	-	4,305,118
Telecommunications	2,239,240	-	2,239,240
Electric utility use	-	-	-
Other	1,722,005	-	1,722,005
State shared income tax	1,242,698	-	1,242,698
Investment income	6,532,135	-	6,532,135
Miscellaneous	300,305	20,064	320,369
Transfers	193,597	-	193,597
	250,000	(250,000)	-
 Total	<b>48,300,164</b>	<b>(229,936)</b>	<b>(80,702,228)</b>
 CHANGE IN NET POSITION			
NET POSITION, JANUARY 1 - AS RESTATED	4,368,082	3,790,093	\$ 8,158,175
NET POSITION, DECEMBER 31	170,052,376	55,269,327	225,321,703

Village of Palatine  
Downtown TIF

VILLAGE OF PALATINE, ILLINOIS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS

December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 14,703,048	\$ 2,852,859	\$ 88,234	\$ 2,177,269	\$ 20,493,004	\$ 40,314,394		
Receivables (net, where applicable, of allowances for uncollectibles)								
Property taxes	19,344,267	24,266	-	2,604,141	-	21,972,574		
Other	670,340	-	-	-	570,240	-		
Due from other governments	3,623,068	-	-	95,1888	4,574,956	-		
Accrued interest	1,105	320	-	95	590	2,110		
Due from other funds	18,332	-	43,615	-	-	62,147		
Land held for resale	-	8,253,799	8,613,458	-	-	16,867,257		
Advance to other funds	5,277,920	-	-	-	-	5,277,920		
<b>TOTAL ASSETS</b>	<b>\$ 43,638,180</b>	<b>\$ 11,131,244</b>	<b>\$ 8,745,287</b>	<b>\$ 4,781,505</b>	<b>\$ 21,445,482</b>	<b>\$ 89,741,658</b>		

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES</b>								
Accounts payable	\$ 408,168	\$ 93,1909	-	\$ 40,678	\$ 8,104	\$ 584	\$ 417,299	\$ 874,833
Accrued payroll	-	-	-	-	-	-	-	932,150
Due to other funds	-	-	-	-	-	-	-	62,147
Due to fiduciary funds	35,977	-	-	-	-	-	-	35,977
Deposits payable	877,706	-	-	-	-	-	-	877,706
Unearned revenues	-	-	-	-	-	-	-	11,005
Advance from other funds	-	-	5,277,920	-	-	-	-	5,277,920
<b>Total liabilities</b>	<b>2,253,660</b>	<b>5,318,598</b>	<b>8,106</b>	<b>584</b>	<b>490,692</b>	<b>490,692</b>	<b>8,071,658</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable property taxes	19,225,850	-	-	2,588,493	-	-	-	21,814,343
<b>FUND BALANCES</b>								
Nonspendable in form, advances	5,277,920	-	-	-	-	-	-	5,277,920
Restricted for streets and highways	-	-	-	-	-	-	-	994,753
Restricted for debt service	-	-	-	-	-	-	-	2,192,428
Restricted for capital projects	-	-	-	-	-	-	-	38,338
Restricted for public safety	-	-	-	-	-	-	-	740,336
Restricted for economic development	-	-	-	-	-	-	-	740,936
Unrestricted	-	-	-	-	-	-	-	2,918,623
Assigned for capital projects	-	-	-	-	-	-	-	16,305,555
Unassigned	16,880,750	(2,441,153)	-	-	-	-	-	16,305,555
Total fund balances	22,158,670	5,812,646	8,737,183	2,192,428	20,954,790	59,855,717		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
	\$ 43,638,180	\$ 11,131,244	\$ 8,745,287	\$ 4,781,505	\$ 21,445,482	\$ 89,741,658	\$ 21,445,482	\$ 874,833

## VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2013

FUND BALANCES OF GOVERNMENTAL FUNDS	
Amounts reported for Governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	198,601,575
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(85,594,769)
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	52,945
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	(702,160)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	550,410
Accrued interest on long-term debt is reported as a liability on the statement of net position	(327,330)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(2,145,520)
Less compensated absences payable reported in internal service funds	25,585
The net position of internal service funds is included in the governmental activities in the statement of net position	6,076,586
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(1,030,961)
The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(921,620)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 174,420,458</u>

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

For the Year Ended December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,449,549</b>	<b>(7,555,834)</b>	<b>(8,913)</b>	<b>(232,550)</b>	<b>202,418</b>	<b>(4,155,330)</b>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets					115,692	115,692
Transfers in					5,249,753	5,249,753
Transfers (out)					(2,151,753)	(2,151,753)
Total other financing sources (uses)					3,213,692	3,213,692
NET CHANGE IN FUND BALANCE	1,601,549	(7,555,834)	(1,008,913)	(232,550)	3,416,110	(3,789,658)
FUND BALANCE, JANUARY 1 - AS RESTATED	20,557,121	13,378,480	9,745,066	2,424,978	17,538,680	63,645,355
FUND BALANCE, DECEMBER 31						
	<b>\$ 22,158,670</b>	<b>\$ 5,812,646</b>	<b>\$ 8,737,183</b>	<b>\$ 2,192,428</b>	<b>\$ 20,954,790</b>	<b>\$ 59,835,717</b>
<b>REVENUES</b>						
Taxes	\$ 26,061,334	\$ 4,850,953	\$ 2,753,091	\$ 2,767,147	\$ 5,091,693	\$ 41,024,128
Licenses and permits	2,822,449	-	-	-	2,822,149	-
Intergovernmental	18,170,446	125,624	-	497,052	3,303,345	22,102,467
Charges for services	3,380,429	-	-	-	303,941	3,683,470
Fines and forfeits	1,336,726	-	-	-	40,433	1,376,629
Investment income	257,429	8,590	1,602	5,062	27,622	300,305
Miscellaneous	152,334	-	-	-	41,262	193,596
Total revenues	<b>52,188,347</b>	<b>4,985,167</b>	<b>2,254,693</b>	<b>3,269,261</b>	<b>8,807,276</b>	<b>71,502,744</b>
<b>EXPENDITURES</b>						
Current						
General government	5,532,910	-	-	-	-	5,532,910
Public safety	36,375,265	-	-	-	174,594	37,149,560
Public works	6,120,622	-	-	-	-	6,128,622
Economic development	-	2,253,449	360,758	-	3,295,859	5,914,067
Capital outlay	-	4,890,087	73,249	-	5,130,305	10,091,541
Debt service	-	3,855,647	950,000	1,541,165	-	6,346,812
Principal retirement	-	1,548,221	880,598	1,986,940	-	4,385,759
Interest	-	3,597	1,000	3,706	-	8,303
Fiscal charges	-	-	-	-	-	-
Total expenditures	<b>48,736,798</b>	<b>12,551,001</b>	<b>2,263,606</b>	<b>3,501,811</b>	<b>8,504,858</b>	<b>75,658,074</b>

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Attachment I

Village of Palatine  
 Downtown TIF

## 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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,789,638)
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	4,410,160
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(12,466,155)
Depreciation	
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	6,346,812
Principal repayment	
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(5,480)
The amortization of premium on long-term debt is reported as revenue on the statement of activities	167,135
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(135,855)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	33,440
The change in compensated absences payable is shown as an expense on the statement of activities	(205,845)
The change in net position of certain activities of internal service funds is reported in governmental funds on the statement of activities	305,759
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(162,405)
The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(129,845)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,368,082</u></u>

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

December 31, 2013

		Business-Type Activities:			Business-Type Activities:		
		Waterworks	Sewerage	Motor Vehicle	Parking System	Refuse	Collection
<b>CURRENT ASSETS</b>							
Cash and investments	\$ 3,266,518	\$ 1,463,470	\$ 2,132,518	\$ 13,281,572	\$ 8,081,726		
Receivables (net, where applicable, or allowances for uncollectibles)							
Accounts	1,159,672	444,278	-	48,924	1,652,874		
Other	-	44,200	-	156,121	200,321	24,848	
Accrued interest	335	195	\$5	75	690	5,480	
Accrued expenses						60,650	
Prepaid expenses						165,005	
<b>Total current assets</b>	<b>7,678,973</b>	<b>3,755,191</b>	<b>3,463,555</b>	<b>2,337,738</b>	<b>15,235,457</b>	<b>8,338,719</b>	
<b>NONCURRENT ASSETS</b>							
Capital assets							
Land	740,200	597,545	4,118,490	-	4,858,650	-	
Buildings and improvements	6,739,405	59,064,820	15,481,480	-	23,218,430	-	
Systems and improvements	17,577,895	2,154,615	-	-	76,442,715	-	
Machinery and equipment					2,450,685	-	
Accumulated depreciation	(14,255,485)	(34,350,570)	(8,723,730)	-	(57,129,785)	-	
<b>Total capital assets</b>	<b>12,966,630</b>	<b>25,797,875</b>	<b>11,276,240</b>	<b>-</b>	<b>50,040,745</b>	<b>-</b>	
Other assets							
Investment in joint venture							
Northwest Water Commission	11,841,410					11,041,410	
<b>Total noncurrent assets</b>	<b>24,808,040</b>	<b>25,797,875</b>	<b>11,276,240</b>	<b>-</b>	<b>50,040,745</b>	<b>-</b>	
<b>Total assets</b>	<b>32,487,013</b>	<b>29,535,066</b>	<b>12,299,795</b>	<b>2,337,738</b>	<b>17,117,612</b>	<b>8,338,719</b>	

		Business-Type Activities:			Business-Type Activities:		
		Waterworks	Sewerage	Motor Vehicle	Parking System	Refuse	Collection
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refunding							
<b>Total deferred outflows of resources</b>	<b>3,610</b>	<b>101,430</b>	<b>\$ 101,430</b>	<b>\$</b>	<b>\$</b>	<b>\$ 105,020</b>	<b>\$ 105,020</b>
<b>CURRENT LIABILITIES</b>							
Accounts payable	213,611	406,074	44,698	246,302	1,000,885	603,354	
Accrued payroll	31,405	14,937	-	46,382	17,773	-	
Accrued interest payable	3,185	50,365	-	-	33,550	-	
Deposits payable	145,588	-	-	-	145,588	-	
Claims payable	-	-	-	-	-	-	
Unearned revenues	-	-	-	-	-	-	
Compensated absences payable	20,197	-	-	-	142,580	142,580	
General obligation bonds payable	1,900,775	780,950	-	-	1,23,327	5,117	
Total current liabilities	2,114,801	1,255,965	44,598	382,882	4,074,367	2,241,565	
<b>LONG-TERM LIABILITIES</b>							
Compensated absences payable	80,788	14,520	-	-	95,308	20,488	
General obligation bonds payable	5,547,591	8,345,946	-	-	13,993,337	-	
Total long-term liabilities	5,628,379	8,360,466	-	-	14,088,455	20,488	
<b>Total liabilities</b>	<b>7,443,180</b>	<b>10,286,452</b>	<b>44,598</b>	<b>382,882</b>	<b>18,168,212</b>	<b>2,262,333</b>	
<b>NET POSITION</b>							
Net investment in capital assets	10,786,230	16,357,950	11,276,240	-	38,430,520	-	
Unrestricted	14,161,113	3,000,074	1,218,857	1,948,856	20,628,900	6,076,386	
<b>TOTAL NET POSITION</b>	<b>\$ 25,947,443</b>	<b>\$ 19,368,024</b>	<b>\$ 12,692,097</b>	<b>\$ 1,948,856</b>	<b>\$ 59,059,420</b>	<b>\$ 6,076,386</b>	

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

For the Year Ended December 31, 2013

		Business-Type Activities			Governmental Activities	
		Waterworks	Sewerage	Parking System	Refuse	Internal Service
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		2,263,326	95,141	(\$84,762)	88,488	1,862,193
Contributions		25,345	1,952,555	-	217,950	305,759
Transfers (out)		(100,000)	(50,000)	-	(200,000)	(200,000)
CHANGE IN NET POSITION		2,167,326	1367,793	-	(11,512)	3,790,093
NET POSITION, JANUARY 1		22,884,417	19,697,538	11,327,904	1,960,368	51,259,327
NET POSITION, DECEMBER 31		\$ 25,047,443	\$ 19,568,024	\$ 12,695,971	\$ 1,948,856	\$ 59,059,420
OPERATING REVENUES						
Intergovernmental						
Charges for services	\$ 9,722,240	3,381,113	688,780	\$ 4,511,043	\$ 18,298,376	\$ 13,125
Miscellaneous	45,450	41,957	-	-	9,462,236	601,592
<b>Total operating revenues</b>	<b>9,767,730</b>	<b>3,422,980</b>	<b>688,780</b>	<b>4,511,043</b>	<b>18,285,333</b>	<b>10,076,593</b>
OPERATING EXPENSES						
EXCLUDING DEPRECIATION						
Costs of sales and services	6,419,661	1,730,846	485,525	4,426,461	13,062,493	9,792,782
<b>Total operating expenses</b>	<b>6,419,661</b>	<b>1,730,846</b>	<b>485,525</b>	<b>4,426,461</b>	<b>13,062,493</b>	<b>9,792,782</b>
OPERATING INCOME BEFORE DEPRECIATION	3,346,069	1,692,134	198,255	84,582	5,323,040	284,171
DEPRECIATION	720,920	1,210,365	784,080	-	2,715,75	-
<b>OPERATING INCOME (LOSS)</b>	<b>2,627,139</b>	<b>481,769</b>	<b>(\$65,825)</b>	<b>84,582</b>	<b>2,507,555</b>	<b>284,171</b>
NONOPERATING REVENUES (EXPENSES)						
Investment income	7,026	8,059	1,063	3,906	20,454	21,588
Interest expense	(44,388)	(394,657)	-	-	(816,395)	-
Joint venture	71,059	-	-	-	71,059	-
<b>Total nonoperating revenues (expenses)</b>	<b>(\$53,613)</b>	<b>(386,628)</b>	<b>1,063</b>	<b>3,906</b>	<b>(745,472)</b>	<b>21,588</b>

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

For the Year Ended December 31, 2013

Business-Type Activities					
Waterworks	Sewerage	Motor Vehicle	Refuse	Parking System	Collection
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 9,647,935	\$ 3,442,405	\$ 683,760	\$ 4,545,567	\$ 18,570,058
Receipts from interfund services transactions	(5,233,454)	(646,454)	(476,679)	(4,571,937)	(11,028,524)
Payments to suppliers	(1,577,229)	(550,130)	-	-	(8,538,054)
Net cash from operating activities	3,041,572	2,145,822	207,101	(125,570)	5,289,255
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers [out]	(100,000)	(50,000)	-	(100,000)	(250,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital assets purchased on long-term debt	(545,065)	(1,002,855)	-	-	(1,547,920)
Principal payments on long-term debt	(554,380)	(794,455)	-	-	(1,348,835)
Interest and fiscal charges paid on long-term debt	(553,383)	(388,082)	-	-	(427,270)
Net cash from capital and related financing activities	(1,159,833)	(2,185,392)	-	-	(3,344,225)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	9,326	17,309	1,258	7,331	35,226
Net increase in cash and cash equivalents	1,791,025	(72,261)	208,559	(218,039)	1,730,124
CASH AND CASH EQUIVALENTS, JANUARY 1	4,725,931	3,398,779	1,255,111	2,359,657	11,671,448
CASH AND CASH EQUIVALENTS, DECEMBER 31	<b>\$ 6,515,956</b>	<b>\$ 3,265,518</b>	<b>\$ 1,463,370</b>	<b>\$ 2,332,618</b>	<b>\$ 13,301,272</b>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)					
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation					
(Increase) decrease in					
Accounts receivables					
Other receivables					
Prepaid expenses					
Inventories					
Increase (decrease) in					
Accounts payable					
Accrued payroll					
Deposits payable					
Claims payable					
Unearned revenue					
Compensated absences payable					
NET CASH FROM OPERATING ACTIVITIES					
<b>\$ 3,041,572</b>	<b>\$ 2,145,822</b>	<b>\$ 207,101</b>	<b>\$ 35,226</b>	<b>\$ 207,101</b>	<b>\$ 13,301,272</b>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	\$	\$	\$	\$
Capital contributions				
Change in investment in joint venture				
<b>TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES</b>	<b>\$ 71,659</b>	<b>\$ 225,345</b>	<b>\$ 1,982,555</b>	<b>\$ 2,177,950</b>

TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS

December 31, 2013

VILLAGE OF PALATINE, ILLINOIS  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS

For the Year Ended December 31, 2013

	Pension Trust	Agency	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,758	\$ 1,335,826	
Investments			
U.S. Treasury securities	15,757,499	-	
U.S. agency securities	3,894,253	-	
Corporate and international bonds	21,685,914	-	
Municipal bonds	804,543	-	
Money market mutual funds	1,180,065	-	
Equities	70,661,597	-	
Receivables			
Property taxes	-	639,996	
Accrued interest	259,595	-	
Due from primary government	35,877	-	
<b>Total assets</b>	<b>114,281,101</b>	<b>\$ 1,975,822</b>	
<b>LIABILITIES</b>			
Other liabilities	\$ -	\$ 1,124,277	
Due to bondholders		851,545	
<b>TOTAL LIABILITIES</b>		<b>\$ 1,975,822</b>	
<b>NET POSITION</b>	<b>\$ 114,281,101</b>		
Held in trust for pension benefits			
			<b>CHANGE IN NET POSITION</b>
			<b>NET POSITION</b>
			January 1
			December 31
			<b>\$ 114,281,101</b>

A-10

Attachment I

FY 2014

Village of Palatine  
 Downtown TIF

VILLAGE OF PALATINE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 (PPERS)

The Village's police employees participate in the 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 (FPERS)

The Village's sworn firefighters participate in the 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 non-equity proprietary joint venture.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

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

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

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

The Village reports the following major Governmental funds:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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 fleet 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

Investments with a maturity of one year or greater at the time of purchase and all investments of the pension funds are stated at fair value except for non-negotiable 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 from/to other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due from/to other funds."

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

g. Inventories

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

h. Deferred Charge on Refunding

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

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

j. Land Held for Resale

Land held for resale is valued at cost. Reported land held for resale is equally offset by a restricted fund balance, which indicates that it is restricted for a specific purpose. The land held consists of numerous parcels within the Downtown TIF District and the Rand Corridor District that the Village owns and is holding until sold.

k. Capital Assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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

l. Compensated Absences

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

m. Rebatable Arbitrage

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

n. Long-Term Obligations

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Fund Balance/Net Position

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

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

In the Government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets. None of the net positions or fund balances is restricted as a result from enabling legislation adopted by the Village.

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

p. Interfund Transactions

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Deferred Outflows/inflows of Resources

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

2. DEPOSITS AND INVESTMENTS

a. Village Deposits and 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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Police Pension Fund's deposits may not be returned to it. The Police Pension Fund policy does not require collateralization. However, all deposits at the date of this report 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 the date of this report:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 5,139,445	\$ 501,550	\$ 735,513	\$ 1,548,500	\$ 2,353,482
U.S. agency obligations	1,475,891	764,278	217,994	493,619	
Corporate bonds	12,077,710	551,941	5,518,670	5,693,554	313,245
Municipal bonds	804,543	90,483	177,557	294,566	241,937
<b>TOTAL</b>	<b>\$ 19,497,589</b>	<b>\$ 1,143,974</b>	<b>\$ 7,196,918</b>	<b>\$ 7,755,314</b>	<b>\$ 3,462,283</b>

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and 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 and corporate bonds rated as investment grade. The U.S. agency obligations and municipal bonds, for those rated, range in rating from Aaa to Aa2, and the corporate bonds range from Aa1 to Ba3.

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% to 45% and 0% to 10% ranges, respectively. Fixed income securities should comprise 54% to 65% of investments. Cash holdings should be 0% to 1%. All investments fall within their acceptable ranges at the date of this report. At the date of this report, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury and U.S. agency obligations, which is in accordance with the Police Pension Fund's investment policy.

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at the date of this report 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 the date of this report:

Investment Type	Fair Value	Investment Maturity in Years			Greater than 10
		Less Than 1	1-5	6-10	
U.S. Treasury obligations	\$ 10,618,054	\$ 190,148	\$ 5,211,253	\$ 5,216,653	\$ -
U.S. agency obligations	2,418,362	661,369	1,742,998	14,495	-
Corporate bonds	9,608,204	257,633	6,868,948	2,337,371	244,352
<b>TOTAL</b>	<b>\$ 22,644,620</b>	<b>\$ 1,109,150</b>	<b>\$ 13,822,599</b>	<b>\$ 7,468,519</b>	<b>\$ 244,352</b>

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

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

3. RECEIVABLES

a. Taxes

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

b. Other Receivables

At the date of this report, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	\$ 9,700
Ambulance service and fees	108,440
Cable franchise fees	210,170
Food and beverage tax	116,335
Red light violations	63,500
Electric utility tax	161,695
Billed receivables	24,948
<b>Total governmental activities</b>	<b>695,088</b>

BUSINESS-TYPE ACTIVITIES	
Disposal fees	156,121
Sewer loan program	44,200
<b>Total business-type activities</b>	<b>200,321</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>\$ 895,409</b>

3. RECEIVABLES (Continued)

c. Due from Other Governments

At the date of this report, the Village had amounts due from other governments as follows:

GOVERNMENTAL ACTIVITIES	
State sales tax	\$ 1,890,210
Home rule sales tax	749,520
Grants	223,370
State income tax	766,283
Court fines	59,960
Other state sources	157,993
Motor fuel tax allotments	171,555
Telecommunications tax	556,060
<b>Total government activities</b>	<b>4,574,956</b>

BUSINESS-TYPE ACTIVITIES

TOTAL DUE FROM OTHER GOVERNMENTS

\$ 4,574,956

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

GOVERNMENTAL ACTIVITIES	
Beginning* Balance	Increases
Decreases	Ending Balance
Capital assets not being depreciated	
Land	\$ 9,576,900
Land right of way	139,806,925
Total capital assets not being depreciated	149,383,825
<b>Capital assets being depreciated</b>	<b>149,383,825</b>
Capital assets not being depreciated	
Buildings and improvements	38,682,175
Machinery and equipment	8,890,700
Streets	25,950,755
Bridges	1,596,735
Total capital assets being depreciated	75,120,365
<b>Total business-type activities</b>	<b>2,378,560</b>
<b>TOTAL OTHER RECEIVABLES</b>	<b>\$ 466,960</b>
	<b>77,092,045</b>

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

4. CAPITAL ASSETS (Continued)		Beginning Balance*	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
(Continued)					
Less accumulated depreciation for					
Buildings and improvements	\$ 8,577,565	\$ 1,150,780	\$ 360,330	\$ 9,728,345	
Machinery and equipment	4,941,430	730,985	46,550	5,312,085	
Streets	13,568,950	552,350	-	14,074,730	
Bridges	758,625	32,000	-	790,635	
Total accumulated depreciation	<u>27,846,650</u>	<u>2,466,155</u>	<u>406,980</u>	<u>29,905,735</u>	
Total capital assets being depreciated, net	47,273,745	(87,495)	-	47,186,250	
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 196,657,570</u>	<u>\$ 1,944,005</u>	<u>\$ -</u>	<u>\$ 198,601,575</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 2,906,140	\$ 1,952,550	\$ -	\$ 4,858,690	
Total capital assets not being depreciated	<u>2,906,140</u>	<u>1,952,550</u>	<u>\$ -</u>	<u>4,858,690</u>	
Capital assets being depreciated					
Equipment	2,243,090	207,605	-	2,450,695	
Buildings and improvements	7,336,950	337,460	7,835	7,336,950	
Water System	17,248,270	-	-	17,577,895	
Sewer System	57,836,520	1,228,200	-	59,064,820	
Parking Improvements	15,881,380	-	-	15,881,380	
Total capital assets being depreciated	<u>100,546,310</u>	<u>1,773,265</u>	<u>7,835</u>	<u>102,311,840</u>	
Less accumulated depreciation for					
Equipment	977,040	209,975	-	1,187,015	
Buildings and improvements	3,707,965	177,170	-	3,883,135	
Water System	9,064,705	369,305	7,835	9,426,175	
Sewer System	32,732,885	1,174,845	-	33,907,730	
Parking Improvements	7,839,950	784,080	-	8,723,730	
Total accumulated depreciation	<u>54,422,245</u>	<u>2,715,375</u>	<u>7,835</u>	<u>57,129,785</u>	
Total capital assets being depreciated, net	46,124,165	(942,110)	-	45,182,055	
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET					
	<u>\$ 49,030,305</u>	<u>\$ 1,010,440</u>	<u>\$ -</u>	<u>\$ 50,040,745</u>	

\*Certain beginning fixed asset costs and related depreciation were reclassified to other asset types.

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

GOVERNMENTAL ACTIVITIES  
General government  
Public works  
Public safety

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES

5. LONG-TERM DEBT		Interest Rates	Amount
a.	General Obligation Bonds		
		2.000% - 5.950%	\$ 67,765,000
		1.160% - 5.250%	17,718,105
		3.375% - 5.500%	4,505,000
		1.160% - 5.250%	5,871,895
		7.100%	6,102,837
			\$ 101,962,837

(1) The face value of bonds issued was \$6,545,000. The carrying value of the accredited bonds is \$6,102,837.

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
	Principal	Interest
2014	\$ 6,083,240	\$ 3,927,393
2015	6,879,865	3,729,695
2016	6,050,000	3,472,692
2017	5,280,000	3,245,125
2018	5,495,000	3,044,188
2019	5,770,000	2,827,464
2020	5,940,000	2,588,241
2021	6,270,000	2,333,431

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities		Business-Type Activities		Interest
	Principal	Interest	Principal	Interest	
2022	\$ 6,415,000	\$ 2,053,237	\$ 965,000	\$ 123,088	
2023	2,730,000	1,759,568	275,000	83,838	
2024	3,465,000	1,614,304	290,000	72,150	
2025	3,610,000	1,427,000	305,000	59,462	
2026	2,875,000	1,230,092	320,000	46,118	
2027	2,130,000	1,073,322	340,000	31,718	
2028	2,200,000	954,235	355,000	16,418	
2029	2,290,000	828,376	-	-	
2030	2,200,000	696,000	-	-	
2031	2,300,000	568,400	-	-	
2032	2,400,000	435,000	-	-	
2033	2,500,000	295,800	-	-	
2034	2,600,000	150,800	-	-	
<b>TOTAL</b>	<b>\$ 85,483,105</b>	<b>\$ 38,254,163</b>	<b>\$ 10,376,895</b>	<b>\$ 2,683,630</b>	

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

Year Ending December 31,	Principal	Accretion	TOTAL
2014	1,665,000	-	
2015	2,793,766	317,511	
2016	1,614,071	124,652	
<b>TOTAL</b>	<b>\$ 6,102,837</b>	<b>\$ 442,163</b>	

b. Tax Increment Financing Revenue Bonds and Notes

The Village also issues bonds where the Village pledges incremental property tax income derived from a separately created tax increment financing district. The original amount of tax increment financing bonds and notes in prior years was \$190,000.

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

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

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

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

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

5. LONG-TERM DEBT (Continued)

d. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled \$5,835,000. 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.

Annual debt service requirements to maturity for special service area bonds and notes are as follows:

Year Ending December 31,	Principal	Interest	
2014	\$ 60,000	\$ 522,450	
2015	70,000	516,600	
2016	75,000	510,075	
2017	80,000	503,100	
2018	90,000	495,450	
2019	95,000	487,125	
2020	105,000	478,125	
2021	115,000	468,225	
2022	125,000	457,425	
2023	135,000	445,725	
2024	150,000	417,150	
2025	175,000	360,900	
2026	1,110,000	277,200	
2027	1,210,000	172,800	
2028	1,315,000	59,175	
<b>TOTAL</b>	<b>\$ 5,835,000</b>	<b>\$ 6,171,525</b>	

e. 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.

5. LONG-TERM DEBT (Continued)

f. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$ 91,824,722	\$ -	\$ 6,341,617	\$ 85,483,105	\$ 6,083,240
TIF notes	116,859	791,774	143,861	5,195	111,064
Net OPEB obligation*	868,556	1,979,545	162,405	921,520	-
Compensated absences*	1,979,545	2,145,520	1,979,545	1,030,361	429,105
<b>Total</b>	<b>95,581,456</b>	<b>8,340,372</b>	<b>8,340,372</b>	<b>89,692,870</b>	<b>6,512,345</b>
 Less deferred amounts					
Unamortized bond discount	\$ (58,425)	\$ -	\$ (5,480)	\$ (52,945)	\$ -
Unamortized bond premium	869,295	-	167,135	702,160	-
<b>Total deferred amounts</b>	<b>810,870</b>	<b>-</b>	<b>-</b>	<b>161,655</b>	<b>649,215</b>
 <b>TOTAL GOVERNMENTAL ACTIVITIES</b>					
	<b>\$ 56,392,336</b>	<b>\$ 2,451,786</b>	<b>\$ 8,302,027</b>	<b>\$ 90,342,085</b>	<b>\$ 6,512,345</b>
 BUSINESS-TYPE ACTIVITIES					
General obligation bonds	\$ 1,604,480	\$ -	\$ 554,380	\$ 1,050,100	\$ 271,275
Water Fund	10,121,250	-	794,455	9,326,795	715,480
Sewer Fund	-	-	-	-	-
General obligation capital appreciation bonds	5,468,341	393,815	-	5,862,156	1,629,500
Water Fund	224,446	16,235	-	240,681	65,500
Sewer Fund	-	-	-	-	-
Compensated absences	115,832	100,985	115,832	100,985	20,197
Water Fund	13,496	18,150	13,496	18,150	3,630
<b>Total</b>	<b>17,547,845</b>	<b>529,185</b>	<b>1,478,163</b>	<b>16,598,867</b>	<b>2,705,582</b>
 Less deferred amounts					
Unamortized bond discount	(\$20,020)	-\$	(\$1,260)	(\$18,760)	-
Unamortized bond premium	246,190	-	31,870	214,320	-
<b>Total deferred amounts</b>	<b>226,170</b>	<b>-</b>	<b>30,610</b>	<b>195,550</b>	<b>-</b>
 <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>					
	<b>\$ 17,774,015</b>	<b>\$ 529,185</b>	<b>\$ 1,508,773</b>	<b>\$ 16,794,427</b>	<b>\$ 2,705,582</b>

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

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

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is self-insured for medical benefits and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of \$10,000 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, 2011	\$ 277,500	\$ 186,806	\$ 25,878	\$ 489,984
Claims incurred - 2012	4,394,927	1,042,842	589,582	6,027,351
Claims payments - 2012	4,333,927	565,408	242,040	5,141,375

UNPAID CLAIMS, DECEMBER 31, 2012	\$ 338,500	\$ 664,040	\$ 373,420	\$ 1,375,960
Claims incurred - 2013	3,438,875	895,580	279,480	4,613,935
Claims payments - 2013	3,525,875	437,405	415,980	4,379,260

UNPAID CLAIMS, DECEMBER 31, 2013	\$ 251,500	\$ 1,122,235	\$ 236,920	\$ 1,610,635
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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 (NWNC)

The Village has committed to purchase water from NWNC. The Village expects to pay approximately \$2,750,000 through December 31, 2014. This amount has been calculated using the Village's current allocation percentage of approximately 30%. In future years, this allocation percentage will be subject to change.

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

The Village has committed to make payments to SWANCC for the disposal of residential solid waste of the Village effective August 1, 1994. Payments are based upon a tipping fee established to cover operations and maintenance costs and the Village's pro rata share of the fixed costs of SWANCC. The Village's estimated payment for operations and maintenance costs for 2014 is \$1,375,345. This is based on an estimated tipping fee of \$56.95 per ton for 24,150 tons.

The Village's estimated payment of fixed costs for 2014 is \$66,415. This amount has been estimated based on a charge of \$2.75 per ton for 24,150 tons. In future years, this allocation will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

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

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

Complete financial statements can be obtained from the SWANCC administrative office at 2700 Patriot Boulevard, Suite 110, Glenview, Illinois 60026.

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

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

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

In accordance with the contract, the Village made payments totaling \$1,344,455 to SWANCC during the year. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at the date of this report.

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

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 NWWC, 1525 North Wolf Road, Des Plaines, Illinois 60016.

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

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

NWWC has entered into an agreement with the City of Evanston (the City) under which the City has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2035.

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 \$2,835,454 to NWWC during the year. The Village's equity interest in NWWC was \$11,841,410 at the date of this report. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

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

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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at the date of this report consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Nonmajor governmental Special Police Grant	\$ 18,532
Nonmajor governmental Rand Corridor TIF	Nonmajor governmental Rand-Lake Cook TIF	43,615
Fiduciary Police Pension	Major governmental General	17,786
Firefighters' Pension	General	<u>18,091</u>
<b>TOTAL</b>		<b>\$ 98,924</b>

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

- \$18,532 payable by the Special Police Grant Fund to the General Fund and the \$43,615 payable by the Rand-Lake Cook TIF Fund to the Rand Corridor TIF Fund are for short-term cash loans at year end. The amounts will be repaid within one year.

- \$35,877 payable by the General Fund to the Pension Funds is for taxes received after year end.

b. Advances From/To Other Funds

Advances from/to other funds at the date of this report consisted of the following:

Receivable Fund	Payable Fund	Amount
Major governmental General	Downtown TIF	\$ 5,277,920

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

- \$5,277,920 advanced to the Downtown TIF Fund from the General Fund relates to financing various redevelopment projects. Repayment is not expected within one year.

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.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 the date of this report, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the year were as follows:

Fiscal Year December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 284,659	\$ 135,226	47.50%	\$ 723,860
2012	279,920	137,226	48.30%	868,556
2013	390,341	227,937	58.40%	1,030,961

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation at the date of this report was calculated as follows:

Annual required contribution	\$ 384,551
Interest on net OPEB obligation	34,742
Adjustment to annual required contribution	(28,952)
<b>Annual OPEB cost</b>	<b>390,341</b>
Contributions made	227,937
Increase in net OPEB obligation	162,405
Net OPEB obligation, beginning of year	868,556
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<b>\$ 1,030,961</b>

**Funded Status and Funding Progress:** The funded status and funding progress of the plan at the date of this report, the most recent information available, was as follows:

Actuarial accrued liability (AAL)	\$ 5,329,063
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	5,329,063
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 27,369,373
UAAL as a percentage of covered payroll	19.47%

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.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2013 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 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 Employees Retirement System (PPERS) which is a single-employer pension plan; and the Firefighters' Pension Employees Retirement System (FPERS) 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 online at [www.imrf.org](http://www.imrf.org).

a. Plan Descriptions

Illinois Municipal Retirement Fund (IMRF)

All employees (other than those covered by the PPERS or FPERS) 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.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefit) 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 2013 were 13.47% of covered payroll.

Police Pension Employees Retirement System (PPERS)

Police sworn personnel are covered by the PPERS. 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, 2014, the PPERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	49
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	88
Vested	22
Nonvested	

TOTAL

160

1

88

22

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

The PPERS 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 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

Employees are required by ILCS to contribute 9.91% of their base salary to the PPERS. 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 50% of the past service cost for the PPERS. For the year ended December 31, 2013, the Village's contribution was 29.35% of covered payroll.

Firefighters' Pension Employees Retirement System (FPERS)

Fire sworn personnel are covered by the FPERS. 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, 2014, the FPERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	61
Terminated employees entitled to benefits but not yet receiving them	
Current employees	
Vested	54
Nonvested	38
TOTAL	153

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Employees Retirement System (FPERS) (Continued)

The FPERS 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  $\frac{1}{2}$  of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e.,  $\frac{1}{2}\%$  for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or  $\frac{1}{2}\%$  of the change in the Consumer Price Index for the proceeding calendar year.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Covered employees are required to contribute 9.455% of their base salary to the FPERS. 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 FPERS. For the year ended December 31, 2013, the Village's contribution was 35.18% 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 position 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:

	IMRF	PPERS	FPERS
Actuarial valuation date	December 31, 2011	December 31, 2012	December 31, 2012
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	Market	Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	30 Years, Open	27 Years, Closed	27 Years, Closed

Significant actuarial assumptions

a) Inflation rate	4.00%	3.00%	3.00%
b) Rate of return on Investments	7.50%	7.50%	7.50%
c) Projected salary Increases	Compounded Annually	Compounded Annually	Compounded Annually
d) Postretirement benefit Increases	.40% to 10.00%	4.50%	4.50%

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

The Village's annual pension cost and net pension obligation to the PPERS and FPERS for the year ended December 31, 2013 were as follows:

	PPERS	FPERS
Annual required contribution	\$ 2,948,599	\$ 3,091,300
Interest on net pension obligation	24,161	35,222
Adjustment to annual required contributions	(16,898)	(24,634)
Annual pension cost	2,955,862	3,101,888
Contributions made	2,969,877	2,958,027
Increase (decrease) in net pension obligation	(14,015)	143,861
Net pension obligation, beginning of year	322,145	469,629
NET PENSION OBLIGATION, END OF YEAR	\$ 308,130	\$ 613,490

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	IMRF	PPERS	FPERS
Annual pension cost (APC)			
2011	\$ 1,410,209	\$ 2,800,759	\$ 2,704,868
2012	1,311,221	3,004,711	2,986,904
2013	1,366,121	2,955,862	3,101,888
Actual contribution			
2011	\$ 1,410,209	\$ 3,450,128	\$ 2,600,219
2012	1,311,221	3,016,974	2,876,372
2013	1,366,121	2,969,877	2,958,027
Percentage of APC contributed			
2011	100.00%	123.19%	96.13%
2012	100.00%	100.11%	96.30%
2013	100.00%	108.47%	95.36%
NPO (asset)			
2011	\$ 334,408	\$ 359,097	
2012	322,145	469,629	
2013	308,130	613,490	

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	IMRF	PERS	FPERS
Actuarial valuation date	December 31, 2013	December 31, 2013	December 31, 2013
Actuarial accrued liability (AAL)	\$ 37,075,514	\$ 90,217,352	\$ 89,230,996
Actuarial value of plan assets	29,483,559	56,991,085	57,290,015
Unfunded actuarial accrued liability (UAAL)	7,591,955	33,226,267	31,940,981
Funded ratio (actuarial value of plan assets/AAL)	79.52%	63.17%	64.20%
Covered payroll (active plan members)	\$ 10,142,956	\$ 10,117,378	\$ 8,408,325
UAAL as a percentage of covered payroll	74.86%	328.43%	379.87%

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

12. PENSION TRUST FUNDS

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 879	\$ 879	\$ 1,758
Investments	5,139,445	10,618,054	15,757,499
U.S. Treasury securities	1,475,891	2,418,362	3,294,253
U.S. agency securities			
Corporate and international bonds	12,077,710	9,608,204	21,685,914
Municipal bonds	804,543	-	804,543
Money market mutual funds	472,845	70,722	1,180,065
Equities	36,863,312	33,798,285	70,661,597
Receivables			
Accrued interest	138,674	120,921	259,595
Due from general fund	17,786	18,091	35,877
<b>Total assets</b>	<b>56,991,085</b>	<b>57,290,016</b>	<b>114,281,101</b>
<b>LIABILITIES</b>			
Accounts payable			
Total liabilities			
<b>NET POSITION</b>	<b>\$ 56,991,085</b>	<b>\$ 57,290,016</b>	<b>\$ 114,281,101</b>

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 2,969,877	\$ 2,958,027	\$ 5,927,904
Employee	995,548	793,686	1,790,034
Miscellaneous	81	-	81
<b>Total contributions</b>	<b>3,965,506</b>	<b>3,751,713</b>	<b>7,718,019</b>
<b>INVESTMENT INCOME</b>			
Net appreciation in fair value of investments	4,979,713	6,258,879	11,238,592
Interest income	1,298,100	1,002,811	2,300,911
Less investment expense	(288,494)	(195,046)	(483,540)
<b>Net investment income</b>	<b>5,989,319</b>	<b>7,066,644</b>	<b>13,055,963</b>
<b>Total additions</b>	<b>9,955,625</b>	<b>10,818,357</b>	<b>20,773,982</b>
<b>DEDUCTIONS</b>			
Administrative	16,896	10,962	27,858
Pension benefits and refunds	2,643,186	3,660,825	6,304,011
<b>Total deductions</b>	<b>2,660,082</b>	<b>3,671,787</b>	<b>6,331,869</b>
<b>CHANGE IN NET POSITION</b>			
<b>NET POSITION</b>	<b>7,295,543</b>	<b>7,146,570</b>	<b>14,442,113</b>
January 1			
December 31	49,695,542	50,143,446	99,838,968
<b>December 31</b>	<b>\$ 56,991,085</b>	<b>\$ 57,290,016</b>	<b>\$ 114,281,101</b>

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

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

13. PRIOR PERIOD ADJUSTMENTS

As of December 31, 2013, the beginning net position/fund balances for the following funds and activities were restated as follows:

	General Fund	Downtown TIF Fund	Entity-wide Statement of Activities Governmental Activities
Net position/fund Balances - as previously reported	\$ 20,837,871	\$ 13,669,166	\$ 170,623,812
Restatement of accrued revenue	(280,750)	(290,686)	(571,436)
Net position/fund Balances - as restated	\$ 20,557,121	\$ 13,378,480	\$ 170,052,376

Accrued revenues have been restated to properly recognize revenues in the correct fiscal period.

December 31, 2013

**Schedule of Funding Progress**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	(2)	(1)	Actuarial Accrued Liability (AAL)	(3)	(4)	(5)	UAAL as a Percentage of Covered Payroll (4) / (5)
	December 31,		Entry-Age	(1) / (2)	(2)	(2) / (1)	(2) / (1)	(4) / (1)	(5)	
	2008	\$ 18,211,574	\$ 27,169,988	67.03%	\$ 8,958,414	\$ 10,488,890	85.41%			
	2009	20,060,235	29,595,510	66.88%	9,936,375	10,759,385	92.33%			
	2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%			
	2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%			
	2012	25,147,488	33,813,736	74.37%	8,656,248	9,925,976	87.31%			
	2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,556	74.86%			

**Schedule of Employer Contributions**

	Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
	2008	\$ 1,268,107	\$ 1,268,107	100.00%
	2009	1,279,291	1,279,291	100.00%
	2010	1,535,559	1,535,559	100.00%
	2011	1,410,209	1,410,209	100.00%
	2012	1,311,221	1,311,221	100.00%
	2013	1,366,121	1,366,121	100.00%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POLICE PENSION FUND

December 31, 2013

VILLAGE OF PALATINE, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FIREFIGHTERS' PENSION FUND

December 31, 2013

*Schedule of Funding Progress*

	(1) Actuarial Valuation Date December 31,	(2) Actuarial Accrued Liability (AAL) Value of Assets	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL)	(5) Covered Payroll (4) / (5)	UAAL as a Percentage of Covered Payroll
2008	\$ 40,507,394	\$ 50,689,201	79.91%	\$ 10,181,807	\$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%
2012	49,695,524	84,402,384	58.88%	34,706,960	9,823,321	353.31%
2013	56,991,085	90,217,352	63.17%	33,226,267	10,117,378	328.41%

*Schedule of Employer Contributions*

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 1,792,538	\$ 1,677,795	106.84%
2009	1,839,264	1,697,492	108.35%
2010	2,685,385	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%
2012	3,016,374	2,996,776	100.67%
2013	2,969,877	2,948,599	100.72%

*Schedule of Funding Progress*

December 31,	(1) Actuarial Valuation Date	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL)	(5) Covered Payroll (4) / (5)	UAAL as a Percentage of Covered Payroll
2008	\$ 47,182,964	\$ 50,944,617	92.62%	\$ 3,761,653	\$ 7,451,465	50.48%
2009	46,673,485	58,973,596	79.14%	12,300,111	7,608,618	161.68%
2010	48,069,222	63,937,038	75.18%	15,867,816	7,280,109	217.96%
2011	48,089,713	75,335,332	63.81%	27,265,619	7,723,119	353.04%
2012	50,143,446	84,352,931	59.44%	34,269,485	8,000,559	427.59%
2013	57,250,015	89,230,996	64.20%	31,940,981	8,408,325	379.87%

VILLAGE OF PALATINE, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2013

*Schedule of Funding Progress*

December 31,	Assets	Entry-Age	(1) / (2)	(2)	(3)	(4)	(5)	UAAL as a Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered (2) - (1)	Payroll (4) / (5)		
2008	\$ -	\$ 2,461,467	0.00%	\$ 2,461,467	\$ 21,777,560		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 <sup>1</sup>	-	3,316,449	0.00%	3,316,449	23,495,020		14.12%	
2012	-	5,329,063	0.00%	5,329,063	25,423,925		20.96%	
2013 <sup>1</sup>	-	5,329,063	0.00%	5,329,063	27,369,373		19.47%	

<sup>1</sup> Results from prior year.

*Schedule of Employer Contributions*

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 49,644	\$ 214,542	23.14%
2009	67,622	219,257	30.84%
2010	135,226	219,256	61.67%
2011	135,226	275,095	49.16%
2012	135,224	279,920	48.31%
2013	227,937	384,551	59.27%

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Attachment I

FY 2014

Village of Palatine  
 Downtown TIF

*STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

a. Budgetary Information

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

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

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

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

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

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

	Final Budget	Actual
Special Fire Grant Fund	\$ 4,680	\$ 4,682
Waterworks Fund	6,778,241	6,861,559

**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](http://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 OPINIONS OF BOND COUNSEL**  
**[TO BE DATED CLOSING DATE]**

December 9, 2014

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

Dear Members:

We have examined a record of proceedings relating to the issuance of \$7,345,000 principal amount of General Obligation Refunding Bonds, Series 2014A (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 November 17, 2014 and entitled: "Ordinance Authorizing the Issuance of General Obligation Refunding Bonds, Series 2014A and Taxable General Obligation Refunding Bonds, Series 2014B, 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 9, 2014 and bear interest from their date payable on June 1, 2015 and semiannually thereafter on each June 1 and December 1.

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

Year	Principal Amount	Interest Rate
2015	\$640,000	2.00%
2016	820,000	2.00
2017	855,000	2.00
2018	870,000	2.00
2019	875,000	2.00
2020	910,000	2.00
2021	265,000	2.00
2022	270,000	2.10
2023	280,000	2.25
2024	290,000	2.40
2025	300,000	2.50
2026	310,000	2.70
2027	325,000	2.85
2028	335,000	3.00

The Bonds maturing on or after December 1, 2023 are subject to redemption prior to maturity at the option of the Village, in such principal amounts and from such maturities as the Village shall determine and by lot within a single maturity, on December 1, 2022 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

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

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

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

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

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

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

Very truly yours,

December 9, 2014

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

Dear Members:

We have examined a record of proceedings relating to the issuance of \$7,265,000 principal amount of Taxable General Obligation Refunding Bonds, Series 2014B (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 November 17, 2014 and entitled: "Ordinance Authorizing the Issuance of General Obligation Refunding Bonds, Series 2014A and Taxable General Obligation Refunding Bonds, Series 2014B, 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 9, 2014 and bear interest from their date payable on June 1, 2015 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
2015	\$550,000	2.000%
2016	570,000	2.000
2017	585,000	2.000
2018	605,000	2.000
2019	630,000	3.000
2020	655,000	3.000
2021	680,000	3.000
2022	705,000	3.000
2023	735,000	3.000
2024	760,000	3.125
2025	790,000	3.300

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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Village of Palatine  
Downtown TIF

**APPENDIX D**

**EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS  
RELATING TO THE COUNTY'S PENSION PLANS**

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at the date of this report 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 the date of this report:

Investment Type	Fair Value	Investment Maturities in Years		
		Less Than 1	1-5	6-10
U.S. Treasury obligations	\$ 5,139,445	\$ 501,550	\$ 735,513	\$ 1,548,900
U.S. agency obligations	1,475,591	-	764,278	217,994
Corporate bonds	12,077,710	551,941	5,518,670	5,693,854
Municipal bonds	804,543	50,483	177,557	294,566
<b>TOTAL</b>	<b>\$ 19,497,589</b>	<b>\$ 1,143,974</b>	<b>\$ 7,196,018</b>	<b>\$ 7,755,314</b>
				\$ 3,402,283

2. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at the date of this report 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 the date of this report:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 10,618,054	\$ 190,148	\$ 5,211,253	\$ 5,216,653	\$ 14,495
U.S. Agency obligations	2,418,362	661,369	1,742,498		
Corporate bonds	9,608,204	257,533	6,858,848	2,237,371	244,352
<b>TOTAL</b>	<b>\$ 22,644,620</b>	<b>\$ 1,109,150</b>	<b>\$ 13,822,599</b>	<b>\$ 7,458,519</b>	<b>\$ 244,352</b>

2. DEPOSITS AND INVESTMENTS (Continued)

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

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

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 33.6% to 38.2% and 9.4% to 11.8% ranges, respectively. Fixed income securities should comprise 50.7% to 60.7% of investments. Cash holdings should be 0% to 5.5%. All investments fall within their acceptable ranges at the date of this report. At the date of this report, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury and U.S. agency obligations, which is in accordance with the Firefighters' Pension Fund's investment policy.

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

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Transfers

During the year, the following transfers were made:

- \$590,000 from the General Fund to the Capital Equipment Acquisition Fund
- \$1,258,000 from the General Fund to the Village Hall Renovation Fund
- \$1,000,000 from the Rand Corridor TIF Fund to the Rand-Lake Cook TIF Fund
- \$80,000 from the Capital Improvement Fund to the Village Hall Renovation Fund
- \$1,297,000 from the Police Facility Construction Fund to the Village Hall Renovation Fund
- \$774,753 from the Fire Facility Construction Fund to the Village Hall Renovation Fund
- \$100,000 from the Waterworks Fund to the Capital Equipment Acquisition Fund
- \$50,000 from the Sewerage Fund to the Capital Equipment Acquisition Fund
- \$100,000 from the Refuse Collection Fund to the Capital Improvement Fund

These transfers were for reimbursement of certain costs and to close the Fire Facility Construction Fund and will not be repaid.

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 the date of this report, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the year were as follows:

Fiscal Year Year December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 284,669	\$ 135,226	47.50%	\$ 723,860
2012	279,920	135,226	48.30%	868,556
2013	300,341	227,337	58.40%	1,030,961

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation at the date of this report was calculated as follows:

Annual required contribution	\$ 384,551
Interest on net OPEB obligation	34,742
Adjustment to annual required contribution	(28,952)
Annual OPEB cost	390,341
Contributions made	227,937
Increase in net OPEB obligation	162,405
Net OPEB obligation, beginning of year	888,556
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<b>\$ 1,050,961</b>

Funded Status and Funding Progress: The funded status and funding progress of the Plan at the date of this report, the most recent information available, was as follows:

Actuarial accrued liability (AAL)	\$ 5,329,063
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	5,339,063
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 27,359,373
UAAL as a percentage of covered payroll	19.47%

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.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2013 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 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 Employees Retirement System (PPERS) which is a single-employer pension plan; and the Firefighters' Pension Employees Retirement System (FPERS) 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 online at [www.imrf.org](http://www.imrf.org).

a. Plan Descriptions

Illinois Municipal Retirement Fund (IMRF)

All employees (other than those covered by the PPERS or FPERS) 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.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

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 1/23% 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 1/23% 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 2013 were 13.47% of covered payroll.

Police Pension Employees Retirement System (PPERS)

Police sworn personnel are covered by the PPERS. 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, 2014, the PPERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	49
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	88
Vested	22
Nonvested	
<b>TOTAL</b>	<b>160</b>

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

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

Tier 2 employees (those hired on or after January 1, 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 50 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the preceding calendar year.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

Employees are required by ILCS to contribute 9.91% of their base salary to the PPERS. 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 PPERS. For the year ended December 31, 2013, the Village's contribution was 29.35% of covered payroll.

Firefighters' Pension Employees Retirement System (FPERS)

Fire sworn personnel are covered by the FPERS. 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, 2014, the FPERS membership consisted of:

Retirees and beneficiaries currently receiving benefits

Terminated employees entitled to benefits but not yet receiving them

Current employees	54	
Vested	38	
Nonvested		
<b>TOTAL</b>	<b>153</b>	

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Employees Retirement System (FPERS) (Continued)

The FPERS 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 creditable 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 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Employees Retirement System (FPERS) (Continued)

Covered employees are required to contribute 9.455% of their base salary to the FPERS. 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 FPERS. For the year ended December 31, 2013, the Village's contribution was 35.18% 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 position 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:

	IMRF	PPERS	FPERS
Actuarial valuation date	December 31, 2011	December 31, 2012	December 31, 2012
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	Market	Market
Amortization method	Level	Level	Level
Amortization period	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll
	30 Years, Open	27 Years, Closed	27 Years, Closed
Significant actuarial assumptions			
a) Inflation rate	4.00%	3.00%	3.00%
b) Rate of return on investments	7.50%	7.50%	7.50%
c) Projected salary increases	Compounded Annually	Compounded Annually	Compounded Annually
d) Postretirement benefit increases	.40% to 10.00%	4.50%	4.50%
	3.00%	3.00%	3.00%

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

The Village's annual pension cost and net pension obligation to the PPERS and FPPERS for the year ended December 31, 2013 were as follows:

	PPERS	FPPERS
Annual required contribution	\$ 2,948,599	\$ 3,091,300
Interest on net pension obligation	24,161	35,222
Adjustment to annual required contributions	(16,898)	(24,634)
Annual pension cost	2,955,862	3,101,388
Contributions made	2,969,877	2,958,027
	(14,015)	143,861
	322,145	469,629
NET PENSION OBLIGATION, END OF YEAR	\$ 308,130	\$ 613,490

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	IMRF	PPERS	FPPERS	ASSETS	Police Pension	Firefighters' Pension	Total
Annual pension cost (APC)	\$ 1,410,209	\$ 2,800,759	\$ 2,704,868	Cash and cash equivalents	\$ 879	\$ 879	\$ 1,758
	2011	1,311,221	3,004,711	U.S. Treasury securities	5,139,445	10,618,054	15,757,499
	2012	1,366,121	2,955,862	U.S. agency securities	1,475,891	2,418,362	3,894,253
	2013			Corporate and international bonds	12,077,710	9,608,204	21,685,914
Actual contribution	\$ 1,410,209	\$ 3,450,128	\$ 2,660,249	Municipal bonds	804,543	-	804,543
	2012	1,311,221	3,016,974	Money market mutual funds	472,845	707,220	1,180,065
	2013	1,366,121	2,969,877	Equities	36,863,312	33,798,285	70,661,597
				Receivables	138,674	120,921	259,595
				Accrued interest	17,786	18,091	35,877
				Due from general fund			
Percentage of APC contributed	2011	100.00%	123.19%	Total assets	56,991,085	57,290,016	114,281,101
	2012	100.00%	100.41%	LIABILITIES			
	2013	100.00%	100.47%	Accounts payable			
NPO (asset)	2011	\$ -	\$ 334,408	Total liabilities			
	2012	\$ -	\$ 322,145				
	2013	\$ -	\$ 308,130	NET POSITION	\$ 56,991,085	\$ 57,290,016	\$ 114,281,101

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

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total	
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 2,969,877	\$ 2,958,027	\$ 5,927,904	
Employee	956,348	793,686	1,790,034	
Miscellaneous	81		81	
<b>Total contributions</b>	<b>3,966,306</b>	<b>3,751,713</b>	<b>7,718,019</b>	
Investment income				
Net appreciation in fair value of investments	4,979,713	6,258,879	11,238,592	
Interest income	1,288,100	1,002,811	2,300,911	
Less investment expense	(288,494)	(195,046)	(483,540)	
Net investment income	5,989,319	7,066,644	13,055,963	
<b>Total additions</b>	<b>9,955,625</b>	<b>10,818,357</b>	<b>20,773,982</b>	
<b>DEDUCTIONS</b>				
Administrative	16,896	10,962	27,858	
Pension benefits and refunds	2,633,186	3,660,825	6,304,011	
<b>Total deductions</b>	<b>2,660,082</b>	<b>3,671,787</b>	<b>6,331,869</b>	
<b>CHANGE IN NET POSITION</b>	<b>7,295,543</b>	<b>7,146,570</b>	<b>14,442,113</b>	
<b>NET POSITION</b>				
January 1	49,655,542	50,143,446	99,838,988	
December 31	<b>\$ 56,991,085</b>	<b>\$ 57,290,016</b>	<b>\$ 114,281,101</b>	

As of December 31, 2013, the beginning net position/fund balances for the following funds and activities were restated as follows:

	General Fund	Downtown TIF Fund	Entity-wide Governmental Activities
<b>Net position/fund Balances - as previously reported</b>	<b>\$ 20,837,871</b>	<b>\$ 13,669,166</b>	<b>\$ 170,623,812</b>
<b>Restatement of accrued revenue</b>	<b>(280,750)</b>	<b>(290,686)</b>	<b>(571,436)</b>
<b>Net position/fund Balances - as restated</b>	<b>\$ 20,557,121</b>	<b>\$ 13,378,480</b>	<b>\$ 170,052,376</b>

Accrued revenues have been restated to properly recognize revenues in the correct fiscal period.

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

December 31, 2013

VILLAGE OF PALATINE, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POLICE PENSION FUND

December 31, 2013

*Schedule of Funding Progress*

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded AAL (UAAL)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ 18,211,574	\$ 27,159,988	67,03%	\$ 8,958,414	\$ 10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%
2012	25,447,488	33,813,736	74.37%	8,665,248	9,925,976	87.31%
2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,956	74.86%

*Schedule of Funding Progress*

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded AAL (UAAL)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ 40,907,394	\$ 56,689,201	79.91%	\$ 10,181,807	\$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,982	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,453	77,719,305	57.43%	33,085,752	9,749,554	339.35%
2012	49,695,524	84,402,484	58.88%	34,705,960	9,823,321	353.31%
2013	56,991,085	90,217,352	63.17%	33,226,267	10,117,378	328.41%

*Schedule of Employer Contributions*

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 1,268,107	\$ 1,268,107	100.00%			
2009	1,279,291	1,279,291	100.00%			
2010	1,535,559	1,535,559	100.00%			
2011	1,410,209	1,410,209	100.00%			
2012	1,311,221	1,311,221	100.00%			
2013	1,366,121	1,366,121	100.00%			

**D-10**

**Attachment I**

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTERS' PENSION FUND

December 31, 2013

*Schedule of Funding Progress*

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (UAAL) (2) - (1)	(5) Covered Payroll	(6) Percentage of Covered Payroll (4) / (5)
2008	\$ 47,182,964	\$ 50,944,617	92.62%	\$ 3,761,653	\$ 7,451,465	50.48%
2009	46,673,385	58,973,396	79.14%	12,300,111	7,608,618	161.65%
2010	48,069,222	63,937,038	75.18%	15,867,816	7,280,109	217.96%
2011	48,069,713	75,335,332	63.81%	27,265,619	7,723,119	353.04%
2012	50,143,446	84,352,931	59.44%	34,209,485	8,000,569	427.59%
2013	57,290,015	89,230,996	64.20%	31,940,981	8,408,325	379.87%

*Schedule of Funding Progress*

UAAL as a Percentage of Covered Payroll (4) / (5)	Actuarial Valuation Date December 31,	(1) Actuarial Accrued Liability (AAL)	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL)	(5) 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 <sup>1</sup>	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2012	-	5,329,063	0.00%	5,329,063	25,423,925	20.56%
2013 <sup>1</sup>	-	5,329,063	0.00%	5,329,063	27,369,373	19.47%

<sup>1</sup> Results from prior year.

*Schedule of Employer Contributions*

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 1,417,414	\$ 1,167,796	121.38%	\$ 49,644	\$ 214,542	23.14%
2009	1,259,881	1,175,761	107.15%	67,622	219,257	30.84%
2010	2,032,916	2,065,574	98.42%	135,226	219,256	61.67%
2011	2,600,219	2,698,315	96.36%	2011	135,226	49.16%
2012	2,876,372	2,978,383	96.57%	2012	135,224	48.31%
2013	2,958,027	3,091,300	95.69%	2013	227,937	59.27%

**D-11**

**Attachment I**

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

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

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

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

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

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

	Final Budget	Actual
Special Fire Grant Fund	\$ 4,680	\$ 4,682
Waterworks Fund	6,778,241	6,861,559

**VILLAGE OF PALATINE, ILLINOIS**

**TAX INCREMENT FINANCING FUNDS**

**REPORT ON COMPLIANCE  
WITH PUBLIC ACT 85-1142**

**For the Year Ended  
December 31, 2014**

VILLAGE OF PALATINE, ILLINOIS  
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Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

## 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 June 4, 2015 that the Village of Palatine, Illinois (the Village) 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, 2014. 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's 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, Illinois complied with the aforementioned requirements for the year ended December 31, 2014 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, the 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.

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

Naperville, Illinois  
June 4, 2015



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Naperville, Illinois 60563

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois (the Village) as of and for the year ended December 31, 2014, which collectively comprise the basic financial statements of the Village, and have issued our report thereon dated June 4, 2015, which expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion 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 Cook Tax Increment Financing District Fund) of revenues, expenditures, and changes in fund balance) 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 relates 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.

Naperville, Illinois  
June 4, 2015

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

## **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, 2014

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand/Lake Cook TIF
<b>REVENUES</b>					
Taxes					
Incremental property taxes	\$ 2,357,036	\$ 265,419	\$ 4,775,941	\$ 2,090,192	\$ -
Intergovernmental					
Build America bond interest rebate	- -	- -	126,579	- -	- -
Investment income	907	165	14,006	15	- -
Miscellaneous					
Reimbursements	- -	- -	79,041	- -	- -
<b>Total revenues</b>	<b>2,357,943</b>	<b>265,584</b>	<b>4,995,567</b>	<b>2,090,207</b>	<b>- -</b>
<b>EXPENDITURES</b>					
Economic development					
Supplies and services	- -	- -	8,558	9,370	- -
Project expenditures	- -	- -	766,608	337,400	- -
Surplus distribution	1,978,000	165,000	- -	- -	- -
Capital outlay					
Buildings and facilities	- -	- -	64,028	- -	- -
Rights of way improvements	3,744	- -	57,439	2,379	- -
Street improvements	21,249	- -	1,034,220	2,936	- -
Water system	- -	- -	81,520	- -	- -
Debt service					
Principal retirement	- -	- -	3,871,099	995,000	- -
Interest	- -	- -	1,429,628	837,498	- -
Fiscal charges	- -	- -	39,305	79,797	- -
<b>Total expenditures</b>	<b>2,002,993</b>	<b>165,000</b>	<b>7,352,405</b>	<b>2,264,380</b>	<b>- -</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>354,950</b>	<b>100,584</b>	<b>(2,356,838)</b>	<b>(174,173)</b>	<b>- -</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds, issued at par	- -	- -	3,720,000	7,265,000	- -
Bond premium	- -	- -	86,765	125,460	- -
Payment to refunded bond escrow agent	- -	- -	(3,767,390)	(7,308,995)	- -
<b>Total other financing sources (uses)</b>	<b>- -</b>	<b>- -</b>	<b>39,375</b>	<b>81,465</b>	<b>- -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>354,950</b>	<b>100,584</b>	<b>(2,317,463)</b>	<b>(92,708)</b>	<b>- -</b>
<b>FUND BALANCE, JANUARY 1</b>	<b>2,655,486</b>	<b>263,137</b>	<b>5,812,646</b>	<b>8,737,183</b>	<b>(43,615)</b>
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 3,010,436</b>	<b>\$ 363,721</b>	<b>\$ 3,495,183</b>	<b>\$ 8,644,475</b>	<b>\$ (43,615)</b>

(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, 2014

	Dundee Road TIF	Rand/Dundee TIF	Downtown TIF	Rand Road Corridor TIF	Rand/Lake Cook TIF
BEGINNING BALANCES, JANUARY 1, 2014	\$ 2,655,486	\$ 263,137	\$ 5,812,646	\$ 8,737,183	\$ (43,615)
<b>ADDITIONS</b>					
Taxes					
Incremental property taxes	2,357,036	265,419	4,775,941	2,090,192	-
Intergovernmental					
Build america bond interest rebate	-	-	126,579	-	-
Investment income	907	165	14,006	15	-
Miscellaneous					
Reimbursements	-	-	79,041	-	-
Refunding bonds, issued at par	-	-	3,720,000	7,265,000	-
Bond premium	-	-	86,765	125,460	-
Total additions	2,357,943	265,584	8,802,332	9,480,667	-
BEGINNING BALANCES PLUS ADDITIONS	5,013,429	528,721	14,614,978	18,217,850	(43,615)
<b>DEDUCTIONS</b>					
Economic development					
Supplies and services	-	-	8,558	9,370	-
Project expenditures	-	-	766,608	337,400	-
Surplus distribution	1,978,000	165,000	-	-	-
Capital outlay					
Buildings and facilities	-	-	64,028	-	-
Rights of way improvements	3,744	-	57,439	2,379	-
Street improvements	21,249	-	1,034,220	2,936	-
Water system	-	-	81,520	-	-
Debt service					
Principal retirement	-	-	3,871,099	995,000	-
Interest	-	-	1,429,628	837,498	-
Fiscal charges	-	-	39,305	79,797	-
Payment to refunded bond escrow agent	-	-	3,767,390	7,308,995	-
Total deductions	2,002,993	165,000	11,119,795	9,573,375	-
ENDING BALANCES, DECEMBER 31, 2014	\$ 3,010,436	\$ 363,721	\$ 3,495,183	\$ 8,644,475	\$ (43,615)
<b>ENDING BALANCES BY SOURCE</b>					
Incremental property taxes	\$ 3,010,436	\$ 363,721	\$ (4,758,616)	\$ 31,017	\$ (43,615)
Investment in land held for resale	-	-	8,253,799	8,613,458	-
Subtotal	3,010,436	363,721	3,495,183	8,644,475	(43,615)
Less Surplus Funds	-	-	-	-	-
ENDING BALANCES, DECEMBER 31, 2014	\$ 3,010,436	\$ 363,721	\$ 3,495,183	\$ 8,644,475	\$ (43,615)

(See independent auditor's report.)