File 14TIF01643032Rand_Corridor_TIF was Uploaded for Rand Corridor TIF belonging to 016/430/32 for FY 2014 on 07/01/2015! Make sure to print off this screen shot for your records showing the report has been successfully uploaded!

LOCAL GOVERNMENT DIVISION

ANNUAL TAX INCREMENT FINANCIAL REPORT

STATE OF ILLINOIS

COMPTROLLER

LESLIE GEISSLER MUNGER

Municipality TIF Administrator

Upload Report - Step 3

Fiscal Year 2014

TIF Districts

Back to Step 1

Get TIF Forms

Click on the "Browse..." button and navigate to the file location of the pdf you want to upload and then click the "Upload" button

Municipality: Palatine Village (016/430/32)

Select TIF District:

File Location: Browse...

File Name (Do Not Include .pdf): 14TIF01643032

File Folder (Folder with Code Folder):

Upload

FY 2014
ANNUAL TAX INCREMENT FINANCE REPORT

STATE OF ILLINOIS
COMPTROLLER
JUDY BAAR TOPINKA

Name of Municipality:	Village of Palatine	Reporting Fiscal Year:	**2014**
County:	Cook	Fiscal Year End:	12/31/2014
Unit Code:	016/430/32		

TIF Administrator Contact Information

First Name:	Reid	Last Name:	Ottesen		
Address:	200 E Wood Street	Title:	Village Manager		
Telephone:	847-359-9031	City:	Palatine	Zip:	60067
Mobile		E-mail	findept@palatine.il.us		
Mobile Provider		Best way to contact	___X___ Email ______ Mobile		______ Phone ______ Mail

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

is complete and accurate at the end of this reporting Fiscal year under the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] Or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

Reid T. Ottesen — 6/26/15

Written signature of TIF Administator — Date

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

FILL OUT ONE FOR EACH TIF DISTICT

Name of Redevelopment Project Area	Date Designated	Date Terminated
Rand Road Corridor Tax Increment Financing		
Redevelopment Project Area	01/27/2003	

*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

Name of Redevelopment Project Area:	**Rand Road Corridor**
Primary Use of Redevelopment Project Area*:	**Retail**
If "Combination/Mixed" List Component Types:	
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one): **Tax Increment Allocation Redevelopment Act __x___ Industrial Jobs Recovery Law _____**	

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

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

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

FY 2014
TIF NAME: Rand Road Corridor

Fund Balance at Beginning of Reporting Period	$ 8,737,183

Revenue/Cash Receipts Deposited in Fund During Reporting FY:	Reporting Year	Cumulative*	% of Total
Property Tax Increment	$ 2,090,192	$ 29,139,931	45%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	$ 15	$ 361,278	1%
Land/Building Sale Proceeds		$ 213,935	0%
Bond Proceeds	$ 7,390,460	$ 33,015,460	51%
Transfers from Municipal Sources		$ 2,239,452	3%
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	$ 9,480,667		
Cumulative Total Revenues/Cash Receipts		$ 64,970,056	100%
Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)	$ 9,573,375		
Distribution of Surplus	$ -		
Total Expenditures/Disbursements	$ 9,573,375		
NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	$ (92,708)		
FUND BALANCE, END OF REPORTING PERIOD*	$ 8,644,475		

* 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)	$ (6,850,525)

SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))

FY 2014
TIF NAME: Rand Road Corridor

ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND
(by category of permissible redevelopment cost, amounts expended during reporting period)

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

Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]	Amounts	Reporting Fiscal Year
1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)		
Legal Services	7,770	
Accounting/Auditing services	1,600	
		$ 9,370
2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6)		
		$ -
3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3)		
		$ -
4. Costs of rehabilitation, reconstruction, repair or remodeling of existing public or private buildings. Subsection (q)(3) and (o)(4)		
Rehabilitation, Reconstruction and Repairs	337,400	
		$ 337,400
5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)		
Rights of way improvements	2,379	
Street improvements	2,936	
		$ 5,315
6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY		
		$ -

SECTION 3.2 A		
PAGE 2		
7. Cost of job training and retraining, including "welfare to work" programs Subsection (q)(5), (o)(7) and (o)(12)		
		$ -
8. Financing costs. Subsection (q) (6) and (o)(8)		
Principal retirement	995,000	
Interest	837,498	
Fiscal charges	79,797	
Payment to refunded bond escrow agent	7,308,995	
		$ 9,221,290
9. Approved capital costs. Subsection (q)(7) and (o)(9)		
		$ -
10. Cost of Reimbursing school districts for their increased costs caused by TIF assisted housing projects. Subsection (q)(7.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		$ -
11. Relocation costs. Subsection (q)(8) and (o)(10)		
		$ -
12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11)		
		$ -
13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12)		
		$ -

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

TOTAL ITEMIZED EXPENDITURES		$ 9,573,375

FY 2014

TIF NAME: Rand Road Corridor

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

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

Name	Service	Amount
Wells Fargo Bank	Debt Service	$ 1,833,497.50
DNA Realty	Rehab, Reconst, and Repairs	$ 313,965.00
Speer Financial Inc	Debt Service - Financial Advisor	$ 25,299.97
Katten Muchin Rosenman Llp	Debt Service - Bond Counsel	$ 12,168.00
Boom Real Estate Holdings LLC	Rehab, Reconst, and Repairs	$ 23,435.00

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: Rand Road Corridor

FUND BALANCE, END OF REPORTING PERIOD	$ 8,644,475

1. Description of Debt Obligations	Amount of Original Issuance	Amount Designated
General Obligation Bonds, Series 2007C	$ 1,215,000	$ 715,000
General Obligation Taxable Bonds, Series 2007D	$ 9,885,000	$ 7,515,000
General Obligation Taxable Refunding Bonds, Series 2014B	$ 7,265,000	$ 7,265,000
Total Amount Designated for Obligations	$ 18,365,000	$ 15,495,000

2. Description of Project Costs to be Paid

Total Amount Designated for Project Costs	$ -
TOTAL AMOUNT DESIGNATED	$ 15,495,000
SURPLUS*/(DEFICIT)	$ (6,850,525)

* 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: Rand Road Corridor

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: Rand Road Corridor

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*.	8

TOTAL:	**11/1/99 to Date**	**Estimated Investment for Subsequent Fiscal Year**	**Total Estimated to Complete Project**
Private Investment Undertaken (See Instructions)	$ 60,244,493	$ -	$ -
Public Investment Undertaken	$ 60,774,371	$ 359,750	$ 966,030
Ratio of Private/Public Investment	1		0

Project 1: *IF PROJECTS ARE LISTED NUMBER MUST BE ENTERED ABOVE			
Walmart			
Private Investment Undertaken (See Instructions)	$ 36,094,493		$ -
Public Investment Undertaken	$ 30,382,599		
Ratio of Private/Public Investment	1 3/16		0

Project 2:			
Arlington Toyota			
Private Investment Undertaken (See Instructions)	$ 10,000,000		
Public Investment Undertaken	$ 16,983,500	$ 347,750	$ 947,436
Ratio of Private/Public Investment	53/90		0

Project 3:			
Tore & Luke's			
Private Investment Undertaken (See Instructions)	$ 1,500,000		
Public Investment Undertaken	$ 1,126,390		
Ratio of Private/Public Investment	1 1/3		0

Project 4:			
White Castle			
Private Investment Undertaken (See Instructions)	$ 1,500,000		
Public Investment Undertaken	$ 121,520		
Ratio of Private/Public Investment	12 11/32		0

Project 5:			
Harley Davidson			
Private Investment Undertaken (See Instructions)	$ 7,000,000		
Public Investment Undertaken	$ 3,152,355		
Ratio of Private/Public Investment	2 15/68		0

Project 6:			
Foxfire/Caputo's			
Private Investment Undertaken (See Instructions)	$ 3,300,000		
Public Investment Undertaken	$ 901,601		
Ratio of Private/Public Investment	3 33/50		0

Project 7: Sonic Restaurant			
Private Investment Undertaken (See Instructions)	$ 850,000		
Public Investment Undertaken	$ 106,406	$ 12,000	$ 18,594
Ratio of Private/Public Investment	7 84/85		0

Project 8: Menards			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken	$ 8,000,000		
Ratio of Private/Public Investment	0		0

Project 9:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 10:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 11:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 12:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 13:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 14:			
Private Investment Undertaken (See Instructions)			
Public Investment Undertaken			
Ratio of Private/Public Investment	0		0

Project 15:			
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: Rand Road Corridor

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
2003	$ 53,566,271	$ 72,940,062

List all overlapping tax districts in the redevelopment project area.
If overlapping taxing district received a surplus, list the surplus.

__X__ The overlapping taxing districts did not receive a surplus.

Overlapping Taxing District	Surplus Distributed from redevelopment project area to overlapping districts
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -

SECTION 7

Provide information about job creation and retention

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

SECTION 8

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

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

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Jim Schwantz, the duly elected Mayor and Chief Executive Officer of the Village of Palatine, County of Cook, State of Illinois, do hereby certify that to the best of my knowledge, the Village complied with the requirements pertaining to the Illinois Tax Increment Redevelopment Allocation Act during the fiscal year beginning January 1, 2014 and ending December 31, 2014.

Jim Schwantz
Mayor

6/29/15
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

6/29/15

Date

Activities Undertaken in Furtherance of the Objectives of the Redevelopment Plan

The Village approved a Redevelopment Agreement with the First Rockford Group for the potential reuse/redevelopment of the former Menard's site on Rand Road. The developer has until July 31, 2015 to obtain all related Village zoning approvals. If the project does not move forward, the Village will again market the site in an effort to facilitate the commercial use/redevelopment of the property.

ORDINANCE NO. 0-86-14

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND FIRST ROCKFORD GROUP, INC. FOR THE PROPERTY AT 1775 N. RAND ROAD

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

ORDINANCE NO. 0-86-14

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND FIRST ROCKFORD GROUP, INC. FOR THE PROPERTY AT 1775 N. RAND ROAD

WHEREAS, the Village of Palatine by Ordinance Nos. 0-23-03, 0-24-03, 0-25-03 and passed by the Mayor and Village Council on January 27, 2003 established a Tax Increment Financing District, adopted a Tax Increment Redevelopment Plan for Rand Road Corridor, and designated a Redevelopment Project Area; and

WHEREAS, the Mayor and Village Council have on July 14, 2014, considered the proposed Redevelopment Agreement with First Rockford Group, Inc. for the property at 1775 N. Rand Road and have determined that entering into this Agreement furthers the purposes of the Tax Increment Financing District and the Redevelopment Plan for the Rand Road Corridor TIF District 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 Village of Palatine hereby authorizes the Mayor to execute the Redevelopment Agreement, attached hereto as Exhibit "A", pursuant to the Tax Increment Financing Act, Section 65 ILCS 5/11-74/4-4(c) and authorizes the Mayor to execute any other supporting documents to the extent permitted by law.

SECTION 2: This Ordinance shall be in full force and effect upon passage and approval as provided by law.

PASSED: This 14 day of July, 2014

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

APPROVED by me this 14th day of July, 2014

[signature]

Mayor of the Village of Palatine

ATTESTED and FILED in the office of the Village Clerk this 14th day of July, 2014

Margaret R Burt

Village Clerk

7/10/2014 8:11 AM

REDEVELOPMENT AGREEMENT

THIS REDEVELOPMENT AGREEMENT (this "Agreement"), is made and entered into as of the 30 day of July, 2014 ("Agreement Date") by and between the **VILLAGE OF PALATINE, ILLINOIS**, an Illinois municipal home rule corporation, located in Cook County, Illinois (the "Village"), and **FIRST ROCKFORD GROUP, INC.**, an Illinois corporation (the "FRG"). (The Village and FRG are sometimes referred to individually as a "Party" and collectively as the "Parties").

RECITALS

WHEREAS, the Village is a home rule unit of government and has the authority to prevent the presence of blight, to encourage private development in order to enhance the local tax base, and to enter into contractual agreements with third parties for the purpose of achieving the aforesaid purposes, and otherwise be in the best interests of the Village; and

WHEREAS, the Village created the Rand Road Corridor TIF District by adopting the necessary ordinances, after giving all notices required and after conducting the public hearings required by law; and

WHEREAS, on November 4, 2013, the Village published a Notice of Development Opportunity seeking development proposals for the property known as 1775 N Rand Road, located at the northeast corner of Rand Road and Old Hicks Road in the Rand Road TIF District; and

WHEREAS, the Village is authorized under the provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq., as amended (the "Act"), to finance redevelopment in accordance with the conditions and requirements set forth in the Act; and

WHEREAS, FRG desires to own and redevelop the Property; and

WHEREAS, FRG intends to file and Village agrees to execute an application for a planned development to seek approval to construct a commercial development on the Property as more fully described in Article 2 under the definition of Project (the "Planned Development"); and

WHEREAS, it is necessary that the Village enter into this Agreement with FRG to bring redevelopment to the Property in furtherance of the Redevelopment Plan; and

WHEREAS, FRG has been and continues to be unwilling to undertake the cost, expense and steps necessary to achieve the ultimate goal of redevelopment of the Property but for certain tax increment financing ("TIF") incentives from the Village, which the Village is willing to provide under the terms and conditions contained herein; and

WHEREAS, this Agreement has been submitted to the Corporate Authorities of the Village for consideration and review, the Corporate Authorities have taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon the Village according to the terms hereof, and any and all actions of the Corporate Authorities of the Village precedent to the execution of this Agreement have been undertaken and performed in the manner required by law; and

WHEREAS, this Agreement has been submitted to the Director of FRG for consideration and review, the Director has taken all actions required to be taken prior to the execution of this Agreement in order to make the same binding upon FRG according to the terms hereof, and any and all action of FRG's Director precedent to the execution of this Agreement have been undertaken and performed in the manner required by law.

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 of which are hereby acknowledged, the Parties do hereby agree as follows:

ARTICLE ONE

INCORPORATION OF RECITALS

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 FRG.

ARTICLE TWO

DEFINITIONS

For the purposes of this Agreement, unless the context clearly requires otherwise, words and terms used in this Agreement shall have the meanings provided from place to place herein, including above in the recitals hereto and as follows:

"Act" means the Tax Increment Allocation Redevelopment Act found at 65 ILCS 5-11-74.4-1, *et seq*.

"Agreement" means this Redevelopment Agreement.

"Closing" means the acquisition of the Property by FRG.

"Corporate Authorities" means the Village Mayor and Village Council of the Village of Palatine, Illinois.

"**Day**" means a calendar day.

"**FRG**" means First Rockford Group, Inc., an Illinois corporation, or any successor in interest thereof permitted pursuant to **Section 9.10** hereof.

"**Party**" means the Village and/or FRG and its successors and/or assigns as permitted herein, as the context requires.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, trust, or government or any agency or political subdivision thereof, or any agency or entity created or existing under the compact clause of the United States Constitution.

"**Preliminary Plans**" means the two site plan options submitted with FRG's Response to Notice of Development Opportunity, which are attached hereto as Exhibit "A".

"**Project**" means the development, construction, financing, completion and operation of a limited assortment grocer of not less than Fifteen Thousand (15,000) square feet ("Primary User"), or in the alternative, a commercial retail user of not less than Twenty Thousand (20,000) square feet if such user is deemed acceptable by the Village in the Village's sole discretion ("Alternate User"). The Parties acknowledge that the Project may include outlots and other on-site improvements other than the Primary User or Alternate User , all in accordance with the Final Plans if approved by the Village in the Planned Development ordinance.

"**Property**" means the parcel of property (PIN # 02-02-402-013) as of the date of this Agreement) at the northeast corner of Rand Road and Old Hicks Road, formerly known as the Menards property, upon which the Project will be constructed and as more particularly described in Exhibit "B".

"Rand Road Redevelopment Project Area" means the entire Rand Road TIF district created by the Ordinances adopted by the Village in 2003.

"Real Estate Sale Provisions" means those provisions set forth in **Article Thirteen** herein.

"Redevelopment Plan" means the "Redevelopment Plan" for Rand Road as defined in the Village Ordinance No. O-23-03.

"State" means the State of Illinois.

"TIF Ordinances" means Ordinance Nos. O-23-03, O-24-03, and O-25-03 all adopted by the Village on January 27, 2003, as referenced in the Recitals to this Agreement.

"TIF Eligible Expenses" means eligible expenses authorized to be reimbursed by the Act.

"Uncontrollable Circumstance" means any event impacting the construction of the Project, which:

(a) is beyond the reasonable control of and without the fault of the Party relying thereon; 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, flood, 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 FRG;
  (vi) shortage of materials not attributable to FRG; or
  (vii) introduction of hazardous materials to the Property other than by FRG which requires a clean-up be approved and / or supervised by agencies of the State.

(c) Uncontrollable Circumstance shall not include:

(i) economic hardship or impracticability of performance (except as described under Change of Law);

(ii) commercial or economic frustration of purpose, (except as described under Change of Law);

(iii) unavailability of materials, strikes or labor disputes caused by the acts of FRG;

(iv) a failure of performance by a contractor (except as caused by events which are otherwise Uncontrollable Circumstances hereunder, as to such contractor).

"Village" means the Village of Palatine, Illinois, an Illinois municipal corporation.

ARTICLE THREE

CONSTRUCTION

This Agreement, except where the context by clear implication shall otherwise require, shall be construed and applied as follows:

(a) Definitions include both singular and plural.

(b) Pronouns include both singular and plural and cover all genders.

(c) The word "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

(d) Headings of sections herein are solely for convenience of reference and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) All exhibits attached to this Agreement shall be and are operative provisions of this Agreement and shall be and are incorporated by reference in the context of use where mentioned and referenced in this Agreement. In the event of a conflict between any exhibit and the terms of this Agreement, the terms of this Agreement shall control.

(f) Any certificate, letter or opinion required to be given pursuant to this Agreement means a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth. Reference herein to supplemental agreements, certificates, demands, requests, approvals, consents, notices and the like means that such shall be in writing whether or not a writing is specifically mentioned in the context of use.

(g) In connection herewith concerning written directions or authorization in respect of the investment of any funds, notwithstanding any provision hereof to the contrary, such direction or authorization in writing, including by telecopier/facsimile transmission, shall be appropriate and is hereby approved.

(h) The Village Manager, unless applicable law requires action by the Corporate Authorities, shall have the power and authority to make or grant or do those things, certificates, requests, demands, notices and other actions required that are ministerial in nature or described in this Agreement for and on behalf of the Village and with the effect of binding the Village as limited by and provided for in this Agreement. FRG is entitled to rely on the full power and authority of the persons executing this Agreement on behalf of the Village as having been properly and legally given by the Village.

(i) In connection with the foregoing and other actions to be taken under this Agreement, and unless applicable documents require action by FRG in a different manner, FRG hereby designates Pankaj Mahajan as its authorized representative who shall individually have the power and authority to make or grant or do all things, supplemental agreements, certificates, requests, demands, approvals, consents, notices and other actions required or described in this Agreement for and on behalf of FRG and with the effect of binding FRG in that connection (such individual hereinafter being "Authorized FRG Representative"). FRG shall have the right to change its Authorized FRG Representative by providing the Village with written notice of such change which notice shall be sent in accordance with **Section 16.2**.

ARTICLE FOUR

IMPLEMENTATION OF PROJECT

The Village and FRG agree to cooperate in implementing the Project in accordance with the Parties' respective obligations set forth in this Agreement. This Agreement and all of its terms are subject to the Village adopting an ordinance granting Planned Development approval for the Project, in the Village's sole discretion. FRG shall have no rights to purchase and develop the Project unless and until the Village adopts an ordinance granting Planned Development approval for the Project.

ARTICLE FIVE

FRG'S ACCESS TO THE PROPERTY

FRG's right to access the Property from time to time for the performance of FRG's desired due diligence, soil tests, land survey, and topographical survey, and other required site preparation work has been set forth in a separate document entitled "License Agreement" by and between the Village and FRG (the "License Agreement"). The License Agreement shall be fully executed prior to FRG's entry on the Property, a copy of which is attached as **Exhibit "C"**. The Village agrees to provide to FRG all due diligence reports and information that the Village received and/or prepared prior to or after the Village purchased the Property from Menards.

ARTICLE SIX

ACQUISITION OF THE PROPERTY

6.1 **Acquisition of Property by FRG.** FRG shall purchase the Property, if at all, only after FRG provides the Village with a binding, valid, legally enforceable letter of intent or fully executed purchase agreement from a Primary User or Alternate User, and pursuant to **Article Thirteen** and the terms of this Agreement. The purchase price to be paid by FRG to the Village for the Property shall be Six Million Dollars ($6,000,000.00), plus or minus prorations and adjustments as set forth herein ("Purchase Price") in accordance with **Section 6.2** hereof.

6.2 **Purchase Price of Property.** Subject to the Village adopting a Planned Development ordinance for the Project, FRG having waived its right to terminate as provided herein, and the Village not exercising its option to terminate, but prior to issuance of any land development permit of any kind or any building permit, and subject to FRG not being in Default hereunder or under the License Agreement, the Village agrees and covenants to convey title to, and FRG agrees to purchase and accept legal title to the Property from the Village by special warranty deed, subject to **Article Thirteen,** simultaneous with the payment to the Village by FRG of Six Million Dollars ($6,000,000.00), which shall be paid as follows:

A. At Closing, FRG shall pay the Village Three Million Dollars ($3,000,000.00), plus or minus prorations and adjustments as required under this Agreement, ("Initial Payment"), by wire transfer of immediately available funds on the date of Closing, pursuant to **Article Thirteen** hereunder

B. The remaining balance of the Purchase Price in the amount of Three Million Dollars ($3,000,000.00) shall be paid by depositing with the Village, on or before the Closing Date, an irrevocable, standby letter of credit drawn on an FDIC insured national banking institution or national financial institution reasonably acceptable to Village, in the amount of Three Million Dollars ($3,000,000.00) ("LOC") , attached as Exhibit "H", which LOC shall be held and drawn upon by Village pursuant to the terms and conditions of this Agreement. The LOC deposited pursuant to the terms of this Agreement shall name the Village as beneficiary and shall be for a term of no less than one (1) year. The form of any LOC shall also be subject to Village's counsel's prior approval, not to be unreasonably withheld or delayed. Without limiting the foregoing, the LOC shall expressly allow Village to draw upon it: (i) in the event FRG fails to earn Credits or pay the difference in the amounts and at the times described in Section 6.2(C); or (ii) if FRG, within thirty (30) days prior to expiration of the LOC then held by Village, fails to provide the Village with a replacement LOC meeting the requirements herein. The LOC shall: (a) expressly state that it will be honored by the issuer without inquiry into the accuracy of any such notice or statement made by Village; (b) expressly permit multiple or partial draws up to the stated amount of the LOC; and (c) expressly provide that it is transferable to any successor of the Village. If FRG fails to furnish such renewal or replacement LOC at least thirty (30) days prior to the stated expiration date of the LOC then held by Village, the Village may draw upon such LOC and hold the proceeds thereof (and such proceeds need not be segregated) pursuant to the terms of this Agreement. FRG agrees that it shall from time to time, as necessary as a result of the expiration of the LOC then in effect, renew or replace the original and any subsequent LOC so that a LOC, in the amount required hereunder less any draws previously made by the Village, is in effect until the Final LOC Expiration Date. If the LOC is drawn by Village in full or in part, FRG shall not be required to replace the drawn amount under any new or replacement LOC. Any renewal of or replacement for the original or any subsequent LOC shall meet the requirements for the original LOC as set forth above, except that such replacement or renewal shall be issued by an FDIC insured national bank or national financial institution reasonably satisfactory to the Village at the time of the issuance thereof. Notwithstanding the foregoing, FRG may, at FRG's sole option and election, upon written notice to Village, replace the LOC with a cash equivalent deposit, at which time the LOC shall be immediately delivered to FRG. The LOC, or any remaining balance, shall be returned to FRG by the Village upon FRG's payment in full of the Purchase Price to the Village. Should the Property be conveyed, or the Village's interest in this Agreement be assigned, the LOC may be turned over to the Village's grantee or assignee as applicable, or Village may require FRG to re-issue the LOC to the Village's assignee or grantee, and if the same be re-issued or turned over as aforesaid, FRG hereby releases the Village from any and all liability with respect to the LOC or its application or return and FRG agrees to look solely to such grantee or assignee for such application or return. A mortgagee in possession of the Property, or any interest therein, through public or private foreclosure or the acceptance of a deed in lieu thereof, shall have no liability to FRG for return of all or any portion of the LOC, unless, and then only to the extent that, such mortgagee has received all or any portion of FRG's LOC or cash equivalent. In the event the LOC is replaced with cash, except as provided by law, neither the Village nor its respective successors or assigns shall be obligated to hold such cash equivalent in a separate fund but may commingle the same with other funds.

C. The amount of the LOC shall be reduced annually as credits against the remaining balance of the LOC based on the amount of fifty percent (50%) of the Municipal Revenues ("Credits"), as defined below, actually received by the Village that is generated through redevelopment of the Property. In order to track the Credits due to FRG, the Village shall maintain a ledger of all Credits. The Credits shall not commence and shall not be reflected as a credit on the Village's ledger until the Primary User or the Alternate User is open to the public for business for a period of not less than thirty (30) days. The list of pre-approved possible Alternate Users deemed acceptable to the Village is attached as Exhibit "D" hereto. The Credits shall be secured by the LOC in the amount of Three Million Dollars ($3,000,000.00). The LOC shall be provided to the Village at Closing and shall be deemed acceptable to the Village Attorney. The revenue sources for the Credits shall only include municipal retail occupation tax ("MROT") and home rule sales tax generated by the Project, and the Village's portion of the annual real estate taxes in excess of Eleven Thousand Dollars ($11,000.00) generated by the Property ("Municipal Revenues"), all received by the Village after the date of the opening of the Primary User or the Alternate User (so long as said Primary User is in excess of Fifteen Thousand (15,000) square feet in size or the Alternate User is in excess of Twenty Thousand (20,000) square feet in size) and before the expiration of the Rand Road TIF District on January 27, 2026. No later than sixty (60) days after the Village receives the Village's share of the Municipal Revenues, the Village shall indicate on its ledger the amount of the Credit to be logged in as a reduction in the remaining purchase price on the basis of Fifty Percent (50%) of the Municipal Revenues received from time to time, subject to FRG having spent sufficient TIF Eligible Expenses to justify said amount: the parties acknowledging the cost to acquire the Property by FRG is a TIF Eligible Expense.

The Property and the Project are anticipated to generate at least Three Million Dollars ($3,000,000.00) in Municipal Revenues between the date the Principal User opens for business to the public (anticipated to be no later than (2) years from the date of Closing) and the date this TIF District terminates on January 27, 2026.

In the event that Municipal Revenues being generated from the Property and being reported to the Village do not exceed an average of Eleven Thousand Dollars per year from either the Primary User or Alternate User from the date of this Agreement to December 31, 2019, then the Village shall draw down the LOC in the amount of One Million ($1,000,000.00) Dollars. In the event that Municipal Revenues being generated from the Property and being reported to the Village do not exceed an average of Eleven Thousand Dollars per year from either the Primary User or Alternate User from the date of this Agreement to December 31, 2021, then the Village shall draw down the LOC in the amount of One Million ($1,000,000.00) Dollars. In the event that Municipal Revenues reported to the Village by December 20, 2025, do not generate Three Million Dollars

($3,000,000.00), the Village shall draw on the LOC in the amount of the shortfall between Three Million Dollars ($3,000,000.00) and the Municipal Revenues received by the Village as of December 20, 2025, and shall return the remaining LOC funds, if any, to FRG. Prior to the Village drawing down the LOC based on any of the above events, the Village shall advise FRG of the Village's intent to draw down on the LOC, whereupon FRG shall have thirty (30) days to pay the deficiency and, if not then paid, the Village can proceed with its draw down.

6.3 **Execution of PTAX State Form**. FRG shall make it a requirement of all purchaser's and or tenants' leases that the tenants shall execute an Illinois Department of Revenue Form PTAX-1002-21 ("PTAX Form") entitled "Authorization to Release Sales Tax Information to Local Governments" or its successor form to permit the Illinois Department of Revenue to disclose to the Village the Village's share of sales tax received from the tenant signing said form and to furnish such other consents or waivers as may be required by the Illinois Department of Revenue to allow the Illinois Department of Revenue to furnish to the Village sales tax information concerning the purchaser's or tenants' businesses. Failure of any purchaser or tenant to furnish said Authorization form to the Village and the State shall release the Village from its duty to provide sales tax information to FRG for said tenant under this Section until said form for the particular tenant is furnished to the Village and state; provided, the Village shall advise FRG it has not received the information so that FRG may make additional attempts to secure such form. Upon furnishing said Authorization form to the State, the Village shall share such sales tax information as is allowed by the Illinois Department of Revenue. The Village may disclose information relating to proof of payment to the extent that, in the reasonable opinion of the Village's legal counsel, it is legally required to be disclosed. The Village shall notify FRG and tenants within a reasonable time prior to disclosure and shall allow the tenants and FRG a reasonable opportunity to seek appropriate protective measures (subject to the five (5) day disclosure requirements of the Illinois Freedom of Information Act). If requested by FRG, to the extent permitted by law and subject to the PTAX Forms being provided to the Village and the state, the Village shall provide FRG with sufficient information to verify the amount of sales tax collected by the Village and attributable to sales by the tenants.

6.4 **Sale of Property by FRG.** In the event FRG elects to sell the Property or any portion thereof, FRG shall notify the Village upon execution of the contract and provide the anticipated and ultimate closing date. FRG shall remain responsible for paying any shortfall in Municipal Revenues credits as set forth in **Section 6.3** unless and until FRG provides the Village with an executed, approved Assumption and Assignment Agreement which clarifies which party shall be responsible for paying to the Village any shortfall in Municipal Revenues, if any. Any sale of the Property during the term of this Agreement shall be made subject to the terms of the Planned Development and this Agreement. Until such time as a fully executed approved Assumption and Assignment Agreement is provided to the Village, FRG shall remain responsible for paying any shortfall in Municipal Revenue Credits as set forth in **Section 6.3.**

6.5 **Right of Parties to Terminate Agreement.** FRG retains the right to terminate this Agreement during the Initial Investigation Period as defined in **Section 8.6** by giving written notice to the Village during the Initial Investigation Period. FRG retains the right to terminate this Agreement during the Extended Investigation Period as defined in Section 8.6 by giving written notice to the Village during the Extended

Investigation Period. The Village's right to terminate this Agreement during the Extended Investigation Period shall only exist in the event: (i) the Village has identified a bona fide, ready, willing and able user of the Property for a majority of the Property, which user was not reported to the Village in any of FRG's monthly reports; or (ii) FRG defaults under this Agreement which default continues beyond any applicable notice and cure period, if any. The Village shall have no right to terminate during the Initial Investigation Period. The Village right to terminate this Agreement shall cease if and when FRG provides to the Village a binding, valid, legally enforceable letter of intent, dated within sixty (60) days of the date the letter of intent is provided to the Village, signed by FRG and a bona fide, ready, willing and able Primary User or Alternate User.

In the event the Village exercises its option to terminate this Agreement, except in the event such termination was due to the default of FRG, the Village shall reimburse FRG for its TIF eligible marketing costs actually expended and paid, in an amount not to exceed Six Thousand ($6,000.00) for each month or partial month (in which case the amount shall be equitably prorated) that has elapsed during the Extended Investigation Period and prior to the date of the Village exercise of its right to terminate. In no event shall the maximum reimbursement for TIF eligible marketing costs exceed Fifty Four Thousand ($54,000.00) Dollars. Reimbursement shall be made after FRG provides to the Village copies of paid receipts with proof of payment for the TIF eligible marketing costs actually expended and paid by FRG.

ARTICLE SEVEN

VILLAGE COVENANTS AND AGREEMENTS

7.1 <u>Village's Redevelopment Obligations</u>. The Village shall have the obligations set forth in this **Article Seven** in connection with the Project. Notwithstanding the obligations of this **Article Seven**, this Agreement shall not constitute a debt of the Village within the meaning of any constitutional statutory provision or limitation.

7.2 **Development Signage for the Property**. Subsequent to the execution of this Agreement and upon proper and complete permit application, FRG shall have the right to install a marketing sign on the Property, designed, located and installed in a manner acceptable to the Village in conformance with the Village Zoning Ordinance.

7.3 **Defense of TIF District.** In the event that any court or governmental agency, having jurisdiction over enforcement of the Act and the subject matter contemplated by this Agreement, shall determine that this Agreement is contrary to law, or in the event that the legitimacy of the Rand Road Redevelopment Project Area is otherwise challenged before a court or governmental agency having jurisdiction thereof, the Village will, at its sole cost and expense, defend the integrity of the Rand Road Redevelopment Project Area and this Agreement. FRG will fully cooperate with the Village in connection with the foregoing and will be entitled to reimbursement by the Village for TIF Eligible Expenses incurred in connection with such cooperation and approved in writing by the Village prior to being incurred.

7.4 **Cooperation with Other Permits.** During the time that the Village is owner of the Property at the time an application is filed, the Village agrees to: 1) cooperate with FRG in FRG's attempts to obtain all necessary approvals from any governmental or quasi-governmental entity other than the Village; and 2) to execute and promptly process and consider to the extent allowable under applicable law, any reasonable request of FRG for zoning and planned development approvals and for relief or variances from Village Zoning and Subdivision ordinances necessary for the construction of the Project.

7.5 **Cash Payment.** There shall be no cash payments by the Village to FRG pursuant to this Agreement except in the event the Village exercises its right to terminate during the Extended Inspection Period and TIF Eligible marketing expenses become a reimbursement obligation of the Village to FRG as described above in **Section 6.5.**

ARTICLE EIGHT

FRG'S COVENANTS AND AGREEMENTS

8.1 **FRG's Redevelopment Obligations**. FRG shall have the obligations set forth in this **Article Eight** for the development, construction, financing, completion and furtherance of the Project.

8.2 **Accept Title to the Property.** FRG hereby agrees to accept legal title to the Property at the Closing, if any, subject to the Permitted Exceptions and the remaining provisions of **Article Thirteen.**

8.3 **Construction Financing.** FRG shall provide evidence of ability to complete the project_improvements included within the Project as is required by the Village Subdivision ordinance.

8.4 **Project Development Budget.** FRG shall submit to the Village an initial project development budget.

8.5 **Letters of Credit, Permits and Other Security**. At Closing, FRG shall provide to Village the LOC, in the amount of Three Million ($3,000,000.00) Dollars, which LOC shall be placed with the Village and renewed or replaced pursuant to the terms and conditions of **Section 6.2(B)** hereinabove, until such time as the Village receives the benefit of Three Million Dollars ($3,000,000.00) worth of Credits to be applied to FRG's account by the Village or the applicable remaining balance of the LOC. The LOC shall be reduced annually by the amount of Credit dollars actually received by the Village pursuant to the terms and conditions of **Section 6.2(C)** hereinabove.

8.6 **Timing of FRG's Obligations**. At the time of execution of this Agreement, Village and FRG agree that FRG shall have ninety days (90) as an initial period of time to market the Property and perform due diligence investigation on the Property ("Initial Investigation Period"), subject to the fully executed License Agreement and Village staff pre-approval of such marketing and investigations, which approval shall not be unreasonably withheld. Prior to expiration of the Initial Investigation Period, FRG has the right to extend the Initial Investigation Period for an additional nine months (9) ("Extended Investigation Period") by giving the Village written notice prior to the expiration of the Initial Investigation Period. The Initial Investigation Period and the Extended Investigation Period shall be collectively called the Investigation Period. This Agreement shall terminate without further notice or documentation in the event that the Initial Investigation Period has expired and the Extended Investigation Period has not been elected by FRG and FRG fails to close and acquire the Property, or the Extended Investigation Period expires and FRG fails to close and acquire the Property, unless otherwise agreed by the Parties.

During the Investigation Period, FRG shall provide the Village with detailed monthly reports on the first of each month during the Investigation Period, identifying the names, addresses and telephone numbers of potential users for the Property, the status of and FRG's opinion of the commitment of such users, all marketing efforts conducted by or on behalf of FRG, and all due diligence studies and investigations performed by or on behalf of FRG on the Property. FRG shall provide the Village copies of all due diligence studies, marketing materials, and investigations performed by or on behalf of FRG on the Property as they are received by FRG.

During the Investigation Period, FRG shall have the option to purchase the Property pursuant to the terms and conditions of this Agreement, including, but not limited to **Article Thirteen**, hereunder, by delivery of written notice of FRG's election to purchase ("Purchase Election Notice"), to the Village, which Purchase Election Notice shall contain FRG's proposed Closing Date, which Closing Date shall be no later than the earlier of the following to occur: (i) thirty (30) days after the date of the Purchaser's Election Notice; or (ii) the expiration of the Extended Investigation Period, subject to the Village's Claw Back Rights set forth in **Section 6.5** herein.

8.7 <u>**Compliance with Applicable Laws**</u>. FRG warrants that it shall at all times acquire, install, construct, operate and maintain the Project in conformance with all applicable laws, rules, ordinances and regulations. All work with respect to the Project shall conform to all applicable federal, state and local laws, regulations and ordinances, including, but not limited to zoning, subdivision, planned development codes, building codes, environmental codes, life safety codes, property maintenance codes and any other applicable codes and ordinances of the Village as more specifically set forth in **Article Ten.** Village shall not enact any law, ordinance, rule or regulation (or amendment thereto) which would have the effect of increasing FRG's obligations hereunder, including an increase in the cost of the Project, unless said law, ordinance, rule or regulation is one of general applicability to all property in the Village.

8.8 <u>**Progress Meetings**</u>. FRG shall meet with the Village Council and Village staff and make presentations to the Village Council and Village staff as reasonably requested by the Village Manager in order to keep the Village apprised of the progress of the development of the Project.

8.9 **Real Estate Tax Payments**. FRG and successor owners agree to and shall pay all general and special real estate taxes levied during their respective period of ownership of the Property on or prior to the date same is due and said taxes shall not become delinquent. FRG and successor owners shall deliver evidence of payment of such taxes to the Village upon request. So long as the Redevelopment Project Area remains in effect, FRG and all successor owners of the Property shall not have the right to contest any taxes or assessments which are imposed with respect to the Property unless, in the reasonable judgment of the Village: a) the taxes or assessments imposed against the Property are more than those imposed against similar uses within the Village and within an area within ten (10) miles of the Property existing at such time as the determination is made; and b) the market value which is used to determine the taxes or assessments which are imposed against the Property is more than the fair market value of the Property, when consideration is given to the various factors used by Cook County in determining fair market value, including but not limited to size of the Property and land upon which it is located, as determined by Cook County. The remedy to the Village in the event of breach of this Section is that FRG (or its successor owners, as the case may be) shall pay to the Village, on an annual basis, the difference between the actual real estate taxes attributable to the Village component payable for the Property and the amount of real estate taxes attributable to the Village component that would have been due and owing on the Anticipated EAV for such year (said deficiency shall herein be referred to as the "TIF Deficiency"), plus interest at the rate of 7% for the period beginning on the date the Incremental Property Taxes are received by the Village for any given year and ending on the date the TIF Deficiency is paid to the Village. This remedy shall specifically survive the Closing.

8.10 **Tax Exempt Status.** Consistent with its covenant in **Section 9.6**, FRG and successor owners shall not assert a real estate tax-exempt status during their respective period of ownership. This prohibition shall run with the land and shall expire on the date the Rand Road Redevelopment Project Area expires or an earlier date if agreed by the Village and FRG.

8.11 **Sale Contracts**. All sales contracts and leases shall be specifically subject to the terms and conditions of this Agreement, the Permitted Exceptions and the Planned Development ordinance adopted for the Property.

8.12 **Fees and Expenses**. FRG shall pay all Village and other governmental entity-imposed fees, including but not limited to permit, inspection, review, tap-on, and storm water drainage fees that are assessed on a uniform basis throughout the Village and are of a general applicability to all other property in the Village. Said payments shall be made as directed by the applicable Village code or policy.

FRG's failure to pay the fees and expenses described in this **Section 8.12** or elsewhere in this Agreement, shall constitute an Event of Default hereunder. Without waiving its rights against FRG, the Village may be reimbursed for said fees and expenses to the extent they are TIF Eligible Expenses and any credit previously assigned to FRG will be reduced dollar for dollar.

8.13 **Uses Within Ten (10) Miles of the Property.** This Agreement and the Village's agreement to credit FRG for TIF Eligible Expenses is specifically contingent on such written evidence if required by Section 65 ILCS 5/11-74.4-3(q-13) of the Act.

8.14 **Demolition.** FRG shall pay all demolition costs and expenses in the event that any existing structures are to be demolished. Subject to Village approval of FRG's proposal for demolition and re-seeding of the property, Village, upon submittal of a complete application for demolition and re-seeding of the property by FRG, shall issue the applicable permits. FRG shall obtain the required demolition permit from Cook County. Demolition and restoration may occur at any time after the latter to occur: (i) FRG closes on the Property and acquires legal fee simple title to the Property, or (ii) after the Wolff's Flea Market closes its business on the Property and vacates the Property pursuant to the Wolff's Flea Market License Agreement..

ARTICLE NINE

ADDITIONAL COVENANTS OF FRG

9.1 **FRG Existence**. FRG and affiliates of FRG will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and standing as a business entity authorized and qualified to do business in Illinois, so long as FRG or one of its affiliates maintains any interest in the Property or has any other remaining obligation pursuant to the terms of this Agreement. Failure to do so will be a default of this Agreement.

9.2 **Construction of Project**. FRG shall obtain all required permits before commencing construction, and, once construction is commenced, FRG shall cause such construction to be completed within the time frame that the building permit and Planned Development approval is valid and shall not to cause an unlawful nuisance or hazard.

9.3 **Indemnification**. FRG (use of the term "FRG" herein includes permitted successors and assigns which, in fact, come to be an assignee, own the Property or gain access to it pursuant to the License Agreement), agrees to and does hereby indemnify, defend and hold the Village, Mayor, Village Council Members, Village Manager, officers, agents and employees (hereinafter "Indemnified Parties") harmless from and against any losses costs, damages, liabilities, claims, suits, actions, causes of action and expenses (including, without limitation, reasonable attorneys' fees and court costs) suffered or incurred by the Indemnified Parties (which shall not include any claim related to the loss of sales tax or incremental property tax revenues), which are caused as a result of:

a. the failure of FRG to comply with any of the terms, covenants or conditions of this Agreement with which FRG is obligated to comply; or

b. the failure of FRG or any of FRG's contractors to pay contractors, subcontractors or materialmen in connection with the Project; or

c. material misrepresentations or omissions of FRG relating to the Project, financials or this Agreement which are the result of information supplied or omitted by FRG or by its agents, employees, contractors, affiliates or persons acting under the control or at the request of FRG; or

d. the failure of FRG to cure any material misrepresentations or omissions of FRG in this Agreement relating to the Project within the applicable cure provisions of this Agreement; or

e. any claim or cause of action for injury or damage brought by a third party arising out of the construction or operation of the Project by FRG, its affiliates, successors and assigns; or

f. any violation by FRG of local ordinance, state or federal laws, including but not limited to a violation in connection with the offer and sale of interests in FRG or any part of the Project; or

g. the occurrence of an Event of Default by FRG.

The provisions of this **Section 9.3** shall not apply to any loss which arises out of (in whole or in part) the negligence or intentional conduct on the part of any Indemnified Party providing this information, but only to the extent that such Indemnified Parties' misconduct or misinformation contributed to the loss, or that the loss is attributable to such Indemnified Parties' misconduct or negligence or misinformation. Nothing contained in or implied from any provision of this Agreement is intended to constitute or shall constitute a waiver by the Village of any of the defenses, or rights afforded to it, or to its elected or appointed officials or employees under the Illinois Local Government and Governmental Employees Tort Immunity Act or similar laws providing protection to governmental officials, officers and employees.

9.4 **Further Assistance and Corrective Instruments**. The Village and FRG agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may be reasonably required for carrying out the intention of or facilitating the performance of this Agreement to the extent legally permitted and within the Village's sound legal discretion.

9.5 **No Gifts**. FRG covenants that no officer, member, manager, stockholder, employee or agent of FRG, or any other person connected with FRG, has made, offered or given, either directly or indirectly, to the Mayor, any Council member, or any officer, employee or agent of the Village, or any other person connected with the Village, any money or anything of value as a gift or bribe or other means of influencing his or her action in his or her capacity with the Village.

9.6 **Conveyance**. In recognition of the nature of the Project and the Village's projections of the need for incremental tax revenues to finance TIF Eligible Expenses, in accordance with the Act, during the life of the TIF consistent with its covenants in **Sections 8.10** FRG shall not knowingly undertake to convey the Property to persons whose ownership and use of such Property will cause it to be exempt from payment of real estate property taxes. To facilitate this provision, the Village will impose in the deed conveying all or any portion of the Property to FRG and FRG shall impose in its deed conveying all or any portion of the Property a prohibition against granting such conveyance consistent with the covenants in **Sections 8.10**. Failure to abide by the terms of this **Section 9.6** shall be deemed a default of this Agreement with no right to cure and all further Credits shall cease.

9.7 **Disclosure**. (a) Concurrently with execution of this Agreement, FRG shall disclose to the Village the names, addresses and ownership interests of all Persons that comprise FRG, including all shareholders of the corporation. FRG shall disclose the same information to the Village at Closing of the Property. At the time of execution of this Agreement and prior to Closing of the Property, no change shall be made in the persons comprising FRG or in their ownership interests without the disclosure to and consent of the Village, not to be unreasonably withheld or delayed and consent shall not be withheld for a Permitted Transfer, as defined below so long as disclosure herein is made regarding the Premitted Transfer. All changes made in the persons comprising FRG, its affiliates, or in their ownership interests shall be disclosed to the Village during the term of this Agreement.

(b) FRG is not, and shall not during the Term become, a person or entity with whom the Village is restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "Anti-Terrorism Laws"), including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List (collectively, Prohibited Persons"). To the best of its knowledge, FRG is not currently engaged in any transactions or dealings, or otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Project. FRG will not in the future during the term of this Agreement, engage in any transactions or dealings, or be otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Project. Breach of these representations constitutes an immediate default under this Agreement and shall entitle the Village to any and all remedies available hereunder, or at law or in equity without the requirement of any notice or cure period.

9.8 **<u>Open Book Project</u>**. FRG's Project shall be an "open book" project meaning that FRG and the general contractor (or contractors, if more than one) will assure continuing access to the Village's agents for the purpose of reviewing and auditing their respective books and records relating to any item necessary to determine TIF Eligible Expenses. The foregoing Village review rights of the costs for each building shall terminate at the earlier of (a) FRG demonstrating sufficient TIF Eligible Expenses to satisfy any drawdown of the Letter of Credit; or one (1) year after the issuance of the final certificate of occupancy for each respective building with respect to costs for the Project. FRG shall provide to the Village copies of any corporate, partnership, limited liability operating agreements or joint venture agreements pertaining to the Property to which FRG is a party that are necessary to ascertain the ultimate ownership of any payee resulting from this Agreement. The Village agrees that FRG may designate within its discretion the general contractor (or general contractors) for the Project. The general contractor (or general contractors,) if any, designated by FRG shall be experienced and reputable. All information provided to and/or reviewed by the Village or its designated agent shall be treated by the Village as confidential commercial and financial information obtained from a business under the claim that the information furnished to the Village is proprietary, privileged and confidential and that disclosure of any of the information would cause competitive harm to FRG, all pursuant to the Illinois Freedom of Information Act Section 5 ILCS 140/7 (g).

9.9 __Assignment of Agreement.__ Prior to Closing this Agreement is not assignable. Contemporaneously with Closing, the Agreement may complete a Permitted Transfer.

9.10 __No Transfer without Execution of an Assumption and Assignment Agreement__. FRG shall notify the Village of any transfer of any fee ownership interest in all or part of the Project including to an Affiliate of FRG; as used herein, an "Affiliate of FRG" shall mean an entity which controls, is controlled by, or under common ownership or control with the Permitted Transfer parties shown on Exhibit "E". The foregoing transfers shall herein be referred to as the "Permitted Transfers". FRG shall not be required to obtain Village review, approval or consent to any Permitted Transfer. The Village shall have no duty to return the LOC or any other letter of credit posted in connection with the portion of the Project so transferred unless and until substitute security acceptable to Village in its sole, exclusive discretion, is received by the Village and an Assumption and

Assignment Agreement in the format attached as Exhibit "F" is executed and delivered to the Village by FRG and the Village approved assignee.

ARTICLE TEN

ADHERENCE TO VILLAGE CODES AND ORDINANCES

All development and construction of the Project shall comply in all respects with the provisions in the Building, Plumbing, Mechanical, Electrical, Storm Water Management, Fire Prevention, Property Maintenance, Zoning and Subdivision Codes of the Village and all other germane codes and ordinances of the Village in effect from time to time, unless otherwise mandated by State law or permissible under a variance or exemption granted to FRG by a governmental body authorized to grant such variance or exemption. FRG has examined and is familiar with and agrees that its development of the Project shall be performed in accordance with all the covenants, conditions, restrictions, building regulations, zoning ordinances, property maintenance regulations, environmental regulations and land use regulations, codes, ordinances, federal, state and local ordinances affecting the Project or is permissible under a variance or exemption granted to FRG by a governmental body authorized to grant such variance or exemption.

ARTICLE ELEVEN

REPRESENTATIONS AND WARRANTIES OF FRG

FRG represents, warrants and agrees as the basis for the undertakings on its part herein contained that as of the date hereof and until completion of the Project:

11.1 **Organization and Authorization**. FRG is an Illinois corporation authorized to do business in Illinois and existing under the laws of the State of Illinois, and is authorized to and has the power to enter into, and by proper action has been duly authorized to execute, deliver and perform, this Agreement. FRG is solvent, able to pay its debts as they mature and financially able to perform all the terms of this Agreement. To FRG's knowledge, there are no actions at law or similar proceedings which are pending or threatened against FRG which would materially and adversely affect the ability of FRG to proceed with the construction and development of the Project.

11.2 **Non-Conflict or Breach**. Neither the execution and delivery of this Agreement by FRG, the consummation of the transactions contemplated herein by FRG, nor the fulfillment of or compliance with the terms and conditions of this Agreement by FRG conflict with or result in a breach of any of the terms, conditions or provisions of any franchise agreement, offerings or disclosure statement made or to be made on behalf of FRG (with FRG's prior written approval), any organizational documents, any restrictions, agreement or instrument to which FRG or any of its partners or venturers is now a party or by which FRG or any of its partners or its venturers is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the assets or rights of FRG, any related party or any of its venturers under the terms of any instrument or agreement to which FRG, any related party or any of its partners or venturers is now a party or by which FRG, any related party or any of its venturers is bound, the effect of which would have a material and adverse effect upon the Project.

11.3 **Financial Resources**. FRG has, and any Affiliate of FRG to which portions of this Agreement may be assigned subject to Article Nine (including if an affiliate takes title directly from the Village), will have sufficient financial and economic resources to implement and complete FRG's respective obligations contained in this Agreement.

11.4 **Limit on Use of Land as Security**. Prior to Closing, and subject to the Permitted Exceptions and **Section 6.2(B)**, hereinabove, FRG shall have no right to use the Property as security for financing purposes. A violation of this covenant shall constitute an Event of Default by FRG.

ARTICLE TWELVE

REPRESENTATIONS AND WARRANTIES OF THE VILLAGE.

The Village represents, warrants and agrees as the basis for the undertakings on its part herein contained that:

12.1 **Organization and Authority**. The Village is a municipal corporation duly organized and validly existing under the law of the State of Illinois, is a home rule unit of government, and has all requisite corporate power and authority to enter into this Agreement.

12.2 **Authorization**. The execution, delivery and the performance of this Agreement and the consummation by the Village of the transactions provided for herein and the compliance with the provisions of this Agreement: (i) have been duly authorized by all necessary corporate action on the part of the Village, (ii) require no other consents, approvals or authorizations on the part of the Village in connection with the Village's execution and delivery of this Agreement, and (iii) shall not, by lapse of time, giving of notice or otherwise result in any breach of any term, condition or provision of any indenture, agreement or other instrument to which the Village is subject.

12.3 **Litigation.** To the best of the Village's knowledge, there are no proceedings pending or threatened against or affecting the Village or the Rand Road Redevelopment Project Area in any court or before any governmental authority which involves the possibility of materially or adversely affecting the ability of the Village to perform its obligations under this Agreement.

12.4 **Connections.** The Village shall permit the connection to Village utility systems of all water lines, sanitary and storm sewer lines or Village utility lines existing or constructed in the Property or near the perimeter of the Property as set forth on the Final Plans, provided that FRG complies with all requirements of general applicability promulgated by the Village for such connections. Village shall grant utility easements over Village owned land and public rights of way as may be necessary or appropriate to accommodate the utilities shown on the Final Plans.

12.5 **Information.** The Village shall deliver to FRG all documents and instruments in its possession or control relating to the physical condition and development of the Property within thirty (30) days of the date this Agreement is fully executed.

12.6 **Cooperation.** The Village agrees to cooperate with FRG in FRG's efforts to obtain necessary licenses, permits and approvals from other governmental and quasi-governmental bodies for the Project, including, the state and local Departments of Transportation, Metropolitan Water Reclamation District, state and federal Environmental Protection Agencies, and FEMA.

ARTICLE THIRTEEN

REAL ESTATE SALE PROVISIONS

13.1 **As Is Purchase.** EXCEPT AS EXPRESSLY PROVIDED HEREIN TO THE CONTRARY, FRG AGREES THAT IT WILL PERFORM ALL EXAMINATIONS AND INVESTIGATIONS OF THE PROPERTY IT DEEMS NECESSARY, INCLUDING SPECIFICALLY, WITHOUT LIMITATION, EXAMINATIONS AND INVESTIGATIONS FOR THE PRESENCE OF ASBESTOS, PCB EMISSIONS AND HAZARDOUS SUBSTANCES, MATERIALS OR WASTES (AS THOSE TERMS MAY BE DEFINED BY APPLICABLE FEDERAL OR STATE LAW, RULE OR REGULATION) ON THE PROPERTY, AND THAT FRG WILL RELY SOLELY UPON SUCH EXAMINATIONS AND INVESTIGATIONS, ALONG WITH ANY AND ALL

DOCUMENTS PROVIDED TO FRG BY VILLAGE (OR MADE AVAILABLE BY VILLAGE FOR FRG'S REVIEW) IN PURCHASING THE PROPERTY. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IT IS EXPRESSLY UNDERSTOOD AND AGREED BY FRG THAT FRG IS PURCHASING THE PROPERTY "AS IS" AND "WHERE IS," AND WITH ALL FAULTS AND THAT VILLAGE IS MAKING NO REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, WITH RESPECT TO THE QUALITY, PHYSICAL CONDITION OR VALUE OF THE PROPERTY OR THE COMPLIANCE OF THE PROPERTY WITH APPLICABLE BUILDING OR FIRE CODES OR OTHER LAWS OR REGULATIONS. WITHOUT LIMITING THE FOREGOING, IT IS UNDERSTOOD AND AGREED THAT VILLAGE MAKES NO WARRANTY OF HABITABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. FRG AGREES THAT VILLAGE IS NOT LIABLE OR BOUND BY ANY GUARANTEES, PROMISES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY MADE OR FURNISHED BY ANY REAL ESTATE AGENT, BROKER, EMPLOYEE, SERVANT OR OTHER PERSON REPRESENTING OR PURPORTING TO REPRESENT VILLAGE, EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH HEREIN. FRG AND VILLAGE AGREE THAT THE PROVISIONS OF THIS SECTION SURVIVE THE CLOSING OF THE TRANSACTION CONTEMPLATED BY THIS CONTRACT.

13.2 Purchase Price.

a. The Village shall convey the Property to FRG at the price of Six Million Dollars ($6,000,000.00), to be paid as follows: (i) at the Closing, Three Million Dollars ($3,000,000.00), plus or minus prorations and adjustments as set forth herein, by wire transfer of immediately available funds into the Closing Escrow, as hereinafter defined; and (ii) an additional Three Million Dollars ($3,000,000.00) payable as set forth in **Section 6.2** of this Agreement. Village and FRG shall pay the closing costs which arise in connection with their respective obligations hereunder. Any applicable county, state and local transfer taxes shall be paid by FRG.

13.3 Title.

a. Title Commitment; Title Policy and Survey. At least thirty (30) days prior to Closing, Village shall cause to be furnished to FRG a (i) title commitment ("Commitment") issued by Chicago Title Insurance Company ("Title Company"), covering the respective Property, together with true and legible copies of all documents creating or establishing easements, restrictions, and other items referred to as exceptions in Schedule "B" and Schedule "C" of the Commitment ("Title Documents"); and (ii) an ALTA/ACSM Land Title Survey, including Table A - Optional Survey Responsibilities and Specifications Nos. 1, 3, 4, 7(a), 8, 10 and 11(a), prepared and certified to FRG, Title Company and FRG's construction lender or other identified third parties in accordance with the *2005 Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys as adopted by American Land Title Association and National Society of Professional Surveyors* ("Survey").

b. **Objections.** FRG shall have ten (10) days following receipt of the Commitment, Title Documents and Survey received under paragraph a of this Section 13.3 to review the Commitment, Title Documents and Survey and to provide to Village in writing a specific list of FRG's objections to any of them other than the Agreed Exceptions, as defined below, and Consensual Liens ("Title Objections"). Any item constituting an encumbrance upon or adversely affecting title to the Property (except for Agreed Exceptions and Consensual Liens) which is not objected to by FRG in writing by such time shall be deemed approved by FRG and shall constitute a Permitted Exception (as hereinafter defined). All title exceptions listed on the attached **Exhibit "G"**, are collectively referred to as "Agreed Exceptions" and shall constitute Permitted Exceptions. Any mortgages, security interests, financing statements, special assessments, taxes or any lien recorded against the Property following the Agreement Date and caused by the Village or with the consent or acquiescence of Village are collectively referred to as the "Consensual Liens" and none of such Consensual Liens shall constitute, be or become Permitted Exceptions. Village shall cause all Consensual Liens to be paid and discharged in full on the Closing and, in the event Village fails to do so, FRG shall have the right to deduct and apply so much of the Purchase Price as is reasonably required to do so; which application, to the extent insufficient to remove such Consensual Liens, shall not relieve Village of the obligation to remit such additional amounts as may be necessary to consummate full removal of such Consensual Liens. The phrase "Permitted Exceptions" shall mean the Agreed Exceptions and those exceptions to title set forth in the Commitment, Title Documents and Survey and accepted or deemed approved by FRG pursuant to the terms hereof, except Consensual Liens as provided above, which shall not constitute Permitted Exceptions. Other than Consensual Liens and leases which do not survive Closing and which do not involve physical alterations to the Property or the introduction of hazardous materials, Village shall not convey, transfer or promise to convey or transfer any interest in the Property between the Agreement Date and the Closing or earlier termination of this Agreement. Additionally, the Village shall not allow any physical alteration of the Property during the pendency of this Agreement.

c. **Agreed Exceptions**. The Parties acknowledge and agree that upon execution of this Agreement, the Parties are not in position to complete **Exhibit "G"**. Accordingly, Village shall provide a Commitment and Title Documents to FRG for the Property within thirty (30) days after the execution of this Agreement. FRG shall have ten (10) days following receipt of such Commitment and Title Documents to review the Commitment and Title Documents and to provide to Village in writing a specific list of FRG's Title Objections. Notwithstanding anything contained herein to the contrary, the Wolff's Flea Market License Agreement shall be a Permitted Exception.

d. **Cure.** Village shall have the right, but not the obligation for a period of fourteen (14) days after receipt of FRG's Title Objections (the "Cure Period"), to cure (or commit to cure at or prior to Closing) by delivery of written notice thereof to FRG within the Cure Period any or all Title Objections contained in FRG's notices. Village shall have the obligation to cure any Title Objections which are Consensual Liens for amounts due or alleged to be due. If any such Title Objections are not cured (or, if reasonably capable of being cured, Village has not committed to cure same at or prior to Closing) within the Cure Period and which are not Consensual Liens, or if Village sooner elects not to cure such Title Objection by written notice to FRG, FRG shall have until the later of the expiration of the Cure Period or five (5) days after the receipt of such written notice within which to give Village written notice that FRG elects either (i) to waive all such uncured objections (in which case the uncured objections shall become Permitted Exceptions); or (ii) to terminate this Agreement, which shall be FRG's sole, exclusive remedies, in lieu of any other remedy at law or in equity. If FRG does not deliver such written notice within the above period, FRG shall be deemed to have waived its objections and all uncured Title Objections shall be Permitted Exceptions (except Consensual Liens, which shall not constitute Permitted Exceptions hereunder.) If FRG terminates this Agreement in accordance with the foregoing, this Agreement shall immediately and automatically terminate, and neither Party shall have any further obligations to the other hereunder except any obligations, which this Agreement provides survive termination

13.4 Closing Deliveries.

a. **Village.** The Closing on the Property shall occur not more than thirty (30) days from the expiration or written waiver of the Investigation Period, provided all the conditions precedent described in this Agreement have been satisfied, including but not limited to: full execution of this Agreement, adoption of the Final Planned Development Ordinance, and compliance with all applicable provisions of this Agreement. Village shall allow FRG to close on the Property earlier provided all the conditions precedent described in this Agreement have been satisfied. Upon the Closing, Village shall deliver or cause to be delivered to FRG, the following with respect to the portion of the Property being conveyed:

i. **Deed**. Special Warranty Deed, in form and substance reasonably acceptable to FRG, conveying the Property to FRG (or FRG's Permitted Transfer party) free and clear of all liens, claims and encumbrances except for the Permitted Exceptions.

ii. **Possession**. Exclusive possession of the Property, subject to possessory rights of Wolff's Flea Market.

iii. **Title Policy**. An ALTA Form B Owner's Policy of Title Insurance for the Property, dated as of the Closing, in the amount of the applicable Purchase Price, insuring title in FRG (or FRG's Permitted Transfer party) in indefeasible fee simple, subject to no exceptions other than Permitted Exceptions with extended coverage (the "Title Policy"). Village shall pay the additional premium charged for extended coverage, however, FRG shall pay for any endorsements required by FRG or its Lender.

iv. __Closing Statement__. A Closing Statement conforming to the prorations and other relevant provisions of this Agreement.

v. __Entity Transfer Certificate__. An Entity Transfer Certification confirming that Village is a "United States Person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

vi. __Assignment of License.__ An Assignment of then Wolff's Flea Market License Agreement,, executed by Seller;

vii. __Other__. Such other documents and instruments as may be required by the Title Company as necessary to consummate this transaction and to otherwise effect the agreement of the parties hereto and not inconsistent with the terms of this Agreement, including but not limited to: (1) an Affidavit of Title, (2) an A.L.T.A. Statement; and (3) a GAP undertaking.

b. __FRG__. Upon Closing, FRG shall deliver or cause to be delivered to Village the following:

i. __Closing Statement__. A Closing Statement conforming to the proration and other relevant provisions of this Agreement.

ii. **Corporate Resolutions/Authorizations**. Such limited liability company or corporate resolutions and authorizations satisfactory to the Title Company evidencing FRG's authority to enter into and consummate this transaction and the acceptance of the conveyance of the Property, pursuant to this Agreement.

iii. An Acceptance of the Assignment of the Wolff's Flea Market License Agreement and Assumption thereof, executed by FRG;

iv. **Other**. Such other documents and instruments as may be required by the Title Company to consummate this transaction and to otherwise effect the agreement of the parties hereto and not inconsistent with the terms of this Agreement.

13.5 **Prorations and Adjustments**. The following shall be prorated and adjusted between Village and FRG at the Closing, except as otherwise specified:

a. Village will pay the basic premium for the Title Policy and any premiums for extended coverage; one-half of the escrow fee and New York closing fee charged by the Title Company; the costs to prepare the Deed; the costs to obtain, deliver, and record releases of all liens to be released at Closing; the costs to record all documents to cure Title Objections agreed or required to be cured by Village; the costs to obtain the Survey; the cost of state and county transfer stamps, if any, and Village's expenses and attorney's fees. FRG will pay one-half of the escrow fee and New York closing fee charged by Title Company; and all the costs to obtain, deliver, and record and/or file all documents, including, but not limited to the Deed and this Agreement, other than those to be recorded at Village's expense; the costs of any work required by FRG to have the Survey reflect matters other than those required under this Agreement; the costs to obtain financing of the Purchase Price, including the incremental premium costs of mortgagee's title policies and endorsements and deletions required by FRG or FRG's lender; and FRG's expenses and attorney's fees. All general taxes and assessments, which are due and payable in arrears after any Closing Date, and assessments for improvements completed prior to but payable after such Closing Date, shall be prorated at such Closing based on each Party's period of ownership. Ad valorem real estate taxes for the Property, if any, will be prorated at 105% of most current available assessed value, equalization factor and tax rate between FRG and Village as of the Closing. Village's portion of the prorated taxes will be credited to FRG at closing as an adjustment to the Purchase Price. If the assessment(s) for the year of closing and/or prior years are not known as of any Closing Date, the prorations will be based on taxes for the previous tax year. Village will promptly notify FRG of all notices of proposed or final tax valuations and assessments that Village receives after the Agreement Date and prior to such Closing. If this sale or FRG's use of the Property after such Closing results in the assessment of additional taxes for periods prior to Closing, FRG will pay the additional taxes. All taxes due as of such Closing will be paid at such Closing. Such other items that are customarily prorated in transactions of this nature, if any, shall be ratably prorated including, by way of example only, utilities to the extent readings may be taken or as close to the date of Closing as is practicable, if not. For purposes of calculating prorations, FRG shall be deemed to be in title to the applicable portion of the Property on the corresponding Closing Date. All such prorations shall be made on the basis of the actual number of days of the year which shall have elapsed as of such Closing Date. The amount of the ad valorem real estate tax proration shall be adjusted in cash after such Closing as and when the final tax bill for such period(s) becomes available. Village and FRG agree to cooperate and use their diligent and good faith efforts to make such adjustments no later than thirty (30) days after such information becomes available. The Property shall be delivered to FRG vacant and broom clean and free and clear of any leases and tenancies except those agreed to during the Inspection Period in which case rentals under such leases shall be prorated, and except for the Permitted Exceptions.

13.6 **Escrow Closing**. This sale shall be closed through an escrow ("Closing Escrow") with the Title Company, in accordance with the general provisions of the usual forms of deed and money escrow agreement then in use by the Title Company, with such special provisions inserted in the escrow agreement as may be required to conform with this Agreement. Upon the creation of such a Closing Escrow, anything herein to the contrary notwithstanding, payment of Purchase Price and delivery of Deed shall be made through the Closing Escrow and this Agreement and any and all sums paid to the Village by FRG prior to Closing shall be deposited in the Closing Escrow. The Village shall provide and pay for any undertaking ("GAP Undertaking") to the Title Company necessary for the escrow closing to occur. The cost of the Closing Escrow shall be divided equally between the Village and FRG.

13.6 **Broker's Commission**. The parties acknowledge that Horizon Realty Services, Inc. is responsible for identifying FRG and shall be due a commission from the Village in the event of a Closing. The commission shall only apply to the Three Million Dollars ($3,000,000.00) paid at Closing. All future broker's commissions shall be paid by FRG and shall not be entitled to reimbursement as a TIF eligible expense.

ARTICLE FOURTEEN

EVENTS OF DEFAULT AND REMEDIES.

14.1 FRG Events of Default. The following shall be Events of Default with respect to this Agreement:

a. If any representation made by FRG in this Agreement, or in any certificate, notice, demand or request made by a Party hereto, in writing and delivered to the Village pursuant to or in connection with any of said documents, shall prove to be untrue or incorrect in any material respect as of the date made; provided, however, that such default shall constitute an Event of Default only if FRG does not remedy the default within thirty (30) days after written notice from the Village.

b. Default by FRG for a period of thirty (30) days after written notice thereof in the performance or breach of any covenant contained in this Agreement concerning the existence, structure or financial condition of FRG; provided, however, that such default or breach shall not constitute an Event of Default if such default cannot be cured within said thirty (30) days and FRG within said thirty (30) days, initiates and diligently pursues appropriate measures to remedy the default; provided further, however, that such additional period will be limited to an additional thirty (30) days in the event that permitting a longer period for cure would materially threaten or jeopardize the value, TIF Increment Projection or completion of the Project.

c. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of FRG in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of FRG for any substantial part of its property, and either ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days, or where a plan of reorganization reasonably acceptable to Village is not confirmed within one hundred twenty (120) days after such order or decree.

d. The commencement (i) by FRG of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; (ii) by any third party or parties of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, which is not dismissed within sixty (60) days after filing or with respect to which a plan of reorganization reasonably acceptable to Village has not been confirmed within one hundred twenty (120) days after commencement, or the consent by FRG, respectively, to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of FRG, respectively, or of any substantial part of the Property, or the making by any such entity of any assignment for the benefit of creditors or the failure of FRG, respectively, generally to pay such entity's debts as such debts become due or the taking of any action by FRG in furtherance of any of the foregoing.

e. Failure to have funds to meet FRG's respective obligations under this Agreement at the time such funds are required.

f. Failure to renew or extend the LOC pursuant to **Section 6.2(B)** thirty (30) or more days prior to its expiry (in which event the Village may draw the full amount of the LOC).

g. Sale, assignment, or transfer of the Project and/or Property except in accordance with this Agreement.

h. Change in the ownership of FRG (other than to a Permitted Transfer party).

i. FRG fails to comply with applicable governmental codes and regulations in relation to the construction and maintenance of the buildings contemplated by this Agreement and has failed to cure such condition within thirty (30) days of notice; provided, however, that such default shall not constitute an Event of Default if FRG commences cure within thirty (30) days after written notice from the Village and in any event cures such default within sixty (60) days after such notice, subject to Uncontrollable Circumstances.

14.2 Village Events of Default. The following shall be Events of Default with respect to this Agreement:

a. if any material representation made by the Village in this Agreement, or in any certificate, notice, demand or request made by a party hereto, in writing and delivered to FRG pursuant to or in connection with any of said documents, shall prove to be untrue or incorrect in any material respect as of the date made; provided, however, that such default shall constitute an Event of Default only if such breach materially threatens or jeopardizes the value or completion of the Project and the Village does not remedy the default, within thirty (30) days after written notice from FRG respectively;

b. default by the Village in the performance or breach of any material covenant contained in this Agreement concerning the existence, structure or financial condition of the Village; provided, however, that such default shall constitute an Event of Default only if such breach materially threatens or jeopardizes the value or completion of the Project and the Village does not initiate within thirty (30) days after written notice from FRG, respectively, and thereafter diligently pursue appropriate measures to remedy the default;

c. default by the Village in the performance or breach of any material covenant, warranty or obligation contained in this Agreement; provided, however, that such default shall not constitute an Event of Default if the Village, commences cure within thirty (30) days after written notice from FRG and in any event cures such default within sixty (60) days after such notice, subject to Uncontrollable Circumstances; or

d. failure to have funds to meet the Village's obligations.

14.3 <u>Remedies for Default.</u>

a. In the event of an Event of Default hereunder, the non-defaulting party may institute such proceedings as may be necessary or desirable in its opinion to cure or remedy such default or breach, including, but not limited to, proceedings to compel specific performance of the defaulting party's obligations under this Agreement. The foregoing notwithstanding, neither party shall be liable to the other for punitive, consequential or incidental / special damages.

b. In the event Village shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, then, and in each such case, FRG and Village shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers FRG and the Village shall continue as though no such proceedings had been taken.

c. In the case of an Event of Default by FRG, in addition to any other remedies at law or in equity, the Village shall be relieved of its obligations under this Agreement.

14.4 **Agreement to Pay Attorneys' Fees and Expenses**. In the event an Event of Default is not cured within the applicable cure periods and the Parties employ an attorney or attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement herein contained, the non-prevailing party shall pay, on demand, the prevailing party's reasonable fees of such attorneys and such other reasonable expenses in connection with such enforcement action. The Village's duty to pay shall be subject to the Illinois Local Government Prompt Payment Act.

14.5 **No Waiver by Delay or Otherwise**. 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 way (it being the intent of this provision that neither party should 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.

14.6 **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.

ARTICLE FIFTEEN

EQUAL EMPLOYMENT OPPORTUNITY

15.1 No Discrimination. FRG will not discriminate against any employee or applicant for employment on the basis of race, color, religion, sex or national origin. To the fullest extent permitted by law, FRG will take affirmative action to ensure that applicants are employed and treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff, termination, rate of pay or other forms of compensation and selection for training, including apprenticeship. FRG agree to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Village setting forth the provisions of this nondiscrimination clause.

15.2 **Advertisements.** FRG will, in all solicitations or advertisements for employees placed by or on behalf of FRG, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

15.3 Contractors. Any contracts made by FRG with any general contractor, agent, employee, independent contractor or any other Person in connection with Project shall contain language similar to that recited in **Sections 15.1 and 15.2** above.

ARTICLE SIXTEEN

MISCELLANEOUS PROVISIONS.

16.1 Cancellation. In the event prior to Closing, FRG or the Village shall be prohibited, in any material respect, from performing covenants and agreements or enjoying the rights and privileges herein contained, or contained in the Redevelopment Plan by any Uncontrollable Circumstance, or in the event that all or any part of the Act or any ordinance adopted by the Village in connection with the Project shall be declared invalid or unconstitutional, in whole or in part, by a final decision of a court of competent jurisdiction and such declaration shall materially affect the Redevelopment Plan or the covenants and agreements or rights and privileges of FRG or the Village, then and in any such event, the Party so materially affected may, at its election, cancel or terminate this Agreement in whole or in part (with respect to that portion of the Project materially affected) by giving written notice thereof to the other prior to Closing. If the Village terminates this Agreement pursuant to this **Section 16.1**, to the extent it is then appropriate, the Village, at its option, may also terminate its duties, obligation and liability under all or any related documents and agreements. In the event of any termination/cancellation, the Credit LC shall be released to FRG subject to the terms of this Agreement.

16.2 **<u>Notices</u>**. 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.

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

With a copy to:	Schain, Banks, Kenny & Schwartz, Ltd. 70 W. Madison Street, Suite 5300 Chicago, IL 60602 Attn: Robert C. Kenny
If to First Rockford:	First Rockford Group, Inc. 6801 Spring Creek Road Rockford, IL 61114 Attn: Sunil Puri
With a copy to:	First Rockford Group, Inc. 6801 Spring Creek Road Rockford, IL 61114 Attn: General Counsel

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) hereof shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to 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.

16.3 Time of the Essence. Time is of the essence of this Agreement.

16.4 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

16.5 Recordation of Agreement. The Parties agree to record this Agreement in the Recorder's Office of Cook County.

16.6 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.

16.7 **Choice of Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. Venue shall only be proper in Cook County, Illinois.

16.8 **Entire Contract and Amendments**. This Agreement (together with the exhibits attached hereto) is the entire contract and a full integration of the Agreement between the Village and FRG relating to the subject matter hereof, supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, between the Village and FRG, and may not be modified or amended except by a written instrument executed by the Parties hereto.

16.9 **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 FRG, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to either the Village or FRG, nor shall any provision give any third parties any rights of subrogation or action over or against either the Village or FRG. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

16.10 **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.

16.11 **<u>Cooperation and Further Assurances</u>**. The Village and FRG each covenants and agrees that each will do, execute, acknowledge and deliver or cause to be done, executed and delivered, such agreements, instruments and documents supplemental hereto and such further acts, instruments, pledges and transfers as may be reasonably required for the better clarifying, assuring, mortgaging, conveying, transferring, pledging, assigning and confirming unto the Village or FRG or other appropriate persons all and singular the rights, property and revenues covenanted, agreed, conveyed, assigned, transferred and pledged under or in respect of this Agreement.

16.12 **<u>Successors in Interest</u>**. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective authorized successors and assigns; provided, however, that, except as provided in **Section 9.9** and **Section 9.10** hereof, FRG may not assign its rights under this Agreement without the express written approval of the Village. Notwithstanding anything herein to the contrary, the Village may not delegate its obligation hereunder or except as provided herein, transfer any interest in the Property without the express written approval of FRG.

16.13 **<u>No Joint Venture, Agency or Partnership Created</u>**. 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.

16.14 **<u>No Personal Liability of Officials of Village or FRG</u>**. 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, member, director, agent, employee or attorney of the Village or FRG, in his or her individual capacity, and no official, officer, partner, member, director, agent, employee or attorney of the Village or FRG 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.

16.15 **Repealer**. To the extent that any ordinance, resolution, rule, order or provision of the Village's code of ordinances, or any part thereof, is in conflict with the provisions of this Agreement, the provisions of this Agreement shall be controlling, to the extent lawful.

16.16 **Term.** This Agreement shall remain in full force and effect for twenty-three (23) years from the date the Rand Road Redevelopment Project Area was created, unless the Redevelopment Plan with respect to the Project is extended or until termination of the Rand Road Redevelopment Project Area or until otherwise terminated pursuant to the terms of this Agreement.

16.17 **Estoppel Certificates**. Each of the parties hereto agrees to provide the other, upon not less than ten (10) business days prior request, a certificate ("Estoppel Certificate") certifying that this Agreement is in full force and effect (unless such is not the case, in which such parties shall specify the basis for such claim), that the requesting party is not in default of any term, provision or condition of this Agreement beyond any applicable notice and cure provision (or specifying each such claimed default) and certifying such other matters reasonably requested by the requesting party.

16.18 **Municipal Limitations**. All municipal commitments are limited to the extent required by law.

16.19 **Prevailing Wage Act Compliance. Prevailing Wages**. In the event that FRG obtains governmental funds of any kind from any other sources in addition to the TIF

District funds, then FRG is aware that it must comply with the Prevailing Wage Act for the entire project. Under the Prevailing Wage Act, First Rockford shall require that contractors and sub-contractors make available to the Village certified payroll to the Village timely as set forth under the Prevailing Wage Act. These records shall be kept by the Village for three (3) years and are subject to review through the Freedom of Information Act (FOIA), provided that for purposes of public review, such records would not include an employee's address or social security number, and FRG's agreements with contractors and subcontractors shall so comply.

ARTICLE EIGHTEEN

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 and adoption of this Agreement. FRG shall execute this Agreement not later than twenty-one (21) days after Village Council authorization of 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

FIRST ROCKFORD, INC. an Illinois corporation:

By: Sunil Puri

Name: Sunil Puri

Its: President

STATE OF ILLINOIS)
) SS
COUNTY OF Winnebago)

I, Tim Muldowney, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that Sunil Puri, President of First Rockford Group, Inc., an Illinois corporation, 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 as said President and as the free and voluntary act of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 30 day of July, 2014.

Notary Public

My commission expires 3/5/18.

TIMOTHY G MULDOWNEY
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
March 05, 2018

STATE OF ILLINOIS)
) SS
COUNTY OF Cook)

I, Doris K. Sadik, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that Jim Schwantz, Mayor of the Village of Palatine, Illinois, an Illinois municipal corporation, and Laurie Rayborn, Deputy Clerk of the Village of Palatine, Illinois, who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act as said Mayor and Deputy Clerk, and as the free and voluntary act of said municipal corporation for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 5th day of August, 2014.

OFFICIAL SEAL
DORIS K SADIK
Notary Public - State of Illinois
My Commission Expires Oct 8, 2016

Doris K. Sadik
Notary Public

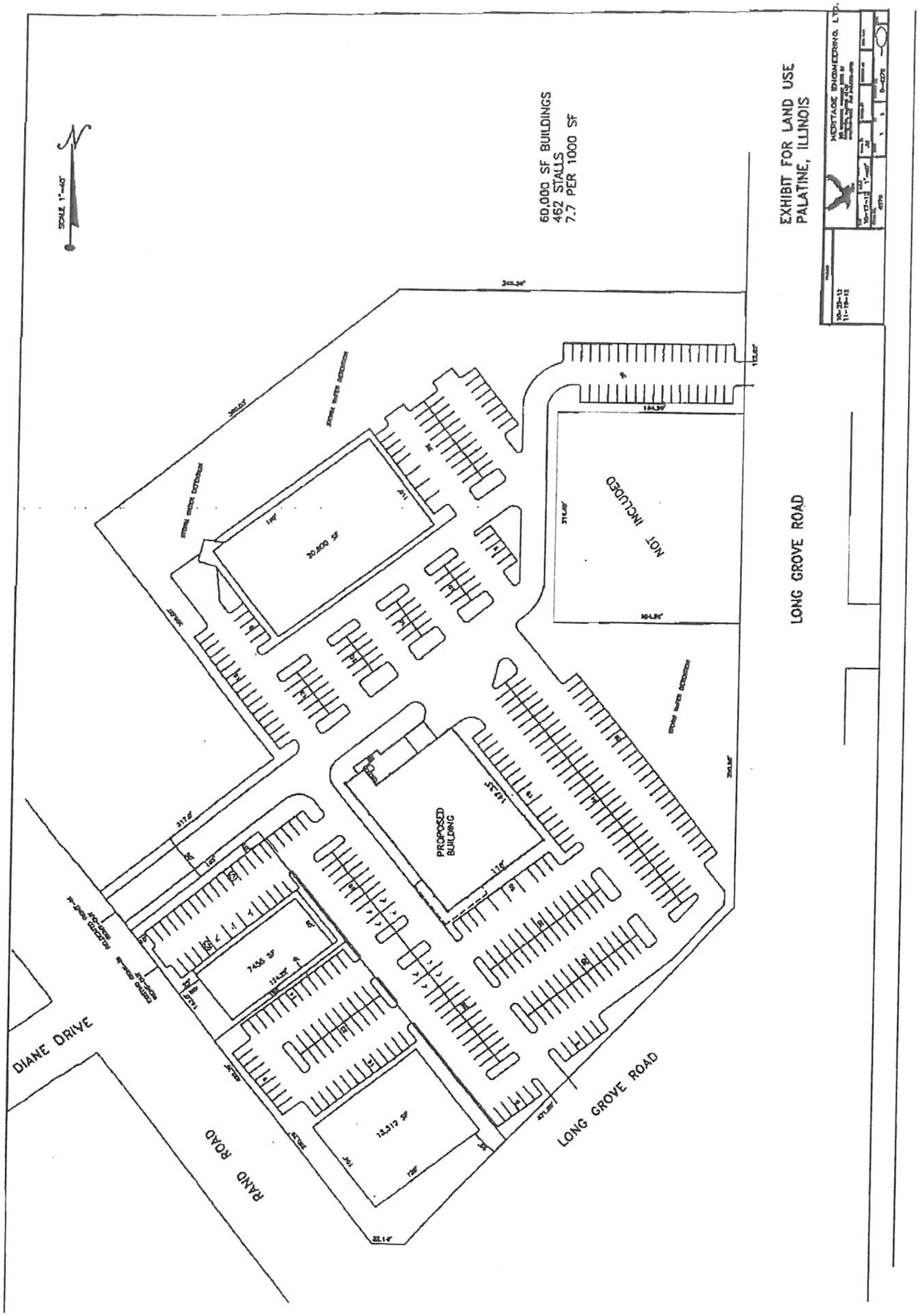
My commission expires 10/8/2016.

EXHIBIT A	PRELIMINARY PLANS
EXHIBIT B	LEGAL DESCRIPTION OF PROPERTY
EXHIBIT C	LICENSE AGREEMENT
EXHIBIT D	PRE-APPROVED ALTERNATE USERS
EXHIBIT E	PERMITTED TRANSFERS
EXHIBIT F	ASSUMPTION AND ASSIGNMENT AGREEMENT
EXHIBIT G	PERMITTED EXCEPTIONS
EXHIBIT H	FORM OF LOC

EXHIBIT A

PRELIMINARY PLANS

Schedule 4–A


60,000 SF BUILDINGS
462 STALLS
7.7 PER 1000 SF
EXHIBIT FOR LAND USE
PALATINE, ILLINOIS
NOT INCLUDED
20,800 SF
PROPOSED BUILDING
7455 SF
LONG GROVE ROAD
LONG GROVE ROAD
DIANE DRIVE
RAND ROAD

Schedule 4–B

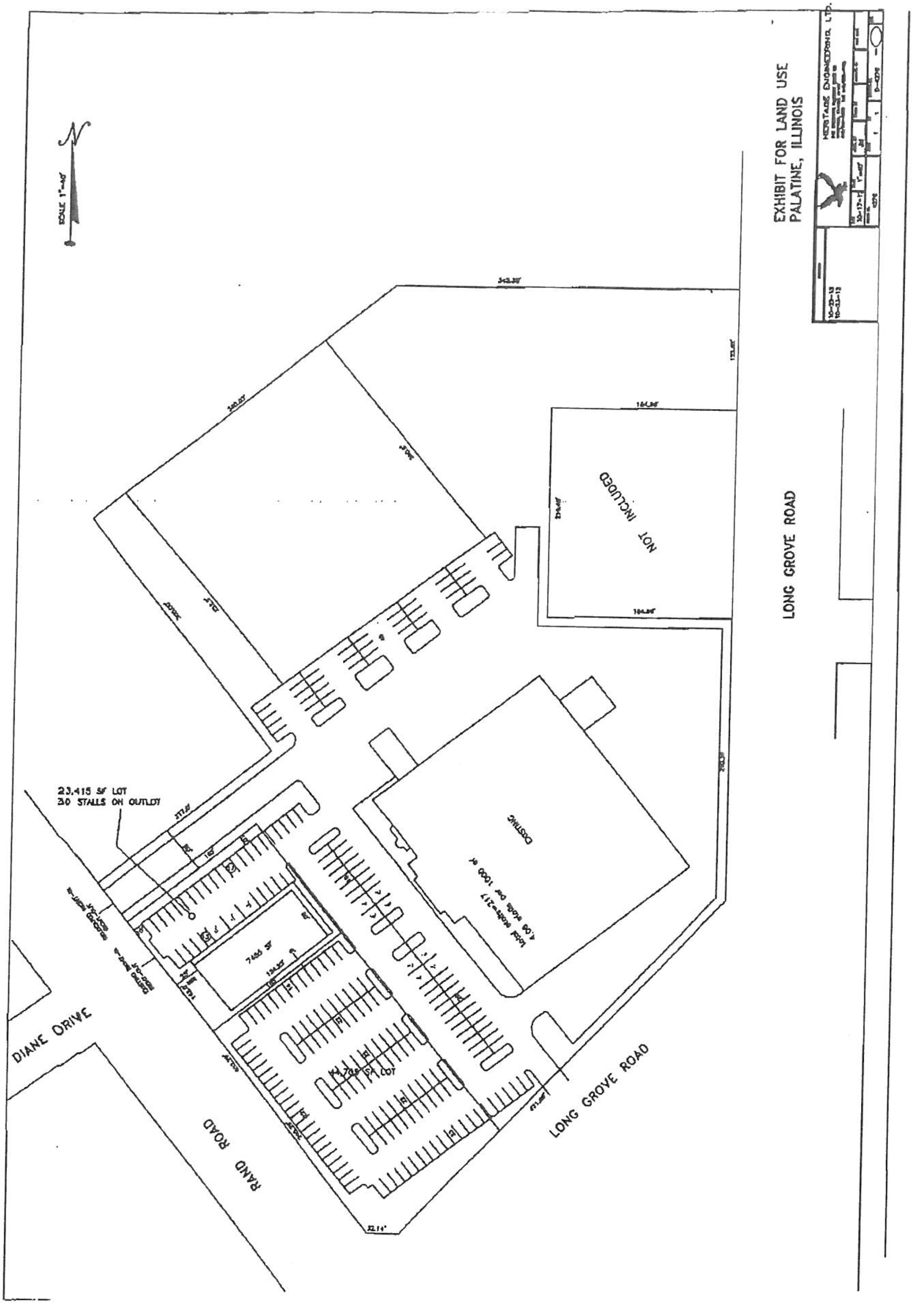


EXHIBIT FOR LAND USE
PALATINE, ILLINOIS
NOT INCLUDED
LONG GROVE ROAD
EXISTING
23,415 SF LOT
30 STALLS ON OUTLOT
7466 SF
DIANE DRIVE
LONG GROVE ROAD
RAND ROAD

EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

(Property Tax Index Number 02-02-402-010)

5. THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS:

THAT PART OF THE EAST 1/2 OF THE SOUTHEAST 1/4 OF SECTION 2, TOWNSHIP 42 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING 338.42 FEET SOUTH AND 234.96 FEET WEST OF THE INTERSECTION OF THE SOUTH LINE OF THE NORTH 10.0 ACRES OF THE NORTHEAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 8, AFORESAID WITH THE EAST LINE OF SAID SECTION 2; THENCE EAST 234.96 FEET TO THE AFORESAID EAST LINE OF SAID SECTION 2; THENCE SOUTH ALONG THIS EAST LINE 284.40 FEET; THENCE SOUTHWESTERLY 630.28 FEET TO THE CENTER LINE OF RAND ROAD; THENCE NORTHWESTERLY ALONG THE CENTER LINE OF RAND ROAD 460.00 FEET; THENCE NORTHEASTERLY FROM THIS POINT TO THE PLACE OF BEGINNING (EXCEPT THEREFROM ALL THAT PART THEREOF LYING SOUTHEAST OF CENTER LINE AND CENTER LINE EXTENDED OF LONG GROVE ROAD AS DEDICATED BY PLAT OF DEDICATION RECORDED JANUARY 6, 1934, AS DOCUMENT NO. 11338404 AND AS CORRECTED BY CERTIFICATE OF SURVEY RECORDED MARCH 13, 1934 AS DOCUMENT NO. 11371869) IN COOK COUNTY, ILLINOIS; EXCEPT THAT PART TAKEN FOR RAND ROAD BY CONDEMNATION CASE NO. 82L50377;

TOGETHER WITH THE FOLLOWING DESCRIBED PARCEL OF LAND:

COMMENCING AT A POINT IN THE EASTERLY LINE OF SAID RAND ROAD THAT IS 63.79 FEET NORTHWESTERLY OF THE MOST WESTERLY CORNER OF THE ABOVE DESCRIBED PROPERTY TAKEN AS A TRACT; THENCE NORTHEASTERLY 230.0 FEET ALONG A LINE PARALLEL WITH THE NORTHWESTERLY LINE THEREOF; THENCE NORTHWESTERLY 300.0 FEET ALONG A LINE PARALLEL WITH THE NORTHEASTERLY LINE OF RAND ROAD AFORESAID; THENCE NORTHEASTERLY 379.31 FEET, MORE OR LESS, TO A POINT IN THE SOUTH LINE OF THE NORTH 10 ACRES OF THE NORTHEAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 2, TOWNSHIP 42 NORTH, RANGE 10, THENCE EAST ALONG THE SOUTH LINE OF SAID NORTH 10 ACRES, 342.52 TO ITS INTERSECTION WITH THE EAST LINE OF SAID SECTION 2; THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 2 TO A POINT THAT IS 6 CHAINS 3 RODS AND 9 LINKS SOUTH OF THE NORTH EAST CORNER OF SAID SOUTH EAST 1/4; THENCE WEST 3 CHAINS 2 RODS AND 6 LINKS TO A POINT THAT IS 451.44 FEET SOUTH OF THE NORTH LINE OF THE SOUTH EAST 1/4 OF SAID SECTION 2 AND 234.96 FEET WEST OF THE EAST LINE THEREOF; THENCE SOUTH PARALLEL WITH THE EAST LINE OF SAID SOUTH EAST 1/4 214.50 FEET; THENCE SOUTHWESTERLY TO A POINT IN THE NORTHEASTERLY LINE OF SAID RAND ROAD THAT IS 63.79 FEET SOUTHEASTERLY OF THE PLACE OF BEGINNING; THENCE NORTHWESTERLY ALONG SAID NORTHEASTERLY RIGHT OF WAY LINE 63.79 FEET TO THE PLACE OF BEGINNING, EXCEPT THAT PART THEREOF LYING SOUTHEAST OF THE CENTER LINE AND CENTER LINE EXTENDED OF LONG GROVE ROAD AFORESAID, IN COOK COUNTY, ILLINOIS.

EXHIBIT C

License Agreement

This LICENSE AGREEMENT ("Agreement") is made as of this 30 day of July, 2014, by and between VILLAGE OF PALATINE, an Illinois municipal home rule corporation ("Village"), First Rockford Group, Inc., an Illinois Corporation ("FRG").

The following recitals of fact are a material part of this Agreement.

A. Village is a home rule unit of government in accordance with Article VII, Section 6, of the Constitution of the State of Illinois, 1970;

B. Village is the owner of a certain parcel of land in the Village of Palatine, County of Cook and State of Illinois, graphically depicted on the Area Plan attached hereto and made a part hereof as Exhibit "A" ("the Property").

C. Pursuant to the Redevelopment Agreement, FRG is the designated contract purchaser of the Property and shall acquire the Property, if at all, pursuant to the terms of the Redevelopment Agreement.

F. Village wishes to grant, and Licensees wishes to receive, a non-exclusive license to perform surveys, environmental testing, soil testing and other due diligence all as set forth in the Redevelopment Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual agreement of the parties hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of License for Due Diligence Work on the Property. Village hereby grants to Licensee, its agents, contractors, representatives and consultants a non-exclusive license to perform surveys, environmental testing, soil testing and other due diligence on the Property. Licensee shall tender written notice to the Village and shall receive approval from the Village Manager's office not less than two (2) business days in advance of any test or due diligence activities that take place on the Property.

2. Term of License. The license granted hereunder shall commence on the date hereof and shall terminate upon the earlier of (a) the date that FRG acquires fee title to the Property; (b) the date an Event of Default by FRG under the Redevelopment Agreement is not timely cured pursuant to the Redevelopment Agreement; c) upon a breach of the terms hereof; or (d) upon the expiration of the Initial Investigation Period and the Extended Investigation Period has not been elected by FRG, or upon the expiration of the Extended Investigation Period. Upon the occurrence of any of the events described in the preceding sentence, this License shall immediately expire and Licensee shall restore the Property to the condition prior to Licensee performing any

work on the Property under this Agreement. Upon termination of this License for any reason Licensee shall restore the Property to the condition prior to Licensee performing any work on the Property under this Agreement.

3. License Only. This Agreement creates a license only with respect to Paragraphs 1 and 2, hereof and Licensee acknowledges that Licensee does not and shall not claim at any time any interest or estate of any kind or extent whatsoever in the Property by virtue of such license or Licensee's use of the Property pursuant hereto. This License includes the right for Licensee to post a development sign on the Property subject to review, approval and permit issuance by the Village during the pendency of the term of this Agreement.

4. No Transfer by Licensee. Licensee shall not transfer, convey or assign any of its rights or any of its interest hereunder without the prior written consent of Village, Any such assignment made without the prior written consent of Village shall be null and void and of no further force or effect and shall entitle Village to terminate this Agreement.

6. Indemnity. Except for damage caused by the negligence or intentional conduct of Village or its successors, Licensee for and on behalf of themselves and all of its respective successors, grantees, invitees and assigns, assume sole and entire responsibility for any and all loss of life, injury to persons or damage to property (wherever such property may be located) that may be sustained directly or indirectly by Licensee, its respective successors, grantees, invitees and assigns and all of their officers, directors, employees, representatives and agents. Further, and except for damage caused by Village or its successors, Licensee, for itself and its respective successors, grantees, invitees and assigns, and for those claiming by, through or under any of them, hereby release Village, its members, agents and employees (collectively, the "Indemnitees") from any and all claims or demands for loss, liability, expense, cost or damage (whether to person or property), including, without limitation, reasonable attorneys' fees and litigation costs incurred by the Indemnitees in connection therewith, that may arise from the work performed on the Property by Licensee, its respective successors, grantees, invitees and assigns, and all of their officers, directors, employees, representatives and agents. Except for damage caused by Village or its successors, Licensees hereby agree to indemnify, defend and hold harmless the Indemnitees from and against any and all liability, loss, claim, demand, lien, damage, penalty, fine, interest, cost and expense (including without limitation, reasonable attorneys' fees and litigation costs) incurred by the Indemnitees for injuries to persons (including, without limitation, loss of life) and for damage, destruction or theft of property which is directly or indirectly due to the activity, work or thing done, permitted or suffered by Licensee on or about the Property or for any act or omission of Licensee, its respective successors, grantees, invitees and assigns and any of their officers, directors, employees, representatives and agents. Licensee shall cooperate with Village in the defense of any such claims, demands or action, including, without limitation, the employment, at the sole expense of Licensee, of legal counsel satisfactory to Village.

7. Insurance. (a) Licensee, at its sole cost and expense, shall purchase and keep in full force and effect during the term hereof, Commercial General Public Liability Insurance (including, but not limited to, contractual liability insurance covering, without limitation, Licensee's indemnification obligations hereunder) in an amount not less than Two Million Dollars ($2,000,000.00) per occurrence whether involving bodily injury liability (or death resulting therefrom) or property damage liability or a combination thereof with a minimum aggregate limit of Five Million Dollars ($2,000,000.00) and provided that same shall not be cancelled without thirty (30) days prior notice to Village.

(b) Insurance Requirement for Consultants, Contractors and Subcontractors. Prior to commencing the investigation and testing of any improvements on the Property, FRG shall procure and maintain, or cause its consultant(s), contractor(s) and subcontractor(s) to procure and maintain or cause to be maintained, in full force and effect, at all times during the course of their work in, on or about the Property, the following insurance coverages:

(v) Workers' Compensation insurance as required by the Illinois Workers' Compensation Act.

(ii) Commercial General Liability insurance, written on an ISO Form published no earlier than 1998, including coverages for premises/operations (to be maintained no less than two (2) years following completion of the work), underground explosion, collapse hazard, completed operations, contractual liability and "broad form" property damage, in the amounts of One Million and 00/100 ($1,000,000.00) per person and per occurrence for incidents of bodily injury, death and/or property damage, which shall name the Village as an insured.

(iii) Commercial Automobile Liability insurance, including coverages for owned, non-owned and hired vehicles, in the amount of One Million and 00/100 Dollars ($1,000,000.00) per occurrence.

(iv) Builder's risk insurance, non-reporting form, for the full replacement value of the building on the Property, including an endorsement insuring collapse during construction, naming Landlord as an additional insured as its interests may appear and providing that such coverage shall be primary to any similar insurance carried by Landlord.

(c) Licensee, concurrently with execution hereof shall deposit with Village, insurance certificates evidencing the foregoing coverages together with satisfactory evidence of payment of the premiums thereon. The deposits required by this Paragraph are conditions precedent to Licensee's rights under this license and this Agreement. All such insurance shall name the Indemnitees as additional insureds. Licensee shall deliver said insurance certificates to the office of the Village Manager of the Village of Palatine, at 200 East Wood Street, Palatine, Illinois, 60067, or as otherwise directed by Village from time to time. Licensees shall not enter the Property under this Agreement until such insurance certificate is delivered to and determined to be acceptable to Village.

8. No Liens. Licensee shall not permit any lien to be filed against any portion of the Property or any improvements thereon for any labor or materials in connection with work of any character performed or claimed to have been performed on the Property at the direction or sufferance of Licensee.

In the event any such lien is filed against any portion of the Property or any improvements thereon, Licensee shall remove or cause to be removed such lien within thirty (30) days of written notice from Village. In the event Licensee do not remove or cause to be removed such lien within said thirty (30) day period, Village shall have the right, but not the obligation, to cause such lien to be released and Licensee shall pay on demand all of Village's costs in connection therewith, together with interest thereon at the interest rate set forth in Paragraph 10 hereof, accruing from and after the date of such demand until Village's receipt of full payment therefor. This provision shall survive the termination of this License.

9. Code Violation. Licensees shall not permit any code violation to be filed against the Property or any improvements as a result of Licensee's actions or activities.

In the event Licensee receives notice of such a code violation, either from Village or its successors, Licensee shall remove or cause to be removed such violation within the time specified in said code violation notice. In the event Licensee do not remove or cause to be removed such code violation within said time period, Village shall have the right, but not the obligation, to cause such violation removed and Licensee shall pay on demand all of Village's costs in connection therewith, together with interest thereon at the interest rate set forth in Paragraph 10 hereof, accruing from and after the date of such demand until Village's receipt of full payment therefor.

10. Breach by Licensee. If Licensee breach any provision in this Agreement and fails to cure any such breach within ten (10) days after written notice thereof, in addition to any other right or remedy available at law or in equity, Village shall have the right, but not the obligation, to cure any such breach and Licensee agree to reimburse Village for the cost thereof upon demand, together with interest accruing thereon at an annual rate of interest equal to twelve percent (12%) from and after the date of Village's demand therefor until Village's receipt of full payment therefor.

11. No Warranty; Integration. Village hereby makes and has made no representations, statements, warranties or agreements to Licensee in or in connection with this Agreement or the Property (except as provided in the Redevelopment Agreement). This Agreement embodies the entire understanding of the parties hereto, and there are no further or other agreements or understanding, written or oral, in effect between the parties relating to the subject matter hereof.

12. Notices. All notices and other communications given pursuant to this Agreement shall be in writing and shall be deemed properly served if delivered in

person to the party to whom it is addressed or on the third (3rd) day after deposit in the U.S. mail as registered or certified mail, return receipt requested, postage prepaid or sent by facsimile transmission, as follows:

If to Village:	Village of Palatine 200 East Wood Street Palatine, Illinois 60067 Attention: Village Manager Fax: (847) 358-5800
With copies to:	Schain, Banks, Kenny & Schwartz, Ltd. 70 W. Madison Street, Suite 5300 Chicago, Illinois 60602 Attention: Robert C. Kenny Fax: (312) 345-5700
If to Licensees:	First Rockford, Inc. 6801 Spring Creek Road Rockford, IL 61114 Attention: Sunil Puri Fax: (815) 229-3001
With copies to:	First Rockford, Inc. 6801 Spring Creek Road Rockford, IL 61114 Attention: General Counsel Fax: (815) 229-3001

13. Litigation Fees. In the event either party shall use legal counsel to enforce this Agreement, the non-prevailing party shall pay the legal fees of the prevailing party.

14. Assignment. No party shall delegate or assign this Agreement or any rights or duties hereunder (including by the merger or consolidation of a party with any third person) without the prior, written consent of the other. This Agreement shall be binding upon and shall inure to the benefit of Village and the Licensee and the respective successors and permitted assigns of each upon execution hereof by Village and the Licensee. Two (2) duly executed duplicate originals of this Agreement shall be provided to each party. This Agreement creates no rights as a third party beneficiary or otherwise in any person not a party.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall together constitute one and the same instrument.

(SIGNATURES APPEAR ON THE FOLLOWING PAGE)

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

VILLAGE:

VILLAGE OF PALATINE,
an Illinois municipal home rule corporation

By: Reid T. Ottesen
Reid T. Ottesen, Manager

Attest: Laurie A. Rayborn
DEPUTY Village Clerk

LICENSEE:

First Rockford Group, Inc.
an Illinois corporation

By: Sunil Puri

Printed Name: Sunil Puri
Title: President

EXHIBIT D
Pre-Approved Alternate Users

Subject to the square footage requirement described in the definition of Project, the following are Pre-Approved:

Furniture store including an indoor/outdoor furniture; and
Home recreational goods store.

EXHIBIT E
PERMITTED TRANSFERS

A Permitted Transfer shall mean a transfer to an entity controlled by Sunil Puri, with the following additional owners or beneficiaries:

(a) The Spouse of Sunil Puri, unless legally separated under a decree of separate maintenance or if a pending divorce is final;

(b) Descendants of Sunil Puri, including descendants by adoption if the adoption was a court adoption of a minor under 18 years of age;

(c) Parents or siblings of Sunil Puri;

(d) Descendants of siblings of Sunil Puri including those by adoption;

(d) Any entity wholly owned by any person or persons identified above;

(e) Any Trust created for the benefit of any person or persons identified as set forth above;

(f) Any charitable organization described in each of the following IRS Code sections: Section 170(b)(1)(A), Section 170(c), Section 2055(a), and Section 2522(a); and

(g) A charitable remainder trust created under IRS Code Section 664.243354.1

Provided, a Permitted Transfer also shall also mean an entity controlled by any of (a), (b), (c), (d), or (e) following the death of Sunil Puri.

EXHIBIT F
ASSUMPTION AND ASSIGNMENT AGREEMENT

ASSIGNMENT AND ASSUMPTION OF REDEVELOPMENT AGREEMENT

This ASSIGNMENT AND ASSUMPTION OF REDEVELOPMENT AGREEMENT (the "Assignment") is made as of the _____ day of 20____ by and between __________________, a corporation (hereinafter referred to as the "Assignor") and ____________________, a corporation (hereinafter referred to as "Assignee").

WITNESSETH:

For good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby assign, transfer, set over and convey unto Assignee any and all of Assignor's right, title and interest in, to and under that certain Redevelopment Agreement dated _____ by and between Assignor, as Seller and __________, as Purchaser (the "RDA") for the purchase and sale of all or a specified portion of that certain real property commonly known as 1775 N. Rand Road, Palatine, Illinois (the "Premises"). A true and correct copy of the RDA is attached hereto as Exhibit "A" and made a part hereof.

1. Assumption of Obligations. Assignee hereby accepts the assignment of the RDA subject to the term and conditions hereof, and does hereby assume and become responsible for and agree to perform, discharge, fulfill and observe all of Assignor's obligations, covenants and conditions with respect to the RDA, with the same force and effect as if Assignee were the original party thereto and agrees to be liable for the observation and performance thereof. The provisions of the preceding sentence and all parts of this Assignment shall inure to the benefit of Assignor and its successors and assigns.

2. Assignor's Obligations. Notwithstanding anything contained herein to the contrary, Assignor shall remain responsible for all obligations, covenants, conditions and provisions accruing prior to the date of this Assignment.

3. Records. Assignor agrees to deliver to Assignee all documents, materials and other information in the possession of Assignor with respect to the Premises.

4. Claims. If either Assignor or Assignee receives notice of a claim, lien or encumbrance relating to the Premises or the RDA which pertains to an indemnification given by the other party hereunder, the party receiving such notice shall given written notice of the same to the other party.

5. Notice. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid registered or certified with return receipt requested, or by delivering same in person to the intended address or by prepaid telegram, as follows:

If to Assignor: ______________________________

With a copy to: ______________________________

If to Assignee: ______________________________

With a copy to: ______________________________

or at such other place as any party hereto may by notice in writing designate as a place for service of notice hereunder. Notice so mailed shall be effective upon expiration of three (3) business days after its deposit. Notice given in any other manner shall be effective only if and when received by the addressee.

6. Assignee's Indemnification. Assignee shall indemnify, defend and hold harmless Assignor from and against any and all liabilities, obligations, claims, liens or encumbrances in any way related to the RDA and arising or accruing on or after the date of this Assignment, or in any way related to or arising from any act, conduct, omission, contract or commitment of Assignee at any time or times on or after the date of this Assignment.

7. Assignor's Indemnification. Assignor shall indemnify, defend and hold harmless Assignee and the Premises from and against any and all liabilities, obligations, claims, liens or encumbrances in any way related to the Premises and arising or occurring before the date of this Assignment, or in any way related to or arising from any act, conduct, omission, contract or commitment of Assignor at any time or times prior to the date of this Assignment, which agreement and indemnification shall survive the subsequent closing with respect to the Premises as described in the RDA.

8. Successors. The terms, covenants, conditions and warranties herein contained and the powers hereby granted shall inure to the benefit of, and bind, an parties hereto and their respective successors and assigns.

9. Severability. If any provision of this Agreement or the application thereof to any entity, person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Assignment and the application of its provisions to other entities, persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

10. Third Party Beneficiaries. It is expressly agreed by Assignor and Assignee that this Assignment shall not be construed or deemed made for the benefit of any third party or parties.

11. Entire Agreement. This document contains the entire agreement concerning the assignment of Leases and Rents between the parties hereto. No variations, modifications or changes herein or hereof shall be binding upon any party hereto, unless set forth in a document duly executed by, or on behalf of, such party.

12. Construction. Whenever used herein and the context requires it, the singular number shall include the plural, the plural the singular, and any gender shall include all genders.

13. Governing Law. The parties agree that the law of the State of Illinois shall govern the performance and enforcement of this Assignment.

14. Counterparts. This Assignment may be executed in one or more multiple counterparts. Each counterpart shall constitute an original and, taken together, shall constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the day and year first above written.

ASSIGNEE:

____
BY:
Name:__________________
Title:__________________

ASSIGNOR:

____
BY:__________________________
Name:__________________
Title:__________________

EXHIBIT A TO ASSUMPTION AND ASSIGNMENT AGREEMENT

RDA

EXHIBIT G
PREMITTED TITLE EXCEPTIONS

To be Provided After Execution of this Agreement

EXHIBIT H
FORM OF LOC

____________ BANK

Letter of Credit No.

Issuing Bank:

Beneficiary: Village of Palatine a municipal corporation
200 E. Wood Street
Palatine, Il 60067

Applicant:

Letter of Credit No:

Issue Date:

Expiration Date:

Amount: $3,000,000.00 USD - Three Million 00/100 US Dollars and no cents

At the request of, on the instruction of and for the account of First Rockford Group, ("Applicant"), ____ Bank ***[NOTE: issuer must be an fdic insured national bank or national financial institution deemed reasonably satisfacotry to the village]***, (the "Bank") hereby issues this unconditional irrevocable letter of credit no. ____ ("Letter of Credit"), in favor of the Village of Palatine ("Beneficiary") in the amount of Three Million Dollars USD ($3,000,000.00) (the "Stated Amount") available by immediate payment upon presentation at the Bank's offices located at ________________ of the Beneficiary's sight draft(s) in an amount not exceeding the Stated Amount. This Letter of Credit is being delivered to the Beneficiary in accordance with the Redevelopment Agreement dated as of July 14, 2014, as the same may be amended from time to time ("Redevelopment Agreement"), by and between the Applicant and the Beneficiary.

A. <u>Drawing on the Letter of Credit</u>: Subject to the further provisions of this Letter of Credit, demand for payment may be made by the Beneficiary, by presentation to the Bank at our offices located at __________, _________, __________, __, of a sight draft(s) in the form of a certificate on the letterhead of the Beneficiary signed by the Village Manager and Village Clerk in the amount specified, as set forth in the applicable accompanying certificate described below, ("draw"). Multiple draws shall be permitted hereunder, provided the same do not exceed the then existing face value of the Letter of Credit. Each draw shall reduce the stated amount of this Letter of Credit, dollar for dollar.

Demand for payment may be made by the Beneficiary under this Letter of Credit any time prior to 5:00 p.m. on the date of expiration hereof during the Bank's business hours at its aforesaid address, on a business day, and for purposes of this Letter of Credit, the term "business day" means a day that is not a Saturday, Sunday, or other day on which banking institutions in Chicago are authorized by law or executive order to close.

All documents presented to the Bank in connection with any demand for payment hereunder, as well as all notices and other communications to the Bank in respect of this Letter of Credit, shall be in writing and presented to the Bank at our address aforesaid. This Letter of Credit sets forth the full understanding of the parties hereto and the Issuer hereby promises to the Beneficiary that any drafts drawn under or in substantial compliance with the terms of this Letter of Credit will be duly honored if presented to Issuer on or before the expiration date.

B. <u>Periodic Reduction</u>: Pursuant to Section 6.2-B of the Redevelopment Agreement, this Letter of Credit shall be reduced annually as follows:

1. Upon written certification from the Village of Palatine, to the Bank in the amount that is Fifty Percent (50%) of the amount of Municipal Revenues, as defined in Section 6.2-C of the Redevelopment Agreement, that are over and above Eleven Thousand Dollars ($11,000.00) and that are actually received by the Village, that is generated through redevelopment of the Property (as defined in the Redevelopment Agreement) , and that are generated after the Primary User or Alternate User as defined in Section 6.2-C of the Redevelopment Agreement are open to the public for business for a period of not less than thirty (30) days.

2. Upon written certification from the Village of Palatine, to the Bank that the Municipal Revenues being generated from the property and being reported to the Village do not exceed an average of Eleven Thousand Dollars per year from either the Primary User of Alternate Users from the date of the Redevelopment Agreement to December 31, 2019, the Village shall draw One Million Dollars ($1,000,000.00) and as a result, this Letter of Credit shall be reduced accordingly.

3. Upon written certification from the Village of Palatine, to the Bank that the Municipal Revenues being generated from the Property and being reported to the Village do not exceed an average of Eleven Thousand Dollars per year from either the Primary User of Alternate Users from the date of the Redevelopment Agreement to December 31, 2021, the Village shall draw One Million Dollars ($1,000,000.00) and as a result, this Letter of Credit shall be reduced accordingly.

4. Upon written certification from the Village of Palatine, to the Bank that the Municipal Revenues being generated from the Property and being reported to the Village do not exceed an average of Eleven Thousand Dollars per year from either the Primary User of Alternate Users from the date of the Redevelopment Agreement to December 31, 2025, the Village shall draw One Million Dollars ($1,000,000.00) or the balance of the Letter of Credit if the balance is less than One Million Dollars ($1,000,000.00) and as a result this Letter of Credit shall be reduced accordingly.

C. Letter of Credit Term: This Letter of Credit shall expire at our close of business at the address set forth above on the earliest to occur of the following:

1. Upon submission of a written certification from the Village of Palatine to the Bank along with this original Letter of Credit, that the Municipal Revenues being generated from the Property and being reported to the Village equal or exceed Three Million Dollars., or

2. Until it is released pursuant to the terms of the Redevelopment Agreement or sooner by substitution of a comparable Letter of Credit satisfactory to the Beneficiary; or

3. _______________, or an automatically extended date.

This Letter of Credit shall be promptly surrendered to the Bank by you upon expiration.

It is a condition of this Letter of Credit that we will send in writing to the Beneficiary, at the above address, at least 30 days prior to the expiration date of this Letter of Credit, notice that we intend not to extend this Letter of Credit. If we fail to notify you as indicated herewith, this Letter of Credit shall automatically be extended to comply with this 30 day notice provision.

This Letter of Credit, shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits UCP 600 (as such may be revised from time to time) International Chamber of Commerce and as to matters not governed by UCP 600, this Letter of Credit shall be governed by and construed in accordance with the Uniform Commercial Code the State of Illinois. This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document.

SINGATURES ON NEXT PAGE

Authorized Signatory

Affidavit of Certification

State of Illinois ________)
) ss.
County of ____________)

I, ________________________________, being duly sworn, state as follows:

title and authority of Affiant. I am the Village Manager for the Village of Palatine, Illinois (the "Village") and am authorized to act on behalf of the Village in this matter.

Certification. under penalty of law, I hereby certify that the applicant has failed to meet its obligations under the terms of that certain Redevelopment Agreement dated __________ 2014, and the Village is entitled to draft this Letter of Credit on account of the Redevelopment Agreement provision indicated below and resulting in the specified draw.

1. This drawing is being made by reason of section 6-2-C of the Redevelopment Agreement, resulting in a draw of $ ________. initials

____

Title: Village Manager
By:____

Title: Village Clerk (or Deputy Village Clerk)
By: ______________________

Subscribed and sworn to before me this ______________ day of______

By ____________________________________ .

Witness my hand and official seal. My commission expires:

____
Notary Public

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 DISRICT

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

New Issue

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

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 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

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.

Table of Contents

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.

Issuer: Village of Palatine, Cook County, Illinois.

Dated Date: Date of delivery, expected to be on or about December 9, 2014.

Interest Due: Each June 1 and December 1, commencing June 1, 2015.

Authorization: The Village is a home rule unit under the 1970 Illinois Constitution, has no statutory debt limit, and is not required to seek referendum approval to issue the Bonds.

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

Investment Rating: The Bonds have been rated "AA+/Stable" from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P").

Bond Registrar/Paying Agent Escrow Agent: Wells Fargo Bank, N.A., Chicago, Illinois.

Verification Agent: Dunbar Breitweiser & Company, LLP, Bloomington, Illinois.

Delivery: The Bonds are expected to be delivered on or about December 9, 2014.

Book-Entry Form: The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.

Denomination: $5,000 or integral multiples thereof.

Financial Advisor: Speer Financial, Inc., Chicago, Illinois.

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 includible 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 Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number	Principal Amount	Due Dec. 1	Interest Rate	Yield	CUSIP(1) Number
$550,000	2015	2.000%	0.500%	696089 B91	$680,000	2021	3.000%	2.500%	696089 C74
570,000	2016	2.000%	0.900%	696089 C25	705,000	2022	3.000%	2.750%	696089 C82
585,000	2017	2.000%	1.400%	696089 C33	735,000	2023	3.000%	2.950%	696089 C90
605,000	2018	2.000%	1.750%	696089 C41	760,000	2024	3.125%	3.125%	696089 D24
630,000	2019	3.000%	2.100%	696089 C58	790,000	2025	3.300%	3.300%	696089 D32
655,000	2020	3.000%	2.300%	696089 C66					

(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.

VILLAGE COUNCIL

Jim Schwantz
Mayor

Jim Clegg	Kollin Kozlowski
Tim Millar	Scott Lamerand
Brad Helms	Gregory J. Solberg

OFFICIALS

Margaret R. Duer *Village Clerk*	Reid T. Ottesen *Village Manager*	Paul D. Mehring *Finance Director*

Robert C. Kenny, Esq.
Village Attorney

THE VILLAGE

Overview

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

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

Organization and Services

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

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

The Village employs 343 full-time and 45 part-time/seasonal employees. This represents a reduction of 32 employees since January 1, 2009. The Palatine Police Department is comprised of 110 sworn officers and 30 civilian personnel. The police officers have a three-year contract that expires December 31, 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)*

	The Village		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
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)*

	The Village		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
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)*

Calendar Year	The Village	Cook County	State of Illinois
2003	5.5%	7.4%	6.7%
2004	4.9%	6.7%	6.2%
2005	4.5%	6.4%	5.8%
2006	3.3%	4.8%	4.6%
2007	3.8%	5.2%	5.0%
2008	4.9%	6.5%	6.5%
2009	8.3%	10.3%	10.1%
2010	8.5%	10.5%	10.5%
2011	7.9%	10.4%	9.8%
2012	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	Single-Family		Multi-Family		All Other	Total
Year	Units	Value	Units	Value	Value(2)	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)*

	The Village		The County		The State	
Value	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)*

	The Village		The County		The State	
Value	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	**Cook County**	**30,048**
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
Cook County	**66,124**	**22**

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)*

	The Village		The County		The State	
Income	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)*

	The Village		The County		The State	
Income	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

Maturities	Outstanding Amount	Amount Refunded	Redemption Price(s)	Maturity or Redemption Date
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

Maturities	Outstanding Amount	Amount Refunded	Redemption Price(s)	Maturity or Redemption Date
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

Maturities	Outstanding Amount	Amount Refunded	Redemption Price(s)	Maturity or Redemption Date
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............	855,000	855,000	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.

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	$ 535,000	$ 1,160,000	$ 175,000	$ 50,000	$ 450,000	$ 0	$ 395,000	$ 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	1,360,000	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	0	700,000	0	0	0	0	0
2027	0	0	0	340,000	80,000	0	725,000	0	0	0	0	0
2028	0	0	0	355,000	85,000	0	775,000	0	0	0	0	0
2029	0	0	0	0	90,000	0	800,000	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	$2,195,000	$ 0	$145,000	$ 475,000	$180,000	$ 505,000	$ 0	$ 0	$ 0	$ 7,392,473	$ 7,392,473	7.08%
2015	2,300,000	0	380,000	25,000	180,000	510,000	1,190,000	(580,000)	(475,000)	8,738,137	16,130,610	15.45%
2016	500,000	0	0	825,000	175,000	515,000	1,390,000	(770,000)	(505,000)	6,597,180	22,727,790	21.77%
2017	1,790,000	0	0	875,000	175,000	525,000	1,440,000	(825,000)	(535,000)	8,635,000	31,362,790	30.04%
2018	0	0	0	900,000	0	540,000	1,475,000	(850,000)	(565,000)	6,925,000	38,287,790	36.67%
2019	0	0	0	900,000	0	555,000	1,505,000	(875,000)	(600,000)	7,240,000	45,527,790	43.61%
2020	0	0	0	900,000	0	570,000	1,565,000	(925,000)	(635,000)	7,465,000	52,992,790	50.76%
2021	0	0	0	1,000,000	0	595,000	945,000	(250,000)	(675,000)	7,890,000	60,882,790	58.32%
2022	0	0	0	1,000,000	0	615,000	975,000	(260,000)	(715,000)	8,095,000	68,977,790	66.07%
2023	0	0	0	100,000	0	0	1,015,000	(275,000)	(760,000)	3,745,000	72,722,790	69.66%
2024	0	725,000	0	0	0	0	1,050,000	(290,000)	(805,000)	4,515,000	77,237,790	73.98%
2025	0	735,000	0	0	0	0	1,090,000	(305,000)	(855,000)	4,700,000	81,937,790	78.48%
2026	0	1,275,000	0	0	0	0	310,000	(320,000)	0	3,185,000	85,122,790	81.53%
2027	0	1,325,000	0	0	0	0	325,000	(340,000)	0	2,455,000	87,577,790	83.88%
2028	0	1,340,000	0	0	0	0	335,000	(355,000)	0	2,535,000	90,112,790	86.31%
2029	0	1,400,000	0	0	0	0		0	0	2,290,000	92,402,790	88.51%
2030	0	2,200,000	0	0	0	0		0	0	2,200,000	94,602,790	90.61%
2031	0	2,300,000	0	0	0	0		0	0	2,300,000	96,902,790	92.82%
2032	0	2,400,000	0	0	0	0		0	0	2,400,000	99,302,790	95.12%
2033	0	2,500,000	0	0	0	0		0	0	2,500,000	101,802,790	97.51%
2034	0	2,600,000	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	$(7,220,000)	$(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
Schools:			
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%	17,969,275
Total Schools			$ 33,131,677
Others:			
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%	323,984
Total Others			$ 86,140,719
Total School and Others Overlapping Bonded Debt			$119,272,396

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	Ratio To Estimated Actual	Per Capita (2010 Special Census 68,557)
Village's EAV of Taxable Property, 2013	$1,589,762,203	100.00%	33.33%	$23,188.91
Estimated Actual Value, 2013	$4,769,286,609	300.00%	100.00%	$69,566.73
Total General Obligation Bonded Debt	$ 104,402,790	6.57%	2.19%	$ 1,522.86
Less: Self-Supporting	(69,425,000)	(4.37%)	(1.46%)	(1,012.66)
Net General Obligation Bonded Debt	$ 34,977,790	2.20%	0.73%	$ 510.20
Overlapping Bonded Debt(1):				
Schools	$ 33,131,677	2.08%	0.69%	$ 483.27
Others	86,140,719	5.42%	1.81%	1,256.48
Total Overlapping Bonded Debt	$ 119,272,396	7.50%	2.50%	$ 1,739.76
Total Net Direct and Overlapping Bonded Debt	$ 154,250,186	9.70%	3.23%	$ 2,249.96

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	2009	2010	2011	2012	2013
	Levy Years				
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
Village Rates:					
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	0.087	0.097	0.109	0.122	0.148
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	0.258	0.295	0.334	0.373	0.444
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	Total Collections 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)*

Taxpayer Name	Type of Property	2012 EAV(2)
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
Total		$103,085,439
Ten Largest Taxpayers as a Percent of the Village's 2012 EAV ($1,849,082,881)		5.57%

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.

TAX LEVY YEAR	EQUALIZATION FACTOR
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 1st of the assessment year, and occupy such property as their principal residence or, (ii) continuously occupy their property as their principal place of residence for 5 years, as of January 1st of the assessment year, provided that the property was purchased with certain government assistance.

In addition, the Homestead Improvement Exemption 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.

Tax Levy Year	Second Installment Penalty Date
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 polices for the development of the annual budget.

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

Investment Policy

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

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

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

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

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

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

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

Financial Reports

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

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section and in **APPENDIX A** are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended December 31, 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
ASSETS:					
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 Fudiciary 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	25,755,678	24,801,596	47,358,869	47,273,745	47,186,250
Total Assets	$272,546,525	$293,241,486	$298,519,962	$293,443,877	$291,341,925
LIABILITIES:					
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 of 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	80,946,614	94,716,022	94,993,697	89,179,798	83,829,738
Total Liabilities	$113,963,050	$128,712,564	$130,521,840	$101,585,985	$ 95,637,534
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Property Tax Revenue	$ 0	$ 0	$ 0	$ 21,900,345	$ 21,814,343
NET ASSETS/POSITION:					
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	(17,333,619)	(9,711,908)	27,281,648	33,174,261	30,210,005
Total Net Assets/Position	$158,583,475	$164,528,922	$167,998,122	$170,623,812	$174,420,458

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
EXPENSES:					
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)
GENERAL REVENUES:					
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

	Audited as of December 31				
	2009	2010	2011	2012	2013
ASSETS:					
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	5,777,920	0	6,267,920	5,772,920	5,277,920
Total Assets	$37,875,477	$36,887,832	$38,817,946	$41,745,067	$43,638,180
LIABILITIES AND FUND BALANCE:					
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	564,971	126,380	0	0
Total Liabilities	$21,369,449	$21,117,134	$19,892,054	$1,755,946	$ 2,253,660
DEFERRED INFLOWS OF RESOURCES:					
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	9,745,168	12,657,972	15,064,951	16,880,750
Total Fund Balance	$16,506,028	$15,770,698	$18,925,892	$20,837,871	$22,158,670
Total Liabilities and Fund Balance	$37,875,477	$36,887,832	$38,817,946	$41,745,067	$43,638,180

General Fund
Revenues and Expenditures

	Audited for the Fiscal Year Ending December 31				
	2009	2010	2011	2012	2013
REVENUES:					
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	$45,959,734	$46,649,513	$50,159,919	$50,779,585	$52,186,347
EXPENDITURES:					
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	$46,546,637	$47,449,843	$48,373,405	$47,597,716	$48,736,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (586,903)	$ (800,330)	$ 1,786,514	$ 3,181,869	$ 3,449,549
OTHER FINANCING SOURCES (USES):					
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)	$ (84,456)	$ 65,000	$ 1,368,680	$ (1,269,890)	$ (1,848,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (671,359)	$ (735,330)	$ 3,155,194	$ 1,911,979	$ 1,601,549
Fund Balance, January 1	$17,177,387	$16,506,028	$15,770,698	$18,925,892(2)	$20,557,121(2)
Fund Balance, December 31	$16,506,028	$15,770,698	$18,925,892	$20,837,871	$22,158,670

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 theron 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 15th 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 includible 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 includible 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 includible 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 includible 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
ASSETS			
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	-	1,652,874	1,652,874
Other	695,088	200,321	895,409
Due from other governments	4,574,956	-	4,574,956
Accrued interest	7,590	690	8,280
Prepaid expenses	60,650	-	60,650
Inventories	166,005	-	166,005
Land held for resale	16,867,257	-	16,867,257
Investment in joint venture			
Northwest Water Commission	-	11,841,410	11,841,410
Capital assets not being depreciated	151,415,325	4,858,690	156,274,015
Capital assets being depreciated (net of accumulated depreciation)	47,186,250	45,182,055	92,368,305
Total assets	291,341,925	77,117,612	368,459,537
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	530,410	105,020	635,430
Total deferred outflows of resources	530,410	105,020	635,430
LIABILITIES			
Accounts payable	1,480,187	1,000,685	2,480,872
Accrued payroll	949,423	46,382	995,805
Accrued interest payable	327,330	33,550	360,880
Due to fiduciary funds	35,877	-	35,877
Deposits payable	877,706	145,588	1,023,294
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
Total liabilities	95,637,534	18,163,212	113,800,746
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	21,814,343	-	21,814,343
Total deferred inflows of resources	21,814,343	-	21,814,343
NET POSITION			
Net investment in capital assets	140,609,666	38,430,520	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
TOTAL NET POSITION	$ 174,420,458	$ 59,059,420	$ 233,479,878

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
					Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	$ 3,618,746	$ 3,684,856	$ 9,862,200	$ -	$ 9,928,310	$ -	$ 9,928,310
Public safety	39,226,832	4,128,702	585,595	60,485	(34,452,050)	-	(34,452,050)
Public works	14,290,195	2,107,948	2,019,914	255,345	(9,906,988)	-	(9,906,988)
Economic development	5,914,067	-	124,859	-	(5,789,208)	-	(5,789,208)
Interest and fiscal charges	4,334,822	-	622,676	-	(3,712,146)	-	(3,712,146)
Total governmental activities	67,384,662	9,921,506	13,215,244	315,830	(43,932,082)	-	(43,932,082)
Business-Type Activities							
Waterworks	7,511,430	9,767,730	-	-	-	2,256,300	2,256,300
Sewerage	3,335,908	3,422,980	-	225,345	-	312,417	312,417
Motor vehicle parking system	1,269,605	683,780	-	1,952,555	-	1,366,730	1,366,730
Refuse collection	4,426,461	4,511,043	-	-	-	84,582	84,582
Total business-type activities	16,543,404	18,385,533	-	2,177,900	-	4,020,029	4,020,029
TOTAL PRIMARY GOVERNMENT	$ 83,928,066	$ 28,307,039	$ 13,215,244	$ 2,493,730	(43,932,082)	4,020,029	(39,912,053)

	Governmental Activities	Business-Type Activities	Total
General Revenues			
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	1,722,005	-	1,722,005
Other	1,242,698	-	1,242,698
State shared income tax	6,532,135	-	6,532,135
Investment income	300,305	20,064	320,369
Miscellaneous	193,597	-	193,597
Transfers	250,000	(250,000)	-
Total	48,300,164	(229,936)	48,070,228
CHANGE IN NET POSITION	4,368,082	3,790,093	8,158,175
NET POSITION, JANUARY 1 - AS RESTATED	170,052,376	55,269,327	225,321,703
NET POSITION, DECEMBER 31	$ 174,420,458	$ 59,059,420	$ 233,479,878

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 14,703,048	$ 2,852,859	$ 88,214	$ 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	-	21,972,674
Other	670,240	-	-	-	-	670,240
Due from other governments	3,623,068	-	-	-	951,888	4,574,956
Accrued interest	1,105	320	-	95	590	2,110
Due from other funds	18,532	-	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
TOTAL ASSETS	$ 43,638,180	$ 11,131,244	$ 8,745,287	$ 4,781,505	$ 21,445,482	$ 89,741,698

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES						
Accounts payable	$ 408,168	$ 40,678	$ 8,104	$ 584	$ 417,299	$ 874,833
Accrued payroll	931,909	-	-	-	241	932,150
Due to other funds	-	-	-	-	62,147	62,147
Due to fiduciary funds	35,877	-	-	-	-	35,877
Deposits payable	877,706	-	-	-	-	877,706
Unearned revenues	-	-	-	-	11,005	11,005
Advance from other funds	-	5,277,920	-	-	-	5,277,920
Total liabilities	2,253,660	5,318,598	8,104	584	490,692	8,071,638
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes	19,225,850	-	-	2,588,493	-	21,814,343
FUND BALANCES						
Nonspendable in form - advances	5,277,920	-	-	-	-	5,277,920
Restricted for streets and highways	-	-	-	-	994,753	994,753
Restricted for debt service	-	-	-	2,192,428	-	2,192,428
Restricted for capital projects	-	-	-	-	38,438	38,438
Restricted for public safety	-	-	-	-	740,936	740,936
Restricted for economic development	-	8,253,799	8,737,183	-	2,918,623	19,909,605
Unrestricted						
Assigned for capital projects	-	-	-	-	16,305,655	16,305,655
Unassigned	16,880,750	(2,441,153)	-	-	(43,615)	14,395,982
Total fund balances	22,158,670	5,812,646	8,737,183	2,192,428	20,954,790	59,855,717
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 43,638,180	$ 11,131,244	$ 8,745,287	$ 4,781,505	$ 21,445,482	$ 89,741,698

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	$ 59,855,717
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	530,410
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	$ 174,420,458

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VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 26,061,334	$ 4,850,953	$ 2,253,091	$ 2,767,147	$ 5,091,603	$ 41,024,128
Licenses and permits	2,822,149	-	-	-	-	2,822,149
Intergovernmental	18,176,446	125,624	-	497,052	3,303,345	22,102,467
Charges for services	3,380,429	-	-	-	303,041	3,683,470
Fines and forfeits	1,336,226	-	-	-	40,403	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	52,186,347	4,985,167	2,254,693	3,269,261	8,807,276	71,502,744
EXPENDITURES						
Current						
General government	5,532,910	-	-	-	-	5,532,910
Public safety	36,975,266	-	-	-	174,694	37,149,960
Public works	6,228,622	-	-	-	-	6,228,622
Economic development	-	2,253,449	360,759	-	3,299,859	5,914,067
Capital outlay	-	4,890,087	71,249	-	5,130,305	10,091,641
Debt service						
Principal retirement	-	3,855,647	950,000	1,541,165	-	6,346,812
Interest	-	1,548,221	880,598	1,956,940	-	4,385,759
Fiscal charges	-	3,597	1,000	3,706	-	8,303
Total expenditures	48,736,798	12,551,001	2,263,606	3,501,811	8,604,858	75,658,074

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,449,549	(7,565,834)	(8,913)	(232,550)	202,418	(4,155,330)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	115,692	115,692
Transfers in	-	-	-	-	5,249,753	5,249,753
Transfers (out)	(1,848,000)	-	(1,000,000)	-	(2,151,753)	(4,999,753)
Total other financing sources (uses)	(1,848,000)	-	(1,000,000)	-	3,213,692	365,692
NET CHANGE IN FUND BALANCE	1,601,549	(7,565,834)	(1,008,913)	(232,550)	3,416,110	(3,789,638)
FUND BALANCE, JANUARY 1 - AS RESTATED	20,557,121	13,378,480	9,746,096	2,424,978	17,538,680	63,645,355
FUND BALANCE, DECEMBER 31	$ 22,158,670	$ 5,812,646	$ 8,737,183	$ 2,192,428	$ 20,954,790	$ 59,855,717

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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		
Depreciation		(2,466,155)
The repayment of principal on long-term debt is reported as an expenditure in governmental funds but as a reduction of principal outstanding in the statement of activities		
Principal repayment		6,346,812
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		(129,846)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	4,368,082

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2013

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	$ 6,518,966	$ 3,266,518	$ 1,463,470	$ 2,132,618	$ 13,381,572	$ 8,081,736
Receivables (net, where applicable, of 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	85	75	690	5,480
Prepaid expenses	-	-	-	-	-	60,650
Inventories	-	-	-	-	-	166,005
Total current assets	7,678,973	3,755,191	1,463,555	2,337,738	15,235,457	8,338,719
NONCURRENT ASSETS						
Capital assets						
Land	740,200	-	4,118,490	-	4,858,690	-
Buildings and improvements	6,739,405	597,545	15,881,480	-	23,218,430	-
Systems and improvements	17,577,895	59,064,820	-	-	76,642,715	-
Machinery and equipment	2,164,615	286,080	-	-	2,450,695	-
Accumulated depreciation	(14,255,485)	(34,150,570)	(8,723,730)	-	(57,129,785)	-
Total capital assets	12,966,630	25,797,875	11,276,240	-	50,040,745	-
Other assets						
Investment in joint venture						
Northwest Water Commission	11,841,410	-	-	-	11,841,410	-
Total noncurrent assets	24,808,040	25,797,875	11,276,240	-	61,882,155	-
Total assets	32,487,013	29,553,066	12,739,795	2,337,738	77,117,612	8,338,719

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	$ 3,610	$ 101,410	$ -	$ -	$ 105,020	$ -
Total deferred outflows of resources	3,610	101,410	-	-	105,020	-
CURRENT LIABILITIES						
Accounts payable	213,611	496,074	44,698	246,302	1,000,685	605,354
Accrued payroll	31,445	14,937	-	-	46,382	17,273
Accrued interest payable	3,185	30,365	-	-	33,550	-
Deposits payable	145,588	-	-	-	145,588	-
Claims payable	-	-	-	-	-	1,610,635
Unearned revenues	-	-	-	142,580	142,580	3,286
Compensated absences payable	20,197	3,630	-	-	23,827	5,117
General obligation bonds payable	1,900,775	780,980	-	-	2,681,755	-
Total current liabilities	2,314,801	1,325,986	44,698	388,882	4,074,367	2,241,665
LONG-TERM LIABILITIES						
Compensated absences payable	80,788	14,520	-	-	95,308	20,468
General obligation bonds payable	5,047,591	8,945,946	-	-	13,993,537	-
Total long-term liabilities	5,128,379	8,960,466	-	-	14,088,845	20,468
Total liabilities	7,443,180	10,286,452	44,698	388,882	18,163,212	2,262,133
NET POSITION						
Net investment in capital assets	10,786,330	16,367,950	11,276,240	-	38,430,520	-
Unrestricted	14,261,113	3,000,074	1,418,857	1,948,856	20,628,900	6,076,586
TOTAL NET POSITION	$ 25,047,443	$ 19,368,024	$ 12,695,097	$ 1,948,856	$ 59,059,420	$ 6,076,586

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	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ 13,125
Charges for services	9,722,240	3,381,113	683,780	4,511,043	18,298,176	9,462,236
Miscellaneous	45,490	41,867	-	-	87,357	601,592
Total operating revenues	9,767,730	3,422,980	683,780	4,511,043	18,385,533	10,076,953
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
Total operating expenses excluding depreciation	6,419,661	1,730,846	485,525	4,426,461	13,062,493	9,792,782
OPERATING INCOME BEFORE DEPRECIATION	3,348,069	1,692,134	198,255	84,582	5,323,040	284,171
DEPRECIATION	720,930	1,210,365	784,080	-	2,715,375	-
OPERATING INCOME (LOSS)	2,627,139	481,769	(585,825)	84,582	2,607,665	284,171
NONOPERATING REVENUES (EXPENSES)						
Investment income	7,026	8,069	1,063	3,906	20,064	21,588
Interest expense	(441,898)	(394,697)	-	-	(836,595)	-
Joint venture	71,059	-	-	-	71,059	-
Total nonoperating revenues (expenses)	(363,813)	(386,628)	1,063	3,906	(745,472)	21,588

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,263,326	95,141	(584,762)	88,488	1,862,193	305,759
Contributions	-	225,345	1,952,555	-	2,177,900	-
Transfers (out)	(100,000)	(50,000)	-	(100,000)	(250,000)	-
CHANGE IN NET POSITION	2,163,326	270,486	1,367,793	(11,512)	3,790,093	305,759
NET POSITION, JANUARY 1	22,884,117	19,097,538	11,327,304	1,960,368	55,269,327	5,770,827
NET POSITION, DECEMBER 31	$ 25,047,443	$ 19,368,024	$ 12,695,097	$ 1,948,856	$ 59,059,420	$ 6,076,586

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 9,847,305	$ 3,442,406	$ 683,780	$ 4,546,567	$ 18,520,058	$ 1,869,989
Receipts from interfund services transactions	-	-	-	-	-	8,200,620
Payments to suppliers	(5,233,454)	(646,454)	(476,679)	(4,671,937)	(11,028,524)	(8,638,054)
Payments to employees	(1,572,279)	(650,130)	-	-	(2,222,409)	(789,765)
Net cash from operating activities	3,041,572	2,145,822	207,101	(125,370)	5,269,125	642,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (out)	(100,000)	(50,000)	-	(100,000)	(250,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(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	(59,388)	(388,082)	-	-	(447,470)	-
Net cash from capital and related financing activities	(1,158,833)	(2,185,392)	-	-	(3,344,225)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	9,326	17,309	1,258	7,331	35,224	36,683
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,792,065	(72,261)	208,359	(218,039)	1,710,124	679,473
CASH AND CASH EQUIVALENTS, JANUARY 1	4,726,901	3,338,779	1,255,111	2,350,657	11,671,448	7,402,263
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 6,518,966	$ 3,266,518	$ 1,463,470	$ 2,132,618	$ 13,381,572	$ 8,081,736

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	$ 2,627,139	$ 481,769	$ (585,825)	$ 84,582	$ 2,607,665	$ 284,171
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	720,930	1,210,365	784,080	-	2,715,375	-
(Increase) decrease in						
Accounts receivables	80,975	15,832	-	17,760	114,567	-
Other receivables	-	3,594	-	17,514	21,108	(5,326)
Prepaid expenses	-	-	-	-	-	(4,863)
Inventories	-	-	-	-	-	18,995
Increase (decrease) in						
Accounts payable	(364,268)	427,134	8,846	(245,476)	(173,764)	152,919
Accrued payroll	(6,957)	2,474	-	-	(4,483)	3,107
Deposits payable	(1,400)	-	-	-	(1,400)	-
Claims payable	-	-	-	-	-	234,675
Unearned revenue	-	-	-	250	250	(1,018)
Compensated absences payable	(14,847)	4,654	-	-	(10,193)	(39,870)
NET CASH FROM OPERATING ACTIVITIES	$ 3,041,572	$ 2,145,822	$ 207,101	$ (125,370)	$ 5,269,125	$ 642,790
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Capital contributions	$ -	$ 225,345	$ 1,952,555	$ -	$ 2,177,900	$ -
Change in investment in joint venture	71,059	-	-	-	71,059	-
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	$ 71,059	$ 225,345	$ 1,952,555	$ -	$ 2,248,959	$ -

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2013

	Pension Trust	Agency
ASSETS		
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	-
Total assets	114,281,101	$ 1,975,822
LIABILITIES		
Other liabilities	$ -	$ 1,124,277
Due to bondholders	-	851,545
TOTAL LIABILITIES	-	$ 1,975,822
NET POSITION		
Held in trust for pension benefits	$ 114,281,101	

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2013

ADDITIONS	
Contributions	
Employer	$ 5,927,904
Employee	1,790,034
Miscellaneous income	81
Total contributions	7,718,019
Investment earnings	
Net increase in the fair value of investments	11,238,592
Interest	2,300,911
Total investment earnings	13,539,503
Less investment expense	(483,540)
Net investment earnings	13,055,963
Total additions	20,773,982
DEDUCTIONS	
Administration	27,858
Benefits and refunds	
Retirement benefits	6,240,204
Refunds of contributions	63,807
Total deductions	6,331,869
CHANGE IN NET POSITION	14,442,113
NET POSITION	
January 1	99,838,988
December 31	$ 114,281,101

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

Investments with a maturity of one year or greater at the time of purchase and all investments of the pension funds are stated at fair value except for 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

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

j. Land Held for Resale

Land held for resale is valued at 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:

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)

o. Fund Balance/Net Position

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

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

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

The Village has a policy to maintain unassigned fund balance in the general fund at a level of 3 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net 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.

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.

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 Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 5,139,445	$ 501,550	$ 735,513	$ 1,548,900	$ 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	5,693,854	313,245
Municipal bonds	804,543	90,483	177,557	294,566	241,937
TOTAL	$ 19,497,589	$ 1,143,974	$ 7,196,018	$ 7,755,314	$ 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.

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 Maturities in Years			
Investment Type	Fair Value	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	$ -
U.S. agency obligations	2,418,362	661,369	1,742,498	14,495	-
Corporate bonds	9,608,204	257,633	6,868,848	2,237,371	244,352
TOTAL	$ 22,644,620	$ 1,109,150	$ 13,822,599	$ 7,468,519	$ 244,352

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.

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	108,840
Cable franchise fees	210,170
Food and beverage tax	116,335
Red light violations	63,500
Electric utility tax	161,695
Billed receivables	24,848
Total governmental activities	695,088
BUSINESS-TYPE ACTIVITIES	
Disposal fees	156,121
Sewer loan program	44,200
Total business-type activities	200,321
TOTAL OTHER RECEIVABLES	$ 895,409

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

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	766,288
Court fines	59,960
Other state sources	157,993
Motor fuel tax allotments	171,555
Telecommunications tax	556,060
Total government activities	4,574,956
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:

	Beginning Balance*	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 9,576,900	$ 2,031,500	$ -	$ 11,608,400
Land right of way	139,806,925	-	-	139,806,925
Total capital assets not being depreciated	149,383,825	2,031,500	-	151,415,325
Capital assets being depreciated				
Buildings and improvements	38,682,175	150,675	-	38,832,850
Machinery and equipment	8,890,700	950,820	360,330	9,481,190
Streets	25,950,755	1,277,165	46,650	27,181,270
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	75,120,365	2,378,660	406,980	77,092,045

4. CAPITAL ASSETS (Continued)

	Beginning Balance*	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Less accumulated depreciation for				
Buildings and improvements	$ 8,577,565	$ 1,150,780	$ -	$ 9,728,345
Machinery and equipment	4,941,430	730,985	360,330	5,312,085
Streets	13,568,990	552,390	46,650	14,074,730
Bridges	758,635	32,000	-	790,635
Total accumulated depreciation	27,846,620	2,466,155	406,980	29,905,795
Total capital assets being depreciated, net	47,273,745	(87,495)	-	47,186,250
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 196,657,570	$ 1,944,005	$ -	$ 198,601,575
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 2,906,140	$ 1,952,550	$ -	$ 4,858,690
Total capital assets not being depreciated	2,906,140	1,952,550	-	4,858,690
Capital assets being depreciated				
Equipment	2,243,090	207,605	-	2,450,695
Buildings and improvements	7,336,950	-	-	7,336,950
Water system	17,248,270	337,460	7,835	17,577,895
Sewer system	57,836,620	1,228,200	-	59,064,820
Parking improvements	15,881,480	-	-	15,881,480
Total capital assets being depreciated	100,546,410	1,773,265	7,835	102,311,840
Less accumulated depreciation for				
Equipment	977,040	209,975	-	1,187,015
Buildings and improvements	3,707,965	177,170	-	3,885,135
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	7,939,650	784,080	-	8,723,730
Total accumulated depreciation	54,422,245	2,715,375	7,835	57,129,785
Total capital assets being depreciated, net	46,124,165	(942,110)	-	45,182,055
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 49,030,305	$ 1,010,440	$ -	$ 50,040,745

*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	$ 184,220
Public works	1,085,560
Public safety	1,196,375
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 2,466,155

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued is $123,798,050. During the year, no general obligation bonds were issued.

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

Purpose	Interest Rates	Amount
Governmental activities	2.000% - 5.950%	$ 67,765,000
Governmental activities – refunding	1.160% - 5.250%	17,718,105
Business-type activities	3.375% - 5.500%	4,505,000
Business-type activities – refunding	1.160% - 5.250%	5,871,895
Business-type activities – capital appreciation[1]	7.100%	6,102,837
TOTAL		$ 101,962,837

[1] The face value of bonds issued was $6,545,000. The carrying value of the accreted bonds is $6,102,837.

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

Year Ending	Governmental Activities		Business-Type Activities	
December 31,	Principal	Interest	Principal	Interest
2014	$ 6,083,240	$ 3,927,393	$ 986,760	$ 402,323
2015	6,879,865	3,729,695	1,220,135	370,301
2016	6,050,000	3,472,692	915,000	330,494
2017	5,280,000	3,245,125	950,000	299,638
2018	5,495,000	3,044,188	805,000	261,894
2019	5,770,000	2,827,464	840,000	229,694
2020	5,940,000	2,588,241	885,000	196,094
2021	6,270,000	2,333,431	925,000	160,400

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2022	$ 6,415,000	$ 2,053,237	$ 965,000	$ 123,088
2023	2,730,000	1,759,368	275,000	83,838
2024	3,465,000	1,614,304	290,000	72,150
2025	3,610,000	1,427,000	305,000	59,462
2026	2,875,000	1,230,092	320,000	46,118
2027	2,130,000	1,073,322	340,000	31,718
2028	2,200,000	954,235	355,000	16,418
2029	2,290,000	828,376	-	-
2030	2,200,000	696,000	-	-
2031	2,300,000	568,400	-	-
2032	2,400,000	435,000	-	-
2033	2,500,000	295,800	-	-
2034	2,600,000	150,800	-	-
TOTAL	$ 85,483,105	$ 38,254,163	$ 10,376,895	$ 2,683,630

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

Year Ending December 31,	Principal	Accretion
2014	1,695,000	-
2015	2,793,766	317,511
2016	1,614,071	124,652
TOTAL	$ 6,102,837	$ 442,163

b. Tax Increment Financing Revenue Bonds and Notes

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

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

5. LONG-TERM DEBT (Continued)

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

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

Purpose	Interest Rates	Amount
Governmental activities	0%	$ 111,664

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

Year Ending December 31,	Principal	Interest
2014	$ -	$ -
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	111,664	-
TOTAL	$ 111,664	$ -

c. Legal Debt Margin

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

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

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

5. LONG-TERM DEBT (Continued)

d. 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	500,000	417,150
2025	750,000	360,900
2026	1,110,000	277,200
2027	1,210,000	172,800
2028	1,315,000	59,175
TOTAL	$ 5,835,000	$ 6,171,525

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.

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

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
GOVERNMENTAL ACTIVITIES					
General obligation bonds	$ 91,824,722	$ -	$ 6,341,617	$ 85,483,105	$ 6,083,240
TIF notes	116,859	-	5,195	111,664	-
Net pension obligation*	791,774	143,861	14,015	921,620	-
Net OPEB obligation*	868,556	162,405	-	1,030,961	-
Compensated absences*	1,979,545	2,145,520	1,979,545	2,145,520	429,105
Total	95,581,456	2,451,786	8,340,372	89,692,870	6,512,345
Less deferred amounts					
Unamortized bond discount	$ (58,425)	$ -	$ (5,480)	$ (52,945)	$ -
Unamortized bond premium	869,295	-	167,135	702,160	-
Total deferred amounts	810,870	-	161,655	649,215	-
TOTAL GOVERNMENTAL ACTIVITIES	$ 96,392,326	$ 2,451,786	$ 8,502,027	$ 90,342,085	$ 6,512,345
BUSINESS-TYPE ACTIVITIES					
General obligation bonds					
Water Fund	$ 1,604,480	$ -	$ 554,380	$ 1,050,100	$ 271,275
Sewer Fund	10,121,250	-	794,455	9,326,795	715,480
General obligation capital appreciation bonds					
Water Fund	5,468,341	393,815	-	5,862,156	1,629,500
Sewer Fund	224,446	16,235	-	240,681	65,500
Compensated absences					
Water Fund	115,832	100,985	115,832	100,985	20,197
Sewer Fund	13,496	18,150	13,496	18,150	3,630
Total	17,547,845	529,185	1,478,163	16,598,867	2,705,582
Less deferred amounts					
Unamortized bond discount	(20,020)	-	(1,260)	(18,760)	-
Unamortized bond premium	246,190	-	31,870	214,320	-
Total deferred amounts	226,170	-	30,610	195,560	-
TOTAL BUSINESS-TYPE ACTIVITIES	$ 17,774,015	$ 529,185	$ 1,508,773	$ 16,794,427	$ 2,705,582

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

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 $110,000 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	$ 186,606	$ 25,878	$ 489,984
Claims incurred – 2012	4,394,927	1,042,842	589,582	6,027,351
Claims payments – 2012	4,333,927	565,408	242,040	5,141,375
UNPAID CLAIMS, DECEMBER 31, 2012	$ 338,500	$ 664,040	$ 373,420	$ 1,375,960
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	$ 1,122,215	$ 236,920	$ 1,610,635

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

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

The Village has committed to purchase water from NWWC. The Village expects to pay approximately $2,750,000 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.

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.

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 Firefighters' Pension	Major governmental General General	 17,786 18,091
TOTAL		$ 98,024

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.

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
TOTAL	322
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	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)
Annual OPEB cost	390,341
Contributions made	227,937
Increase in net OPEB obligation	162,405
Net OPEB obligation, beginning of year	868,556
NET OPEB OBLIGATION, END OF YEAR	$ 1,030,961

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.

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.

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 benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 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	
Vested	88
Nonvested	22
TOTAL	160

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 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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	61
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	54
Nonvested	38
TOTAL	153

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 ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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.

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% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
c) Projected salary Increases	.40% to 10.00%	4.50%	4.50%
d) Postretirement benefit Increases	3.00%	3.00%	3.00%

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%	100.41%	96.30%
	2013	100.00%	100.47%	95.36%
NPO (asset)	2011	$ -	$ 334,408	$ 359,097
	2012	-	322,145	469,629
	2013	-	308,130	613,490

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	IMRF	PPERS	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)	$ 10,141,956	$ 10,117,378	$ 8,408,325
UAAL as a percentage of covered payroll	74.86%	328.41%	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
ASSETS			
Cash and cash equivalents	$ 879	$ 879	$ 1,758
Investments			
U.S. Treasury securities	5,139,445	10,618,054	15,757,499
U.S. agency securities	1,475,891	2,418,362	3,894,253
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	707,220	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
Total assets	56,991,085	57,290,016	114,281,101
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	-	-	-
NET POSITION	$ 56,991,085	$ 57,290,016	$ 114,281,101

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 2,969,877	$ 2,958,027	$ 5,927,904
Employee	996,348	793,686	1,790,034
Miscellaneous	81	-	81
Total contributions	3,966,306	3,751,713	7,718,019
Investment income			
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)
Net investment income	5,989,319	7,066,644	13,055,963
Total additions	9,955,625	10,818,357	20,773,982
DEDUCTIONS			
Administrative	16,896	10,962	27,858
Pension benefits and refunds	2,643,186	3,660,825	6,304,011
Total deductions	2,660,082	3,671,787	6,331,869
CHANGE IN NET POSITION	7,295,543	7,146,570	14,442,113
NET POSITION			
January 1	49,695,542	50,143,446	99,838,988
December 31	$ 56,991,085	$ 57,290,016	$ 114,281,101

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.

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 18,211,574	$ 27,169,988	67.03%	$ 8,958,414	$ 10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%
2012	25,147,488	33,813,736	74.37%	8,666,248	9,925,976	87.31%
2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,956	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

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 40,507,394	$ 50,689,201	79.91%	$ 10,181,807	$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%
2012	49,695,524	84,402,484	58.88%	34,706,960	9,823,321	353.31%
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	2,685,585	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%
2012	3,016,974	2,996,776	100.67%
2013	2,969,877	2,948,599	100.72%

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) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 47,182,964	$ 50,944,617	92.62%	$ 3,761,653	$ 7,451,465	50.48%
2009	46,673,485	58,973,596	79.14%	12,300,111	7,608,618	161.66%
2010	48,069,222	63,937,038	75.18%	15,867,816	7,280,109	217.96%
2011	48,069,713	75,335,332	63.81%	27,265,619	7,723,119	353.04%
2012	50,143,446	84,352,931	59.44%	34,209,485	8,000,569	427.59%
2013	57,290,015	89,230,996	64.20%	31,940,981	8,408,325	379.87%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	$ 1,417,414	$ 1,167,796	121.38%
2009	1,259,881	1,175,761	107.15%
2010	2,032,916	2,065,574	98.42%
2011	2,600,219	2,698,315	96.36%
2012	2,876,372	2,978,383	96.57%
2013	2,958,027	3,091,300	95.69%

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ -	$ 2,461,467	0.00%	$ 2,461,467	$ 21,727,560	11.33%
2009	-	2,159,444	0.00%	2,159,444	22,550,270	9.58%
2010	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2011[1]	-	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[1]	-	5,329,063	0.00%	5,329,063	27,369,373	19.47%

[1] 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%

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 expeditures 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.

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,

APPENDIX D

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

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 Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 5,139,445	$ 501,550	$ 735,513	$ 1,548,900	$ 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	5,693,854	313,245
Municipal bonds	804,543	90,483	177,557	294,566	241,937
TOTAL	$ 19,497,589	$ 1,143,974	$ 7,196,018	$ 7,755,314	$ 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.

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 Maturities in Years			
Investment Type	Fair Value	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	$ -
U.S. agency obligations	2,418,362	661,369	1,742,498	14,495	-
Corporate bonds	9,608,204	257,633	6,868,848	2,237,371	244,352
TOTAL	$ 22,644,620	$ 1,109,150	$ 13,822,599	$ 7,468,519	$ 244,352

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.

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
TOTAL	322
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	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)
Annual OPEB cost		390,341
Contributions made		227,937
Increase in net OPEB obligation		162,405
Net OPEB obligation, beginning of year		868,556
NET OPEB OBLIGATION, END OF YEAR	$	1,030,961

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.

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 benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 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	
Vested	88
Nonvested	22
TOTAL	160

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 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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	61
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	54
Nonvested	38
TOTAL	153

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 ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension 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.

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% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
c) Projected salary Increases	.40% to 10.00%	4.50%	4.50%
d) Postretirement benefit Increases	3.00%	3.00%	3.00%

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%	100.41%	96.30%
	2013	100.00%	100.47%	95.36%
NPO (asset)	2011	$ -	$ 334,408	$ 359,097
	2012	-	322,145	469,629
	2013	-	308,130	613,490

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	IMRF	PPERS	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)	$ 10,141,956	$ 10,117,378	$ 8,408,325
UAAL as a percentage of covered payroll	74.86%	328.41%	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
ASSETS			
Cash and cash equivalents	$ 879	$ 879	$ 1,758
Investments			
U.S. Treasury securities	5,139,445	10,618,054	15,757,499
U.S. agency securities	1,475,891	2,418,362	3,894,253
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	707,220	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
Total assets	56,991,085	57,290,016	114,281,101
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	-	-	-
NET POSITION	$ 56,991,085	$ 57,290,016	$ 114,281,101

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 2,969,877	$ 2,958,027	$ 5,927,904
Employee	996,348	793,686	1,790,034
Miscellaneous	81	-	81
Total contributions	3,966,306	3,751,713	7,718,019
Investment income			
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)
Net investment income	5,989,319	7,066,644	13,055,963
Total additions	9,955,625	10,818,357	20,773,982
DEDUCTIONS			
Administrative	16,896	10,962	27,858
Pension benefits and refunds	2,643,186	3,660,825	6,304,011
Total deductions	2,660,082	3,671,787	6,331,869
CHANGE IN NET POSITION	7,295,543	7,146,570	14,442,113
NET POSITION			
January 1	49,695,542	50,143,446	99,838,988
December 31	$ 56,991,085	$ 57,290,016	$ 114,281,101

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.

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 18,211,574	$ 27,169,988	67.03%	$ 8,958,414	$ 10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%
2012	25,147,488	33,813,736	74.37%	8,666,248	9,925,976	87.31%
2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,956	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

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 40,507,394	$ 50,689,201	79.91%	$ 10,181,807	$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%
2012	49,695,524	84,402,484	58.88%	34,706,960	9,823,321	353.31%
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	2,685,585	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%
2012	3,016,974	2,996,776	100.67%
2013	2,969,877	2,948,599	100.72%

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) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 47,182,964	$ 50,944,617	92.62%	$ 3,761,653	$ 7,451,465	50.48%
2009	46,673,485	58,973,596	79.14%	12,300,111	7,608,618	161.66%
2010	48,069,222	63,937,038	75.18%	15,867,816	7,280,109	217.96%
2011	48,069,713	75,335,332	63.81%	27,265,619	7,723,119	353.04%
2012	50,143,446	84,352,931	59.44%	34,209,485	8,000,569	427.59%
2013	57,290,015	89,230,996	64.20%	31,940,981	8,408,325	379.87%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	$ 1,417,414	$ 1,167,796	121.38%
2009	1,259,881	1,175,761	107.15%
2010	2,032,916	2,065,574	98.42%
2011	2,600,219	2,698,315	96.36%
2012	2,876,372	2,978,383	96.57%
2013	2,958,027	3,091,300	95.69%

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ -	$ 2,461,467	0.00%	$ 2,461,467	$ 21,727,560	11.33%
2009	-	2,159,444	0.00%	2,159,444	22,550,270	9.58%
2010	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2011[1]	-	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[1]	-	5,329,063	0.00%	5,329,063	27,369,373	19.47%

[1] 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%

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 expeditures 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

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VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING FUNDS

REPORT ON COMPLIANCE
WITH PUBLIC ACT 85-1142

For the Year Ended
December 31, 2014

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Certified Public Accountants & Advisors
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined management's assertion, included in its representation letter dated 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.

Sikich LLP

Naperville, Illinois
June 4, 2015

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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.

Sikich LLP

Naperville, Illinois
June 4, 2015

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
REVENUES					
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	-	-
Total revenues	2,357,943	265,584	4,995,567	2,090,207	-
EXPENDITURES					
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	-
Total expenditures	2,002,993	165,000	7,352,405	2,264,380	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	354,950	100,584	(2,356,838)	(174,173)	-
OTHER FINANCING SOURCES (USES)					
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)	-
Total other financing sources (uses)	-	-	39,375	81,465	-
NET CHANGE IN FUND BALANCE	354,950	100,584	(2,317,463)	(92,708)	-
FUND BALANCE, JANUARY 1	2,655,486	263,137	5,812,646	8,737,183	(43,615)
FUND BALANCE, DECEMBER 31	$ 3,010,436	$ 363,721	$ 3,495,183	$ 8,644,475	$ (43,615)

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICT FUNDS

SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended December 31, 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)
ADDITIONS					
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)
DEDUCTIONS					
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)
ENDING BALANCES BY SOURCE					
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.)