# ANNUAL TAX INCREMENT FINANCE REPORT
# OFFICE OF ILLINOIS COMPTROLLER JUDY BAAR TOPINKA

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

Reporting Fiscal Year: **2010**
Fiscal Year End: 12 / 31 /**2010**

**TIF Administrator Contact Information**

First Name: Reid
Last Name: Ottesen
Address: 200 E Wood Street
Title: Village Manager
Telephone: 847-359-9050
City: Palatine Zip: 60067
E-Mail: findept@palatine.il.us

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

Reid J. Ottesen 6/28/11

Written signature of **TIF Administrator** Date

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

**FILL OUT ONE FOR EACH TIF DISTICT**

| **Name of Redevelopment Project Area** | **Date Designated** | **Date Terminated** |
|---|---|---|
| Dundee Road Tax Increment Financing Redevelopment Project Area | 07/24/1995 | |
| Rand/Dundee Center Tax Increment Financing Redevelopment Project Area | 03/31/1997 | |
| Downtown Area Tax Increment Financing Redevelopment Project Area | 12/13/1999 | |
| Rand Corridor Tax Increment Financing Redevelopment Project Area | 01/27/2003 | |
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*All statutory citations refer to one of two sections of the Illinois Municipal Code: the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

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

| |
|---|
| **Name of Redevelopment Project Area: Downtown TIF** |
| **Primary Use of Redevelopment Project Area*: Combination/Mixed** |
| **If "Combination/Mixed" List Component Types: Retail; Residential; Other Commercial** |
| **Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one):**<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)]<br>**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)<br>**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)]<br>**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)]<br>**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.**

| | Reporting Year | Cumulative | |
|---|---|---|---|
| Fund Balance at Beginning of Reporting Period | $ 14,151,572.00 | | |

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

| | Reporting Year | Cumulative | % of Total |
|---|---|---|---|
| Property Tax Increment | $ 6,090,100 | $ 31,774,144 | 34% |
| State Sales Tax Increment | | | 0% |
| Local Sales Tax Increment | | | 0% |
| State Utility Tax Increment | | | 0% |
| Local Utility Tax Increment | | | 0% |
| Interest | $ 11,331 | $ 906,350 | 1% |
| Land/Building Sale Proceeds | $ - | $ 1,252,260 | 1% |
| Bond Proceeds | $ 154,609 | $ 54,780,475 | 59% |
| Transfers from Municipal Sources | $ 2,601,203 | $ 3,550,719 | 4% |
| Private Sources | | $ - | 0% |
| Other (identify source ______________________; if multiple other sources, attach schedule) | | | 0% |

| | | | |
|---|---|---|---|
| **Total Amount Deposited in Special Tax Allocation Fund During Reporting Period** | $ 8,857,243 | | |
| **Cumulative Total Revenues/Cash Receipts** | | $ 92,263,948 | 100% |
| **Total Expenditures/Cash Disbursements** (Carried forward from Section 3 | $ 7,815,599.00 | | |
| **Distribution of Surplus** | $ - | | |
| **Total Expenditures/Disbursements** | $ 7,815,599 | | |
| **NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENT** | $ 1,041,644 | | |
| **FUND BALANCE, END OF REPORTING PERIOD** | $ 15,193,216 | | |

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

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

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

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

| | | Reporting Fiscal Year |
|---|---|---|
| 1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1) | | |
| Legal Fees | 131,663 | |
| Professional Services | 1,500 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ 133,163 |
| 2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6) | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ - |
| 3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3) | | |
| Property Assembly | 134,966 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ 134,966 |
| 4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4) | | |
| Rehabilitation, Reconstruction and Repairs | 45,001 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ 45,001 |
| 5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5) | | |
| Infrastructure Improvements (streets, watermains, etc.) | 2,312,554 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ 2,312,554 |

| | | |
|---|---|---|
| 6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY | | |
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| | | |
| | | |
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| | | |
| | | |
| | | |
| | | $ - |
| 7. Cost of job training and retraining, including "welfare to work" programs Subsection (q)(5), (o)(7) and (o)(12) | | |
| | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ - |
| 8. Financing costs. Subsection (q) (6) and (o)(8) | | |
| Debt Service Principal | 2,818,915 | |
| Debt Service Interest & Fiscal Charges | 2,371,000 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ 5,189,915 |
| 9. Approved capital costs. Subsection (q)(7) and (o)(9) | | |
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| | | |
| | | $ - |
| 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 | | |
| | | |
| | | |
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| | | |
| | | |
| | | $ - |
| 11. Relocation costs. Subsection (q)(8) and (o)(10) | | |
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| | | |
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| | | |
| | | $ - |

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|---|---|---|
| 12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11) | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ - |
| 13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12) | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ - |
| 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 | | |
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| | | |
| | | |
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| | | |
| | | $ - |
| 16. Cost of day care services and operational costs of day care centers. Subsection (q)(11.5) - Tax Increment Allocation Redevelopment TIFs ONLY | | |
| | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | $ - |

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|---|---|---|
| TOTAL ITEMIZED EXPENDITURES | | $ 7,815,599 |

Section 3.2 B

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

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

| Name | Service | Amount |
|---|---|---|
| | | |
| A LAMP CONCRETE CONTRACTORS INC | CONSTRUCTION | $ 207,834.00 |
| AMERICAN ENVIRONMENTAL SOLUTIONS | ENVIRONMENTAL | $ 11,500.00 |
| BANK OF NEW YORK MELLON | DEBT SERVICE | $ 3,050,904.00 |
| BOLLINGER LACH & ASSOCIATES INC | PROFESSIONAL SERVICES | $ 597,834.00 |
| BOTHWELL ST PROPERTIES LLC | REHAB, RECONSTRUCTION, REPA | $ 10,565.00 |
| BRIAN EDWARD LANDSCAPING INC | CONSTRUCTION | $ 20,457.00 |
| CLASSIC SIGN, LIGHTING & ELECTRIC | CONSTRUCTION | $ 13,400.00 |
| COOK COUNTY TREASURER | LAND ACQUISITION | $ 871,797.00 |
| FSKS PROPERTIES LLC | REHAB, RECONSTRUCTION, REPA | $ 39,310.00 |
| JP MORGAN CHASE BANK | DEBT SERVICE | $ 128,669.00 |
| KATTEN MUCHIN ROSENMAN LLP | PROFESSIONAL SERVICES | $ 17,000.00 |
| KLF EXCAVATING INC | CONSTRUCTION | $ 57,930.00 |
| MCDONOUGH ASSOCIATES INC | PROFESSIONAL SERVICES | $ 62,780.00 |
| SCHAIN, BURNEY, BANKS & KENNY | PROFESSIONAL SERVICES | $ 131,794.00 |
| SPEER FINANCIAL INC | PROFESSIONAL SERVICES | $ 20,000.00 |
| UNION PACIFIC RAILROAD COMPANY | CONSTRUCTION | $ 1,232,538.00 |
| WELLS FARGO BANK | DEBT SERVICE | $ 1,605,580.00 |

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

| | |
|---|---|
| **FUND BALANCE, END OF REPORTING PERIOD** | $ 15,193,216 |

| **1. Description of Debt Obligations** | **Amount of Original Issuance** | **Amount Designated** |
|---|---|---|
| General Obligation Bond Taxable Series of 2003 | $ 2,975,000 | $ 845,000 |
| General Obligation Bond Tax Increment Series of 2003 | $ 990,000 | $ 363,982 |
| General Obligation Bond Series of 2004 | $ 1,900,000 | $ 1,150,000 |
| General Obligation Bond Taxable Series of 2004A | $ 7,500,000 | $ 5,870,000 |
| General Obligation Bond Series of 2004D | $ 5,080,000 | $ 4,865,000 |
| General Obligation Bond Series of 2007A | $ 365,000 | $ 365,000 |
| General Obligation Bond Series of 2007B | $ 7,335,000 | $ 6,265,000 |
| General Obligation Bond Series of 2009E | $ 8,500,000 | $ 8,500,000 |
| General Obligation Bond Refunding Series of 2010B | $ 12,555,000 | $ 12,555,000 |
| | | |
| **Total Amount Designated for Obligations** | $ 47,200,000 | $ 40,778,982 |

| **2. Description of Project Costs to be Paid** | | |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| **Total Amount Designated for Project Costs** | | $ - |

| | |
|---|---|
| **TOTAL AMOUNT DESIGNATED** | $ 40,778,982 |
| **SURPLUS*/(DEFICIT)** | $ (25,585,766) |

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

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

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

_____ **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: | 5 W Palatine Road |
| Approximate size or description of property: | SW Corner of Plum Grove & Palatine Roads |
| Purchase price: | 750,000.00 |
| Seller of property: | NIDA & SABA INC |

| | |
|---|---|
| Property (2): | |
| Street address: | Various Palatine Road Addresses |
| Approximate size or description of property: | Rights of Way on Palatine Road Frontage |
| Purchase price: | 1,332,133.00 |
| Seller of property: | Various |

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

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

**SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)**
Please include a brief description of each project.

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

| | 11/1/99 to Date | Estimated Investment for Subsequent Fiscal Year | Estimated Cost of the Total Project |
|---|---|---|---|
| **TOTAL:** | | | |
| Private Investment Undertaken (See Instructions) | $ 303,823,320 | $ 850,000 | $ 304,673,320 |
| Public Investment Undertaken | $ 66,590,253 | $ 3,460,000 | $ 72,930,253 |
| Ratio of Private/Public Investment | 4.56 | | 4.18 |
| **Project 1: General Development** | | | |
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 2,373,628 | $ - | $ 2,373,628 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |
| **Project 2: Wellington Court** | | | |
| Private Investment Undertaken (See Instructions) | $ 6,000,000 | $ - | $ 6,000,000 |
| Public Investment Undertaken | $ 400,000 | $ - | $ 400,000 |
| Ratio of Private/Public Investment | 15.00 | | 15.00 |
| **Project 3: Downtown Traffic Study** | | | |
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 72,024 | $ - | $ 72,024 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |
| **Project 4: Groves of Palatine** | | | |
| Private Investment Undertaken (See Instructions) | $ 98,000,000 | $ - | $ 98,000,000 |
| Public Investment Undertaken | $ 3,976,850 | $ - | $ 3,976,850 |
| Ratio of Private/Public Investment | 24.64 | | 24.64 |
| **Project 5: Gateway Center** | | | |
| Private Investment Undertaken (See Instructions) | $ 18,000,000 | $ - | $ 18,000,000 |
| Public Investment Undertaken | $ 18,273,000 | $ - | $ 18,273,000 |
| Ratio of Private/Public Investment | 0.99 | | 0.99 |
| **Project 6: Wood Street Watermain** | | | |
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 251,200 | $ - | $ 251,200 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |
| **Project 7: Downtown Streetscape** | | | |
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 1,321,201 | $ - | $ 1,321,201 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 8: Street Improvements | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 1,467,000 | $ - | $ 1,467,000 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 9: Hummel Bldg (Block 19) | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 6,000,000 | $ - | $ 6,000,000 |
| Public Investment Undertaken | $ 1,732,013 | $ - | $ 1,732,013 |
| Ratio of Private/Public Investment | 3.46 | | 3.46 |

| Project 10: Providence (Block 31) | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 42,000,000 | $ - | $ 42,000,000 |
| Public Investment Undertaken | $ 9,349,933 | $ - | $ 9,349,933 |
| Ratio of Private/Public Investment | 4.49 | | 4.49 |

| Project 11: Palatine Station - Toll Brothers | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 35,000,000 | $ - | $ 35,000,000 |
| Public Investment Undertaken | $ 164,831 | $ - | $ 164,831 |
| Ratio of Private/Public Investment | 212.34 | | 212.34 |

| Project 12: Brownstones Phase 1 - Hummel | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 4,000,000 | $ - | $ 4,000,000 |
| Public Investment Undertaken | $ 1,374,300 | $ - | $ 1,374,300 |
| Ratio of Private/Public Investment | 2.91 | | 2.91 |

| Project 13: Block 27 | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 5,759,310 | $ 25,000 | $ 5,784,310 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 14: Brownstones Phase 2 - Hummel | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 5,000,000 | $ - | $ 5,000,000 |
| Public Investment Undertaken | $ 900,000 | $ - | $ 900,000 |
| Ratio of Private/Public Investment | 5.56 | | 5.56 |

| Project 15:  Downtown Infrastructure | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 234,000 | $ - | $ 234,000 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 16: Benchmark | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 21,000,000 | $ - | $ 21,000,000 |
| Public Investment Undertaken | $ 2,098,500 | $ - | $ 2,098,500 |
| Ratio of Private/Public Investment | 10.01 | | 10.01 |

| Project 17: Preserves of Palatine | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 30,000,000 | $ - | $ 30,000,000 |
| Public Investment Undertaken | $ 2,089,963 | $ - | $ 2,089,963 |
| Ratio of Private/Public Investment | 14.35 | | 14.35 |

| Project 18: Metropolitan | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 13,000,000 | $ - | $ 13,000,000 |
| Public Investment Undertaken | $ 1,952,000 | $ - | $ 1,952,000 |
| Ratio of Private/Public Investment | 6.66 | | 6.66 |

| Project 19: Music Room | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 1,000,000 | $ - | $ 1,000,000 |
| Public Investment Undertaken | $ 125,000 | $ - | $ 125,000 |
| Ratio of Private/Public Investment | 8.00 | | 8.00 |

| Project 20: 19 South Bothwell | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 675,000 | $ - | $ 675,000 |
| Public Investment Undertaken | $ 190,000 | $ - | $ 190,000 |
| Ratio of Private/Public Investment | 3.55 | | 3.55 |

| Project 21: Lamplighters | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 1,000,000 | $ - | $ 1,000,000 |
| Public Investment Undertaken | $ 302,000 | $ - | $ 302,000 |
| Ratio of Private/Public Investment | 3.31 | | 3.31 |

| Project 22: Mexico Uno | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 580,000 | $ - | $ 580,000 |
| Public Investment Undertaken | $ 482,000 | $ - | $ 482,000 |
| Ratio of Private/Public Investment | 1.20 | | 1.20 |

| Project 23: 4 North Plum Grove Road | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 301,500 | $ - | $ 301,500 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 24: Stratford | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 7,115,820 | $ - | $ 7,115,820 |
| Public Investment Undertaken | $ 540,000 | $ - | $ 900,000 |
| Ratio of Private/Public Investment | 13.18 | | 7.91 |

| Project 25: Heritage (Smith St Condo/Brownstones) | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 15,150,000 | $ 850,000 | $ 16,000,000 |
| Public Investment Undertaken | $ 1,200,000 | $ 250,000 | $ 1,950,000 |
| Ratio of Private/Public Investment | 12.63 | | 8.21 |

| Project 26: Palatine Road Construction | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 4,150,000 | $ 3,175,000 | $ 9,325,000 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 27: Mint Julep | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 2,500 | $ - | $ 2,500 |
| Public Investment Undertaken | $ 10,000 | $ - | $ 10,000 |
| Ratio of Private/Public Investment | 0.25 | | 0.25 |

| Project 28: Harris/Divito Acquisition | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ - | $ - | $ - |
| Public Investment Undertaken | $ 5,500,000 | $ - | $ 5,500,000 |
| Ratio of Private/Public Investment | 0.00 | | 0.00 |

| Project 29: Bauer's Brauhaus | | | |
|---|---|---|---|
| Private Investment Undertaken (See Instructions) | $ 300,000 | $ - | $ 300,000 |
| Public Investment Undertaken | $ - | $ 10,000 | $ 30,000 |
| Ratio of Private/Public Investment | 0.00 | | 10.00 |

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

**SECTION 6**

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

| Year redevelopment project area was designated | Base EAV | Reporting Fiscal Year EAV |
|---|---|---|
| | | |

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

_____ The overlapping taxing districts did not receive a surplus.

| 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, 2010 and ending December 31, 2010.

J Schwantz
Jim Schwantz
Mayor

6-28-11
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, 2010 and ending December 31, 2010, to the best of my knowledge and belief.

Robert C Kenny

Robert C. Kenny
Village Attorney

6/27/11
Date

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

Authorized the Village Manager to execute a Redevelopment Agreement with Bauer's Brauhaus . The Village's obligations within the Redevelopment Agreement consist of reimbursement of up to $30,000 for TIF eligible expenses related to the rehabilitation, reconstruction, repair or remodeling of the existing tenant space.

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

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

## Agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE THE SECOND AMENDMENT TO REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND D. NELLIES PROPERTIES LLC FOR THE PROPERTY AT 180-200 N. SMITH STREET -

In 2002, the Council approved the Redevelopment Agreement for the new Durty Nellies facility at 180 & 200 N. Smith Street. In 2004, the Council approved a First Amendment to the Redevelopment Agreement that adjusted the language related to the financial securities that were to be provided to the Village to ensure completion of the proposed bakery space. Although the bakery space has yet to be completed, the increment being generated by the project has exceeded the initial projections. Given these circumstances, in 2010 the Council approved the Second Amendment to the Redevelopment Agreement allowing the release of the remaining financial securities.

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE THE FIRST AMENDMENT TO THE REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND FSKS, LLC FOR THE PROPERTY AT 35 W. SLADE STREET -

The Owner recently acquired the property and completed a variety of improvements to the existing building located at 35 W. Slade Street, including updates to the building's exterior façade and handicap accessibility improvements. To help offset the costs associated with these improvements the Village Council approved a Redevelopment Agreement in December 2008. The Petitioner recently submitted the requested paperwork to process the Village's initial payments contemplated in the original Redevelopment Agreement. Upon further review it was determined that a minor amendment to the original Redevelopment Agreement was necessary to ensure the Village's assistance originally contemplated is consistent with the applicable language within the Redevelopment Agreement. Thus the First Amendment to the Redevelopment Agreement as approved in 2010.

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE A FOURTH AMENDMENT TO REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND R. FRANCZAK &ASSOCIATES, INC. FOR PROPERTY IN DOWNTOWN PALATINE 48, 56 & 64 S. GREELEY, 149 W. JOHNSON STREET AND 37- 61 (ODD #S) S. SMITH STREET THE HERITAGE CONDOMINIUM AND BROWNSTONE DEVELOPMENT -

In 2006, the Council approved a Redevelopment Agreement with R. Franczak & Associates for the redevelopment of the Subject Property with one condominium building (48 units) and seven (7) brownstone units. The Council later approved three amendments to the Redevelopment Agreement, with the last being approved in 2009. Due to the continued downturn in the housing market, the Council approved a 4th Amendment in 2010 which adjusted the project's timing and related TIF assistance.

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE A REDEVELOPMENT AGREEMENT BETWEEN THE VILLAGE OF PALATINE AND BAUER'S FAMILY CORP. D/B/A BAUER'S BRAUHAUS FOR PROPERTY IN DOWNTOWN PALATINE - 45 W. SLADE STREET -

In 2010, a new restaurant (Bauer's Brauhaus) contacted the Village in regards to their desire to remodel the existing tenant space at 45 W. Slade Street, formerly Crystals Restaurant. Due to the significant upgrades being completed as part of remodeling the restaurant spaces, the restaurant owner requested Village assistance through a Redevelopment Agreement. The Village's obligations within the Redevelopment Agreement consist of reimbursement of up to $30,000 for TIF eligible expenses related to the rehabilitation, reconstruction, repair or remodeling of the existing tenant space.

*New Issue*

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

## Final Official Statement Dated May 26, 2010

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

# VILLAGE OF PALATINE

**Cook County, Illinois**

**$7,315,000 General Obligation Refunding Bonds, Series 2010A**

**$12,555,000 General Obligation Refunding Bonds, Series 2010B**

**Dated: Date of delivery** **Book-Entry** **Bank Qualified** **Due: Serially As Detailed Herein**

The $7,315,000 General Obligation Refunding Bonds, Series 2010A (the "2010A Bonds") and the $12,555,000 General Obligation Refunding Bonds, Series 2010B (the "2010B Bonds"), (together with the 2010A 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 December 1, 2010. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 1 as detailed herein.

## OPTIONAL REDEMPTION

The 2010A Bonds due December 1, 2011-2020, inclusive, are non-callable. The 2010A Bonds due on or after December 1, 2021, are callable in whole or in part on any date on or after December 1, 2020, at a price of par and accrued interest. If less than all the 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 2010B Bonds are non-callable. See **"OPTIONAL REDEMPTION"** herein.

## PURPOSE, LEGALITY AND SECURITY

The 2010A Bond proceeds will be used to currently refund all of the Village's outstanding General Obligation Bonds, Series 1999A, to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2002, and to pay the cost of issuance on the 2010A Bonds. See **"PLAN OF FINANCING – The 2010A Bonds"** herein.

The 2010B Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2001, and to pay the cost of issuance on the 2010B Bonds. See **"PLAN OF FINANCING – The 2010B Bonds"** herein.

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving legal opinion of Katten Muchin Rosenman LLP, Bond Counsel, and certain other conditions. It is expected that the Bonds will be made available for delivery on or about June 16, 2010.

**BAIRD**

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

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

## BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire 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 the 2010A Bonds and the 2010B Bonds. Other terms specific to each series are provided separately herein.

| | |
|---|---|
| **Issuer:** | Village of Palatine, Cook County, Illinois. |
| **Dated Date:** | Date of delivery. |
| **Interest Due:** | Each June 1 and December 1, commencing December 1, 2010. |
| **Authorization:** | The Village is a home rule unit under the 1970 Illinois Constitution, has no 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. |
| **Credit Rating:** | The Village's outstanding general obligation rating is "Aa1" from Moody's Investors Service and "AA+" from Standard & Poor's. Ratings for the Bonds have been requested from Moody's Investors Service and Standard & Poor's, a Division of the McGraw-Hill Companies. |
| **Tax Matters:** | Katten Muchin Rosenman LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the Bonds as discussed under **"TAX MATTERS"** in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes. |
| **Bank Qualification:** | The 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"** herein. |
| **Bond Registrar/Paying Agent/ Escrow Agent:** | Wells Fargo Bank, N.A., Chicago, Illinois. |
| **Verification Agent:** | Sikich LLP, Independent Certified Public Accountant, 1877 West Downer Place, Aurora, Illinois. |
| **Delivery:** | The Bonds are expected to be delivered on or about June 16, 2010. |
| **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 2010A Bonds

**Issue:** $7,315,000 General Obligation Refunding Bonds, Series 2010A.

**Principal Due:** Serially each December 1, commencing December 1, 2011, through December 1, 2022, as detailed below.

**Optional Redemption:** The 2010A Bonds due December 1, 2011-2020, inclusive, are non-callable. The 2010A Bonds due on or after December 1, 2021, are callable in whole or in part on any date on or after December 1, 2020, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Village and within any maturity by lot. See **"OPTIONAL REDEMPTION"** herein.

**Purpose:** The 2010A Bond proceeds will be used to currently refund all of the Village's outstanding General Obligation Bonds, Series 1999A, to advance a refund portion of the Village's outstanding General Obligation Bonds, Series 2002, and to pay the cost of issuance on the 2010A Bonds. See **"PLAN OF FINANCING – The 2010A Bonds"** herein.

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

| Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price | CUSIP Number | Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price | CUSIP Number |
|---|---|---|---|---|---|---|---|---|---|
| $485,000... | 2011 | 2.000% | 0.800% | 696089 XQ9 | $565,000... | 2017 | 4.000% | 2.780% | 696089 XW6 |
| 800,000... | 2012 | 2.500% | 1.150% | 696089 XR7 | 590,000... | 2018 | 4.000% | 3.020% | 696089 XX4 |
| 640,000... | 2013 | 2.500% | 1.480% | 696089 XS5 | 615,000... | 2019 | 4.000% | 3.210% | 696089 XY2 |
| 510,000... | 2014 | 3.000% | 1.820% | 696089 XT3 | 650,000... | 2020 | 4.000% | 3.360% | 696089 XZ9 |
| 530,000... | 2015 | 3.000% | 2.160% | 696089 XU0 | 675,000... | 2021 | 4.000% | 3.480% | 696089 YA3 |
| 550,000... | 2016 | 3.000% | 2.540% | 696089 XV8 | 705,000... | 2022 | 4.000% | 3.590% | 696089 YB1 |

## The 2010B Bonds

**Issue:** $12,555,000 General Obligation Refunding Bonds, Series 2010B.

**Principal Due:** Serially each December 1, commencing December 1, 2011, through December 1, 2016, as detailed below.

**Optional Redemption:** The 2010B Bonds are non-callable.

**Purpose:** The 2010B Bond proceeds will be used to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2001, and to pay the cost of issuance on the 2010B Bonds. See **"PLAN OF FINANCING – The 2010B Bonds"** herein.

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

| Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price | CUSIP Number | Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price | CUSIP Number |
|---|---|---|---|---|---|---|---|---|---|
| $1,545,000... | 2011 | 3.000% | 0.800% | 696089 YD7 | $2,300,000... | 2015 | 4.000% | 2.160% | 696089 YH8 |
| 2,085,000... | 2012 | 2.500% | 1.150% | 696089 YE5 | 500,000... | 2015 | 3.000% | 2.160% | 696089 YC9 |
| 2,140,000... | 2013 | 2.500% | 1.480% | 696089 YF2 | 1,790,000... | 2016 | 4.000% | 2.540% | 696089 YJ4 |
| 2,195,000.... | 2014 | 3.000% | 1.820% | 696089 YG0 | | | | | |

**VILLAGE OF PALATINE**
**Cook County, Illinois**

**VILLAGE COUNCIL**

Jim W. Schwantz
*Mayor*

Jim Clegg
Aaron B. Del Mar
Brad Helms

Scott Lamerand
Gregory J. Solberg
Jack Wagner

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**OFFICIALS**

Margaret R. Duer
*Village Clerk*

Reid T. Ottesen
*Village Manager*

Paul D. Mehring
*Finance Director*

Robert C. Kenny, Esq.
*Village Attorney*

**THE VILLAGE**

**Overview**

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

According to the 1990 Census, the Village's population was 39,655, a 23% increase from the 1980 Census population of 32,166. At the 2000 Census, the Village's population increased 65% over the 1990 Census to 65,479. A special 2003 Census certified the Village's population at 65,920.

**Organization and Services**

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

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

The Village employs 367 full-time and 38 part-time/seasonal employees. The Palatine Police Department is comprised of 112 sworn officers and 29 civilian personnel. The police have a 3-year contract expiring December 31, 2010. The Palatine Fire Department operates from five stations and is comprised of 95 sworn fire fighters and 4 civilian personnel. The fire department was recently unionized and is currently negotiating a contract. 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 53 employees of which 41 are unionized and have a 3-year contract expiring December 31, 2010. 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.

**Community Life**

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

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

**Education**

Elementary and secondary education is provided by Palatine Community Consolidated School District Number 15 and Palatine Township High School District Number 211. District 15 is the third largest elementary school district in Illinois, serves a population of approximately 112,740 and has an enrollment of approximately 12,400. District 15 has fifteen elementary schools, four junior high schools, and one alternative school. Township High School District 211 is the largest high school district in Illinois with 12,878 students in its five high schools, two of which are located in the Village.

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

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

### Transportation

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

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

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

### Major Area Employers*(1)*

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

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

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

## Employment By Industry*(1)*

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

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

## Employment By Occupation*(1)*

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

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

## Annual Average Unemployment Rates*(1)*

| Calendar Year | The Village | Cook County | State of Illinois |
|---|---|---|---|
| 2001 | 4.6% | 6.0% | 5.4% |
| 2002 | 5.5% | 7.4% | 6.5% |
| 2003 | 5.5% | 7.4% | 6.7% |
| 2004 | 4.9% | 6.7% | 6.2% |
| 2005 | 4.5% | 6.4% | 5.8% |
| 2006 | 3.3% | 4.8% | 4.6% |
| 2007 | 3.8% | 5.2% | 5.1% |
| 2008 | 4.9% | 6.5% | 6.4% |
| 2009 | 8.3% | 10.3% | 10.1% |
| 2010(2) | 10.1% | 11.4% | 12.0% |

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of February 2010.

## Building Permits

Residential building permits have averaged $413,850 over the last three years in the Village, excluding the value of land. This is higher than the 2000 Census median value of $199,200, which included land.

### Village Building Permits*(1)*

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

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

## Housing

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

### Specified Owner-Occupied Units*(1)*

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

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

## Income

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

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

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

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

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

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

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

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

### Family Income*(1)*

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

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

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

### Household Income*(1)*

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

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

## Retail Activity

Sales tax receipts exceeded 21% of Governmental Fund Type revenues in fiscal 2009. 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 + (-) |
|---|---|---|---|---|
| 2000 | $6,869,455 | $2,026,851 | $ 8,896,306 | 7.32%(3) |
| 2001 | 7,163,942 | 2,052,674 | 9,216,616 | 3.60% |
| 2002 | 7,117,314 | 2,024,041 | 9,141,355 | (0.82%) |
| 2003 | 6,881,130 | 1,996,693 | 8,877,823 | (2.88%) |
| 2004 | 7,196,236 | 2,461,468 | 9,657,703 | 8.78% |
| 2005 | 7,506,043 | 4,375,663 | 11,881,706 | 23.03% |
| 2006 | 8,001,451 | 4,687,599 | 12,689,050 | 6.79% |
| 2007 | 7,951,481 | 4,570,553 | 12,522,034 | (1.32%) |
| 2008 | 8,307,192 | 4,836,382 | 13,143,574 | 4.96% |
| 2009 | 7,724,639 | 4,519,643 | 12,244,282 | (6.84%) |
| Growth from 2000 to 2009 | | | | 37.63% |

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 2000 percentage is based on a 1999 sales tax of $8,289,408.

## PLAN OF FINANCING

### The 2010A Bonds

The 2010A Bond proceeds will be used to currently refund all of the Village's outstanding General Obligation Bonds, Series 1999A, due December 1, 2012-2013, to advance refund the Village's outstanding General Obligation Bonds, Series 2002, due December 1, 2011-2022, and to pay the cost of issuance on the 2010A Bonds, as listed below (the "Refunded Bonds"):

**Outstanding General Obligation Bonds, Series 1999A**

| Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---|---|---|---|---|
| 12/01/2012 .......... | $300,000 | $300,000 | 100.00% | 07/19/2010 |
| 12/01/2013 .......... | 135,000 | 135,000 | 100.00% | 07/19/2010 |

**Outstanding General Obligation Bonds, Series 2002**

| Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---|---|---|---|---|
| 12/01/2010 .......... | $430,000 | $ 0 | NA | NA |
| 12/01/2011 .......... | 450,000 | 450,000 | 100.00% | 12/01/2010 |
| 12/01/2012 .......... | 470,000 | 470,000 | 100.00% | 12/01/2010 |
| 12/01/2013 .......... | 490,000 | 490,000 | 100.00% | 12/01/2010 |
| 12/01/2014 .......... | 510,000 | 510,000 | 100.00% | 12/01/2010 |
| 12/01/2015 .......... | 535,000 | 535,000 | 100.00% | 12/01/2010 |
| 12/01/2016 .......... | 560,000 | 560,000 | 100.00% | 12/01/2010 |
| 12/01/2017 .......... | 585,000 | 585,000 | 100.00% | 12/01/2010 |
| 12/01/2018 .......... | 610,000 | 610,000 | 100.00% | 12/01/2010 |
| 12/01/2019 .......... | 640,000 | 640,000 | 100.00% | 12/01/2010 |
| 12/01/2020 .......... | 675,000 | 675,000 | 100.00% | 12/01/2010 |
| 12/01/2021 .......... | 705,000 | 705,000 | 100.00% | 12/01/2010 |
| 12/01/2022 .......... | 740,000 | 740,000 | 100.00% | 12/01/2010 |

### The 2010B Bonds

The 2010B Bond proceeds will be used to advance refund the Village's outstanding General Obligation Bonds, Series 2001, due December 1, 2011-2016, and to pay the cost of issuance on the 2010B Bonds, as listed below (the "Refunded Bonds"):

**Outstanding General Obligation Bonds, Series 2001**

| Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---|---|---|---|---|
| 12/01/2010 .......... | $1,390,000 | $ 0 | NA | NA |
| 12/01/2011 .......... | 1,450,000 | 1,450,000 | 100.00% | 06/01/2011 |
| 12/01/2012 .......... | 2,015,000 | 2,015,000 | 100.00% | 06/01/2011 |
| 12/01/2013 .......... | 2,115,000 | 2,115,000 | 100.00% | 06/01/2011 |
| 12/01/2014 .......... | 2,215,000 | 2,215,000 | 100.00% | 06/01/2011 |
| 12/01/2015 .......... | 2,860,000 | 2,860,000 | 100.00% | 06/01/2011 |
| 12/01/2016 .......... | 1,880,000 | 1,880,000 | 100.00% | 06/01/2011 |

Bond proceeds 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 Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the Refunded Bonds on their respective redemption dates. The remaining bond proceeds will be used to pay the costs of issuing the Bonds.

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

The mathematical calculations: (a) 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, and (b) supporting the opinion of Bond Counsel that the interest of the Bonds is excludable from gross income of the owners thereof for federal income tax purposes will be verified by Sikich LLP, Independent Certified Public Accountant, 1877 West Downer Place, Aurora, 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 $101,105,122 principal amount of general obligation debt. The Village also has outstanding $1,488,420 of redevelopment notes.

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

| Calendar Year | Series 1989 | Series 1999A | Series 2000B | Series 2001 | Series 2002 | Series 2003 | Series 2004 | Series 2005 | Series 2007 | Series 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | $ 0 | $ 0 | $ 120,000 | $ 1,390,000 | $ 430,000 | $1,033,350 | $ 540,000 | $ 5,000 | $ 975,000 | $ 145,000 |
| 2011 | 0 | 0 | 120,000 | 1,450,000 | 450,000 | 1,102,249 | 555,000 | 5,000 | 1,020,000 | 150,000 |
| 2012 | 0 | 300,000 | 125,000 | 2,015,000 | 470,000 | 1,131,281 | 2,410,000 | 5,000 | 1,060,000 | 160,000 |
| 2013 | 0 | 135,000 | 135,000 | 2,115,000 | 490,000 | 350,452 | 1,060,000 | 830,000 | 1,110,000 | 170,000 |
| 2014 | 317,473 | 0 | 140,000 | 2,215,000 | 510,000 | 0 | 1,135,000 | 0 | 1,160,000 | 175,000 |
| 2015 | 523,137 | 0 | 375,000 | 2,860,000 | 535,000 | 0 | 1,200,000 | 0 | 1,305,000 | 185,000 |
| 2016 | 302,180 | 0 | 0 | 1,880,000 | 560,000 | 0 | 1,215,000 | 0 | 1,360,000 | 195,000 |
| 2017 | 0 | 0 | 0 | 0 | 585,000 | 0 | 1,285,000 | 0 | 1,485,000 | 205,000 |
| 2018 | 0 | 0 | 0 | 0 | 610,000 | 0 | 1,150,000 | 0 | 1,195,000 | 215,000 |
| 2019 | 0 | 0 | 0 | 0 | 640,000 | 0 | 1,195,000 | 0 | 1,255,000 | 225,000 |
| 2020 | 0 | 0 | 0 | 0 | 675,000 | 0 | 1,265,000 | 0 | 1,315,000 | 235,000 |
| 2021 | 0 | 0 | 0 | 0 | 705,000 | 0 | 610,000 | 0 | 1,390,000 | 250,000 |
| 2022 | 0 | 0 | 0 | 0 | 740,000 | 0 | 645,000 | 0 | 1,345,000 | 260,000 |
| 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 700,000 | 275,000 |
| 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 740,000 | 290,000 |
| 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 780,000 | 305,000 |
| 2026 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 820,000 | 320,000 |
| 2027 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 340,000 |
| 2028 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 355,000 |
| 2029 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | $1,142,790 | $435,000 | $1,015,000 | $13,925,000 | $7,400,000 | $3,617,332 | $14,265,000 | $845,000 | $19,015,000 | $4,455,000 |

| Calendar Year | Series 2009A | Series 2009B | Series 2009C | Series 2009D | Series 2009E | Series 2009F | Series 2009G | Total Outstanding Debt | The Bonds | Less: the Refunded Bonds | Total Debt | Cumulative Principal Retired Amount | Cumulative Principal Retired Percent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | $ 0 | $ 0 | $ -- 0 | $ 0 | $ 0 | $ 0 | $2,455,000 | $ 7,093,350 | $ 0 | $ 0 | $ 7,093,350 | $ 7,093,350 | 7.02% |
| 2011 | 45,000 | 0 | 0 | 0 | 0 | 0 | 2,310,000 | 7,207,249 | 2,030,000 | (1,900,000) | 7,337,249 | 14,430,599 | 14.27% |
| 2012 | 45,000 | 0 | 0 | 0 | 0 | 0 | 290,000 | 8,011,281 | 2,885,000 | (2,785,000) | 8,111,281 | 22,541,880 | 22.30% |
| 2013 | 45,000 | 425,000 | 0 | 385,000 | 0 | 0 | 295,000 | 7,545,452 | 2,780,000 | (2,740,000) | 7,585,452 | 30,127,332 | 29.80% |
| 2014 | 50,000 | 450,000 | 0 | 395,000 | 0 | 0 | 300,000 | 6,847,473 | 2,705,000 | (2,725,000) | 6,827,473 | 36,954,805 | 36.55% |
| 2015 | 50,000 | 475,000 | 0 | 410,000 | 0 | 0 | 675,000 | 8,593,137 | 3,330,000 | (3,395,000) | 8,528,137 | 45,482,942 | 44.99% |
| 2016 | 50,000 | 505,000 | 0 | 425,000 | 0 | 0 | 0 | 6,492,180 | 2,340,000 | (2,440,000) | 6,392,180 | 51,875,122 | 51.31% |
| 2017 | 55,000 | 535,000 | 0 | 440,000 | 750,000 | 0 | 0 | 5,340,000 | 565,000 | (585,000) | 5,320,000 | 57,195,122 | 56.57% |
| 2018 | 55,000 | 565,000 | 0 | 455,000 | 1,150,000 | 0 | 0 | 5,395,000 | 590,000 | (610,000) | 5,375,000 | 62,570,122 | 61.89% |
| 2019 | 60,000 | 600,000 | 500,000 | 0 | 1,250,000 | 0 | 0 | 5,725,000 | 615,000 | (640,000) | 5,700,000 | 68,270,122 | 67.52% |
| 2020 | 60,000 | 635,000 | 520,000 | 0 | 1,250,000 | 0 | 0 | 5,955,000 | 650,000 | (675,000) | 5,930,000 | 74,200,122 | 73.39% |
| 2021 | 60,000 | 675,000 | 550,000 | 0 | 2,000,000 | 0 | 0 | 6,240,000 | 675,000 | (705,000) | 6,210,000 | 80,410,122 | 79.53% |
| 2022 | 65,000 | 715,000 | 575,000 | 0 | 2,100,000 | 0 | 0 | 6,445,000 | 705,000 | (740,000) | 6,410,000 | 86,820,122 | 85.87% |
| 2023 | 70,000 | 760,000 | 600,000 | 0 | 0 | 500,000 | 0 | 2,905,000 | 0 | 0 | 2,905,000 | 89,725,122 | 88.74% |
| 2024 | 70,000 | 805,000 | 625,000 | 0 | 0 | 500,000 | 0 | 3,030,000 | 0 | 0 | 3,030,000 | 92,755,122 | 91.74% |
| 2025 | 75,000 | 855,000 | 665,000 | 0 | 0 | 500,000 | 0 | 3,180,000 | 0 | 0 | 3,180,000 | 95,935,122 | 94.89% |
| 2026 | 80,000 | 0 | 700,000 | 0 | 0 | 0 | 0 | 1,920,000 | 0 | 0 | 1,920,000 | 97,855,122 | 96.79% |
| 2027 | 80,000 | 0 | 725,000 | 0 | 0 | 0 | 0 | 1,145,000 | 0 | 0 | 1,145,000 | 99,000,122 | 97.92% |
| 2028 | 85,000 | 0 | 775,000 | 0 | 0 | 0 | 0 | 1,215,000 | 0 | 0 | 1,215,000 | 100,215,122 | 99.12% |
| 2029 | 90,000 | 0 | 800,000 | 0 | 0 | 0 | 0 | 890,000 | 0 | 0 | 890,000 | 101,105,122 | 100.00% |
| Total | $1,190,000 | $8,000,000 | $7,035,000 | $2,510,000 | $8,500,000 | $1,500,000 | $6,325,000 | $101,175,122 | $19,870,000 | $(19,940,000) | $101,105,122 | | |

Note: (1) Source: the Village.

Village of Paltine Downtown TIF - Attachment I

## Detailed Overlapping Bonded Debt*(1)*
(As of April 1, 2010)

| | Outstanding Debt | Applicable to Village Percent(2) | Applicable to Village Amount |
|---|---|---|---|
| Schools: | | | |
| School District Number 15 | $ 34,018,597 | 50.43% | $ 17,155,578 |
| High School District Number 211 | 33,615,000 | 23.16% | 7,785,234 |
| High School District Number 214 | 31,645,000 | 0.02% | 6,329 |
| Community College District Number 512 | 193,570,000 | 9.33% | 18,060,081 |
| Total Schools | | | $ 43,007,222 |
| Others: | | | |
| Cook County | $2,826,300,000 | 1.34% | $ 37,872,420 |
| Cook County Forest Preserve District | 108,665,000 | 1.34% | 1,456,111 |
| Metropolitan Water Reclamation District | 1,959,099,576 | 1.37% | 26,839,664 |
| Arlington Heights Park District | 21,165,000 | 0.05% | 10,583 |
| Palatine Park District | 13,015,000 | 76.37% | 9,939,556 |
| Salt Creek Park District | 105,000 | 47.07% | 49,424 |
| Palatine Library District | 1,615,000 | 77.66% | 1,254,209 |
| Total Others | | | $ 77,421,967 |
| Total School and Others Overlapping Bonded Debt | | | $120,429,189 |

Notes: (1) Source: Cook County Clerk.
(2) Overlapping debt percentages based on 2008 EAV, the most current available.

## Statement of Bonded Indebtedness

| | Amount Applicable | Ratio To Equalized Assessed | Ratio To Estimated Actual | Per Capita (2003 Special Census 65,920) |
|---|---|---|---|---|
| Village's EAV of Taxable Property, 2008 | $2,328,895,469 | 100.00% | 33.33% | $ 35,329.12 |
| Estimated Actual Value, 2008 | $6,986,686,407 | 300.00% | 100.00% | $105,987.35 |
| Total General Obligation Bonded Debt(1) | $ 101,105,122 | 4.34% | 1.45% | $ 1,533.75 |
| Less: Self-Supporting(1) | (82,002,438) | (3.52%) | (1.17%) | (1,243.97) |
| Net General Obligation Bonded Debt(1) | $ 19,102,684 | 0.82% | 0.27% | $ 289.79 |
| Overlapping Bonded Debt(2): | | | | |
| Schools | $ 43,007,222 | 1.85% | 0.62% | $ 652.42 |
| Others | 77,421,967 | 3.32% | 1.11% | 1,174.48 |
| Total Overlapping Bonded Debt | $ 120,429,188 | 5.17% | 1.72% | $ 1,826.90 |
| Total Net Direct and Overlapping Bonded Debt | $ 139,531,872 | 5.99% | 2.00% | $ 2,116.68 |

Notes: (1) Includes the Bonds and excludes the Refunded Bonds.
(2) Overlapping bonded debt as of April 1, 2010.

# PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2007 levy year, the Village's EAV was comprised of 72.70% residential, 8.20% industrial, 19.08% commercial, less than 1% farm and railroad property valuations.

## Equalized Assessed Valuation*(1)*

| Property Class | Levy Years 2004(2) | 2005 | 2006 | 2007(2) | 2008 |
|---|---|---|---|---|---|
| Residential .......... | $1,138,490,510 | $1,264,709,389 | $1,325,694,182 | $1,584,575,451 | |
| Farm ................. | 180 | 180 | 180 | 180 | Detail |
| Commercial ........... | 394,146,124 | 393,756,607 | 365,482,193 | 415,869,705 | Not |
| Industrial ........... | 145,428,977 | 155,849,317 | 150,098,216 | 178,806,539 | Available |
| Railroad ............. | 445,859 | 420,228 | 418,940 | 459,669 | |
| Total .............. | $1,678,511,650 | $1,814,735,721 | $1,841,693,711 | $2,179,711,544 | $2,328,895,469 |
| Percent Change + (-) | 16.68%(3) | 8.12% | 1.49% | 18.35% | 6.84% |

Notes: (1) Source: Cook County Clerk.
(2) Tri-annual reassessment year.
(3) Percentage change based on 2003 EAV of $1,438,611,551.

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

| | Levy Years 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Village Rates: | | | | | |
| Corporate ............................. | $0.229 | $0.220 | $0.227 | $0.220 | $0.217 |
| Bonds and Interest ..................... | 0.195 | 0.181 | 0.164 | 0.119 | 0.116 |
| Police Pension ......................... | 0.071 | 0.061 | 0.084 | 0.086 | 0.081 |
| Fire Pension ........................... | 0.055 | 0.056 | 0.064 | 0.061 | 0.056 |
| I.M.R.F. ............................... | 0.044 | 0.057 | 0.057 | 0.054 | 0.052 |
| Fire Protection ........................ | 0.385 | 0.370 | 0.370 | 0.316 | 0.301 |
| Social Security ........................ | 0.105 | 0.106 | 0.110 | 0.093 | 0.091 |
| Total Village Rates(2)................ | $1.084 | $1.052 | $1.075 | $0.950 | $0.914 |
| Cook County ............................ | 0.593 | 0.533 | 0.500 | 0.446 | 0.415 |
| Cook County Forest Preserve District..... | 0.060 | 0.060 | 0.057 | 0.053 | 0.051 |
| Metropolitan Water Reclamation District.. | 0.347 | 0.315 | 0.284 | 0.263 | 0.252 |
| Northwest Mosquito Abatement District.... | 0.009 | 0.009 | 0.009 | 0.008 | 0.008 |
| Suburban T B Sanitarium ................ | 0.001 | 0.005 | 0.005 | 0.000 | 0.000 |
| Consolidated Elections ................. | 0.000 | 0.014 | 0.000 | 0.012 | 0.000 |
| Palatine Township(3) ................... | 0.116 | 0.114 | 0.120 | 0.107 | 0.106 |
| Palatine Park District ................. | 0.437 | 0.422 | 0.448 | 0.406 | 0.419 |
| Palatine Public Library District......... | 0.280 | 0.271 | 0.280 | 0.246 | 0.240 |
| School District Number 15............... | 2.925 | 2.840 | 2.763 | 2.435 | 2.385 |
| High School Township District 211........ | 2.158 | 2.191 | 2.261 | 1.972 | 1.928 |
| Community College District 512........... | 0.279 | 0.281 | 0.288 | 0.260 | 0.256 |
| Total Rates(4) ....................... | $8.289 | $8.107 | $8.090 | $7.158 | $6.974 |

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 2008 EAV.

## Tax Extensions and Collections*(1)*

| Levy Year | Coll. Year | Taxes Extended | Total Collections Amount | Total Collections Percent |
|---|---|---|---|---|
| 2002 | 2003 | $16,242,234 | $16,094,187 | 99.09% |
| 2003 | 2004 | 17,061,932 | 16,826,456 | 98.62% |
| 2004 | 2005 | 18,187,861 | 17,719,836 | 97.43% |
| 2005 | 2006 | 18,073,976 | 17,721,179 | 98.05% |
| 2006 | 2007 | 18,609,934 | 18,430,570 | 99.04% |
| 2007 | 2008 | 17,481,006 | 17,010,610 | 97.31% |

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

## Principal Taxpayers*(1)*

| Taxpayer Name | Type of Property | 2008 EAV*(2)* |
|---|---|---|
| Individual Taxpayers | Shopping Center | $ 23,123,155 |
| PFC Marquette Company | Apartments | 21,501,253 |
| Mid America Asset Mgmt | Shopping Center | 19,461,312 |
| Brookind Corp Tax Department | United Parcel Service | 18,717,296 |
| Wal-Mart | Retail Store | 17,603,690 |
| Village Park Palatine 300 | Apartments | 15,710,700 |
| Regency Retail LLC | Shopping Center | 13,778,542 |
| Hamilton Partners | Commercial Building | 11,289,966 |
| Square D Company | Corporate Headquarters | 11,093,033 |
| Target | Retail Store | 9,667,764 |
| Total | | $161,946,711 |
| Ten Largest Taxpayers as a Percent of the Village's 2008 EAV ($2,328,895,469) | | 6.95% |

Notes: (1) Source: Cook County Clerk.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2008 EAV is the most current available.

# REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

## Real Property Assessment

The County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including that in the Village, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The Village is located in the North Tri and was reassessed for the 2007 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 |
|---|---|
| 1998 | 2.1799 |
| 1999 | 2.2505 |
| 2000 | 2.2235 |
| 2001 | 2.3098 |
| 2002 | 2.4689 |
| 2003 | 2.4598 |
| 2004 | 2.5757 |
| 2005 | 2.7320 |
| 2006 | 2.7076 |
| 2007 | 2.8439 |
| 2008 | 2.9786 |

**Exemptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Tax Levy**

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

**Property Tax Extension Limitation Law**

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

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

**Extensions**

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

**Collections**

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

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

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

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

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

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

### Truth in Taxation Law

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

## FINANCIAL INFORMATION

### Budget Policies

- All budget requests should be predicated upon the existing service deliveries and personnel levels. Any program expansion or personnel expansion would require appropriate justification and approval of the Village Manager.
- All proposed operating expenditures must be funded through existing revenue sources.
- All non-personnel operating expenditures including commodities and contractual services were limited to an increase of 2.5%, except where there were contractual obligations.
- 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.

### 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. At December 31, 2008, the Village had greater than 5% of its overall portfolio invested in money market mutual funds and U.S. Treasury obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

**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, 2008 (the "2008 Audit"). The 2008 Audit has been prepared by Sikich Professional Services & Support, Certified Public Accountants, Aurora, Illinois, (the "Auditor"), and approved by formal action of the Village Council. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information in this 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 2008 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 2008 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2008 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. See **APPENDIX A** for excerpts of the Village's 2008 fiscal year audit.

### Statement of Net Assets
### Governmental Activities

| | Audited As of December 31 | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| ASSETS: | | | | | |
| Cash and Investments | $ 18,202,738 | $ 22,470,388 | $ 25,625,486 | $ 30,919,874 | $ 33,830,550 |
| Receivables, Net: | | | | | |
| Property Taxes | 17,942,581 | 18,825,816 | 19,544,767 | 22,607,093 | 21,471,347 |
| Notes | 0 | 250,000 | 0 | 0 | 0 |
| Other | 724,439 | 641,668 | 993,583 | 915,111 | 551,998 |
| Prepaid Expenses | 0 | 0 | 0 | 73,053 | 133,395 |
| Inventories | 175,170 | 173,345 | 172,370 | 167,601 | 188,596 |
| Due From Other Governments | 5,818,074 | 5,173,984 | 4,353,145 | 4,350,197 | 4,086,777 |
| Due From/To Other Funds | 49,119 | (35,475) | 0 | 0 | 0 |
| Advance to Other Funds | (777,915) | 0 | 0 | 0 | 0 |
| Advance to Fudiciary Fund | 156,959 | 128,568 | 105,547 | 84,415 | 63,599 |
| Land Held For Resale | 7,016,065 | 4,835,035 | 7,036,436 | 17,179,038 | 7,925,853 |
| Restricted Assets: | | | | | |
| Restricted Cash and Investments | 6,377,607 | 8,327,359 | 10,334,337 | 12,548,502 | 8,429,592 |
| Deferred Charges | 337,462 | 976,536 | 0 | 824,470 | 734,685 |
| Capital Assets Not Being Depreciated | 142,449,702 | 142,449,702 | 142,449,702 | 142,449,702 | 142,468,084 |
| Capital Assets Being Depreciated | 28,063,792 | 39,730,870 | 38,547,131 | 39,679,299 | 26,372,547 |
| Total Assets | $226,535,793 | $243,947,796 | $249,162,504 | $271,798,355 | $246,257,023 |
| LIABILITIES: | | | | | |
| Accounts Payable | $ 758,292 | $ 1,129,050 | $ 2,023,339 | $ 2,384,630 | $ 3,479,569 |
| Accrued Payroll | 472,880 | 737,760 | 531,955 | 452,050 | 1,252,204 |
| Accrued Interest Payable | 640,663 | 633,425 | 971,116 | 975,454 | 931,133 |
| Due to Other Governments | 0 | 0 | 0 | 106,734 | 55,236 |
| Deposits Payable | 1,463,144 | 1,615,775 | 1,577,445 | 1,310,343 | 990,484 |
| Claims Payable | 450,000 | 300,000 | 300,000 | 300,000 | 473,000 |
| Other Payables | 46,318 | 29,981 | 101,070 | 52,810 | 24,829 |
| Deferred Property Tax Revenue | 17,942,581 | 18,825,816 | 19,544,767 | 20,437,810 | 21,020,000 |
| Other Deferred Revenues | 11,296 | 634,823 | 293,701 | 238,085 | 232,863 |
| Noncurrent Liabilities: | | | | | |
| Due Within One Year | 4,488,307 | 6,018,764 | 7,109,730 | 7,505,109 | 6,923,342 |
| Due In More Than One Year | 82,983,714 | 77,950,307 | 74,745,564 | 85,599,748 | 63,646,581 |
| Total Liabilities | $109,257,195 | $107,875,701 | $107,198,687 | $119,362,773 | $ 99,029,241 |
| NET ASSETS: | | | | | |
| Invested in Capital Assets, Net of Related Debt | $101,812,134 | $100,693,938 | $105,405,740 | $ 92,401,441 | $101,570,852 |
| Restricted For: | | | | | |
| Streets and Highways | 849,535 | 353,229 | 262,620 | 320,875 | 328,387 |
| Economic Development | 2,668,463 | 7,411,367 | 2,675,681 | 2,120,713 | 0 |
| Debt Service | 8,274,820 | 10,409,015 | 12,617,668 | 14,842,673 | 10,690,591 |
| Special Purposes | 2,684,914 | 1,556,649 | 6,022,283 | 7,063,365 | 9,985,897 |
| Unrestricted | 988,732 | 15,647,897 | 14,979,825 | 35,686,515 | 24,652,055 |
| Total Net Assets | $117,278,598 | $136,072,095 | $141,963,817 | $152,435,582 | $147,227,782 |

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

| | Audited for the Fiscal Year Ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| EXPENSES: | | | | | |
| General Government | $ (2,230,164) | $ (2,563,021) | $ (2,529,469) | $ (4,102,437) | $ (4,991,167) |
| Public Safety | (23,069,261) | (23,803,354) | (25,921,803) | (26,318,282) | (28,751,823) |
| Public Works | (6,068,017) | (7,523,320) | (6,366,209) | (6,867,237) | (11,185,406) |
| Economic Development | (7,870,270) | (3,372,303) | (9,779,022) | (5,833,489) | (11,026,044) |
| Interest and Fiscal Charges | (3,804,205) | (3,672,282) | (4,295,123) | (4,340,856) | (3,710,426) |
| Total Expenses | $(43,041,917) | $(40,934,280) | $(48,891,626) | $(47,462,301) | $(59,664,866) |
| GENERAL REVENUES: | | | | | |
| Taxes: | | | | | |
| Property and Replacement | $ 22,567,392 | $ 25,279,383 | $ 29,044,078 | $ 30,267,938 | $ 33,826,733 |
| Sales | 11,743,223 | 12,503,160 | 12,723,171 | 13,059,102 | 12,554,739 |
| Use | 692,011 | 771,761 | 864,346 | 889,392 | 956,775 |
| Telecommunications | 2,011,046 | 2,125,860 | 2,378,621 | 2,987,002 | 2,870,797 |
| Income | 4,189,384 | 4,919,232 | 5,403,355 | 5,863,302 | 6,270,922 |
| Hotel/Motel | 263,437 | 284,961 | 334,913 | 0 | 0 |
| Food and Beverage | 925,786 | 1,017,298 | 1,047,248 | 1,029,233 | 1,062,201 |
| Other | 63,178 | 58,995 | 56,281 | 420,513 | 405,705 |
| Investment Income | 452,726 | 824,104 | 1,928,010 | 2,211,847 | 1,081,574 |
| Miscellaneous | 1,034,092 | 208,006 | 248,570 | 214,546 | 326,910 |
| Gain on Disposal of Capital Assets | 0 | 72,191 | 0 | 231,191 | 171,738 |
| Transfers | 762,795 | (1,192,800) | 754,755 | 760,000 | 0 |
| Total General Revenues | $ 44,705,070 | $ 46,872,151 | $ 54,783,348 | $ 57,934,066 | $ 59,528,094 |
| Change in Net Assets | $ 1,663,153 | $ 5,937,871 | $ 5,891,722 | $ 10,471,765 | $ (136,772) |
| Net Assets, January 1 | $(38,285,758) | $117,284,059(1) | $136,072,095 | $141,963,817 | $160,650,582(1) |
| Prior Period Adjustment | 153,901,204 | 12,850,165 | 0 | 0 | (13,286,028) |
| Net Assets, December 31 | $117,278,599 | $136,072,095 | $141,963,817 | $152,435,582 | $147,227,782 |

Note: (1) As restated.

# General Fund
# Balance Sheet

| | Audited as of December 31 | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| ASSETS: | | | | | |
| Cash and Investments | $10,698,069 | $15,123,023 | $11,622,670 | $12,788,481 | $10,761,900 |
| Receivables, Net: | | | | | |
| Property Taxes | 14,759,690 | 15,645,500 | 16,607,585 | 19,283,541 | 18,696,914 |
| Other | 692,886 | 541,668 | 751,540 | 856,853 | 384,847 |
| Inventories | 25,965 | 26,470 | 0 | 0 | 3,281 |
| Prepaid Items | 0 | 0 | 0 | 4,793 | 0 |
| Due From Other Governments | 3,287,266 | 3,433,314 | 3,058,700 | 3,286,734 | 3,221,289 |
| Due From Other Funds | 258,130 | 219,252 | 0 | 0 | 92,006 |
| Advance to Other Funds | 0 | 0 | 5,042,920 | 5,287,920 | 5,532,920 |
| Total Assets | $29,722,006 | $34,989,227 | $37,083,415 | $41,508,322 | $38,693,157 |
| LIABILITIES AND FUND BALANCE: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | $ 332,281 | $ 212,728 | $ 266,919 | $ 819,796 | $ 820,624 |
| Accrued Payroll | 463,545 | 727,990 | 522,080 | 442,840 | 1,230,304 |
| Deposits Payable | 1,463,144 | 1,615,775 | 1,577,445 | 1,310,343 | 990,484 |
| Other Payables | 21,263 | 29,981 | 52,401 | 52,810 | 24,829 |
| Deferred Property Taxes | 14,759,690 | 15,645,500 | 16,607,585 | 17,921,800 | 18,394,293 |
| Other Deferred Revenues | 206,866 | 445,118 | 409,203 | 0 | 0 |
| Due To Other Funds | 132,397 | 0 | 0 | 2,616,733 | 55,236 |
| Total Liabilities | $17,379,186 | $18,677,092 | $19,435,633 | $23,164,322 | $21,515,770 |
| Fund Balance: | | | | | |
| Reserved For Inventories | $ 25,965 | $ 26,470 | $ 0 | $ 0 | $ 3,281 |
| Reserved For Advances | 0 | 0 | 5,042,920 | 5,287,920 | 5,532,920 |
| Undesignated | 12,316,855 | 16,285,665 | 12,604,862 | 13,056,080 | 11,641,186 |
| Total Fund Balance | $12,342,820 | $16,312,135 | $17,647,782 | $18,344,000 | $17,177,387 |
| Total Liabilities and Fund Balance | $29,722,006 | $34,989,227 | $37,083,415 | $41,508,322 | $38,693,157 |

## General Fund
## Revenues and Expenditures

| | Audited for the Fiscal Year Ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Property Taxes | $13,629,102 | $15,362,641 | $16,169,543 | $16,254,205 | $18,715,717 |
| Sales Tax | 11,743,223 | 12,503,160 | 12,723,170 | 13,059,102 | 12,554,739 |
| Other Taxes | 1,959,056 | 2,181,131 | 2,359,091 | 3,116,971 | 2,551,460 |
| Licenses and Permits | 3,212,245 | 3,121,288 | 3,242,695 | 3,061,764 | 3,088,823 |
| Intergovernmental: | | | | | |
| State Income Tax | 4,189,384 | 4,919,232 | 5,403,355 | 5,863,302 | 6,270,922 |
| Other | 789,750 | 868,098 | 1,187,414 | 1,220,054 | 1,266,141 |
| Charges for Services | 1,969,394 | 1,950,734 | 1,768,571 | 2,056,012 | 1,768,547 |
| Fines and Forfeits | 716,827 | 741,524 | 885,018 | 893,496 | 1,061,999 |
| Interest Income | 69,190 | 348,592 | 1,137,976 | 938,750 | 493,591 |
| Transfers-In | 1,766,675 | 93,530 | 600,475 | 0 | 0 |
| All Other Revenues | 469,046 | 338,619 | 371,053 | 163,617 | 182,944 |
| Total Revenues | $40,513,892 | $42,428,549 | $45,848,361 | $46,627,273 | $47,954,883 |
| EXPENDITURES: | | | | | |
| General Government: | | | | | |
| Finance/Data Processing | $ 1,609,058 | $ 1,862,200 | $ 1,969,941 | $ 2,059,438 | $ 2,385,517 |
| Community Services | 2,049,548 | 1,989,349 | 1,652,076 | 1,808,160 | 1,882,176 |
| Insurance | 1,101,123 | 1,329,771 | 1,653,535 | 1,995,842 | 3,193,000 |
| All Other | 2,011,583 | 1,526,531 | 3,044,805 | 2,975,082 | 3,286,809 |
| Total General Government | $ 6,771,312 | $ 6,707,851 | $ 8,320,357 | $ 8,838,522 | $10,747,502 |
| Public Safety: | | | | | |
| Police | $13,674,135 | $14,413,178 | $15,213,535 | $16,014,152 | $17,736,924 |
| Fire | 10,929,260 | 11,227,276 | 12,172,595 | 12,808,421 | 13,787,654 |
| Total Public Safety | $24,603,395 | $25,640,454 | $27,386,130 | $28,822,573 | $31,524,578 |
| Public Works | 4,625,704 | 4,710,929 | 4,657,122 | 5,653,227 | 6,849,416 |
| Transfers-Out | 48,925 | 1,400,000 | 4,149,105 | 2,616,733 | 0 |
| Total Expenditures | $36,049,336 | $38,459,234 | $44,512,714 | $45,931,055 | $49,121,496 |
| Revenues Over (Under) Expenditures | $ 4,464,556 | $ 3,969,315 | $ 1,335,647 | $ 696,218 | $(1,166,613) |
| Adjustments to Fund Balance | 55,575 | 0 | 0 | 0 | 0 |
| Fund Balance-Ending | $12,342,820 | $16,312,135 | $17,647,782 | $18,344,000 | $17,177,387 |

## General Fund
## Interim and Budgeted Financial Information

| | Estimated Twelve Months Ending 12/31/2009 | Budgeted Twelve Months Ending 12/31/2010 |
|---|---|---|
| REVENUES: | | |
| Taxes: | | |
| Property Taxes | $18,500,462 | $19,597,520 |
| Sales Tax | 11,063,069 | 12,565,500 |
| Other Taxes | 2,232,469 | 2,402,400 |
| Licenses and Permits | 3,081,984 | 3,340,100 |
| Intergovernmental: | 0 | 0 |
| State Income Tax | 5,472,627 | 5,636,800 |
| Other | 1,277,919 | 1,295,565 |
| Charges for Services | 1,812,561 | 1,613,200 |
| Fines and Forfeits | 1,856,800 | 1,677,700 |
| Interest Income | 307,689 | 150,000 |
| Transfers-In | 0 | 482,405 |
| All Other Revenues | 354,154 | 359,200 |
| Total Revenues | $45,959,734 | $49,120,390 |
| EXPENDITURES: | | |
| General Government: | | |
| Finance/Data Processing | $ 2,551,036 | $ 2,584,495 |
| Community Services | 1,939,496 | 1,805,235 |
| Insurance | 1,187,125 | 1,337,125 |
| All Other | 2,830,115 | 3,298,980 |
| Total General Government | $ 8,507,772 | $ 9,025,835 |
| Public Safety: | | |
| Police | $17,840,150 | $18,910,490 |
| Fire | 13,838,071 | 14,625,270 |
| Total Public Safety | $31,678,221 | $33,535,760 |
| Public Works | 6,360,644 | 6,273,815 |
| Transfers-Out | 84,456 | 284,980 |
| Total Expenditures | $46,631,093 | $49,120,390 |
| Revenues Over (Under) Expenditures | $ (671,359) | $ 0 |
| Adjustments to Fund Balance | 0 | 0 |
| Fund Balance-Ending | $16,506,023 | $16,506,028 |

## PENSION AND RETIREMENT OBLIGATIONS

See **APPENDIX A** herein.

## REGISTRATION, TRANSFER AND EXCHANGE

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

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

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

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

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

## TAX MATTERS

### Summary of Bond Counsel Opinion

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Bonds is not 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Bond Counsel is further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is 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 Bonds is not exempt from State of Illinois income taxes.

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

## Bonds Purchased at a Premium or a Discount

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

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

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

## Exclusion From Gross Income Requirements

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

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

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

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

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

**Risks of Non-Compliance**

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

**Federal Income Tax Consequences**

Pursuant to Section 103 of the Code, interest on the Bonds is not 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 Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BondS.

## QUALIFIED TAX EXEMPT OBLIGATIONS

"Section 265(b)(3)(B) of the Code provides that certain issues designated or deemed as "qualified tax-exempt obligations" and purchased by financial institutions (either from the issuer or in a secondary market transaction) may be disregarded in computing the proportional disallowance of interest expense provided in such Section. In the Bond Ordinance, the Village has designated the Bonds as "qualified tax-exempt obligations". In addition, as required by Section 265 of the Code, the Village has represented that the reasonably anticipated amount of "tax-exempt obligations" that are required to be taken into account under Section 265 of the Code and will be issued by the Village and all subordinate entities of the Village during 2010 does not exceed $30,000,000 except to the extent that refunding bonds may be deemed as "qualified tax-exempt obligations" in excess of $30,000,000, and has covenanted that it will not designate and issue more than $30,000,000 aggregate principal amount of "tax-exempt obligations" during 2010. For purposes of the foregoing sentence, the term "tax-exempt obligations" does not include "private activity bonds" (as defined in Section 141(a) of the Code)."

## CONTINUING DISCLOSURE

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

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

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

## OPTIONAL REDEMPTION

The 2010A Bonds due December 1, 2011-2020, inclusive, are non-callable. The 2010A Bonds due on or after December 1, 2021, are callable in whole or in part on any date on or after December 1, 2020, at a price of par and accrued interest. If less than all the 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 2010B Bonds are non-callable.

## NOTICE OF REDEMPTION

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

## LITIGATION

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

## LEGAL MATTERS

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

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

## DEFEASANCE AND PAYMENT OF BONDS

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

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity 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

Robert W. Baird & Co., Naperville, Illinois (the "Underwriter") has agreed to purchase all but not less than all of the 2010A Bonds at a price of $7,599,757.55 and the 2010B Bonds at a price of $13,153,043.54. The Underwriter has represented that the Bonds were reoffered to the public at the yields set forth in this Final Official Statement. It is anticipated that delivery of the Bonds will occur on the date shown on the cover page hereof. The Bonds may be offered and sold to certain dealers (including the Underwriter or other dealers depositing Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown in this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

## FINANCIAL ADVISOR

The Village has engaged Speer Financial, Inc. as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the 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 May 26, 2010, for the $7,315,000 General Obligation Refunding Bonds, Series 2010A and the $12,555,000 General Obligation Refunding Bonds, Series 2010B, 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 Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **JIM W. 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 2008 AUDITED FINANCIAL STATEMENTS**

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2008

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash and investments | $ 33,830,550 | $ 8,981,400 | $ 42,811,950 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | |
| Property taxes | 21,471,347 | - | 21,471,347 |
| Accounts | - | 1,450,069 | 1,450,069 |
| Other | 551,998 | 172,508 | 724,506 |
| Prepaid expenses | 133,395 | 136,055 | 269,450 |
| Due from other governments | 4,086,777 | - | 4,086,777 |
| Deferred charges | 734,685 | 88,609 | 823,294 |
| Inventories | 188,596 | - | 188,596 |
| Land held for resale | 7,925,853 | - | 7,925,853 |
| Advance to fiduciary fund | 63,599 | - | 63,599 |
| Investment in joint venture | | | |
| Northwest Water Commission | - | 11,523,221 | 11,523,221 |
| Restricted assets | | | |
| Restricted cash and investments | 8,429,592 | - | 8,429,592 |
| Capital assets not being depreciated | 142,468,084 | 4,455,078 | 146,923,162 |
| Capital assets being depreciated (net of accumulated depreciation) | 26,372,547 | 48,922,046 | 75,294,593 |
| Total assets | 246,257,023 | 75,728,986 | 321,986,009 |
| LIABILITIES | | | |
| Accounts payable | 3,479,569 | 1,271,563 | 4,751,132 |
| Accrued payroll | 1,252,204 | 54,385 | 1,306,589 |
| Accrued interest payable | 931,133 | 58,540 | 989,673 |
| Due to fiduciary fund | 55,236 | - | 55,236 |
| Deposits payable | 990,484 | 182,806 | 1,173,290 |
| Claims payable | 473,000 | - | 473,000 |
| Other payables | 24,829 | - | 24,829 |
| Unearned property tax revenue | 21,020,000 | - | 21,020,000 |
| Other deferred revenues | 232,863 | 401,397 | 634,260 |
| Noncurrent liabilities | | | |
| Due within one year | 6,923,342 | 1,496,155 | 8,419,497 |
| Due in more than one year | 63,646,581 | 21,113,016 | 84,759,597 |
| Total liabilities | 99,029,241 | 24,577,862 | 123,607,103 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 101,570,852 | 38,558,066 | 140,128,918 |
| Restricted for | | | |
| Streets and highways | 328,387 | - | 328,387 |
| Debt service | 10,690,591 | - | 10,690,591 |
| Special purposes | 9,985,897 | - | 9,985,897 |
| Unrestricted | 24,652,055 | 12,593,058 | 37,245,113 |
| TOTAL NET ASSETS | $ 147,227,782 | $ 51,151,124 | $ 198,378,906 |

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants | Program Revenues: Capital Grants | Net (Expense) Revenue and Change in Net Assets, Primary Government: Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities | | | | | | | |
| General government | $ 9,191,571 | $ 4,024,203 | $ - | $ 176,201 | $ (4,991,167) | $ - | $ (4,991,167) |
| Public safety | 31,825,692 | 2,864,677 | 209,192 | - | (28,751,823) | - | (28,751,823) |
| Public works | 13,227,490 | 231,618 | 1,806,916 | 3,550 | (11,185,406) | - | (11,185,406) |
| Economic development | 17,188,453 | - | - | 6,162,409 | (11,026,044) | - | (11,026,044) |
| Interest and fiscal charges | 3,710,426 | - | - | - | (3,710,426) | - | (3,710,426) |
| Total governmental activities | 75,143,632 | 7,120,498 | 2,016,108 | 6,342,160 | (59,664,866) | - | (59,664,866) |
| Business-Type Activities | | | | | | | |
| Waterworks | 6,354,122 | 6,161,045 | - | - | - | (193,077) | (193,077) |
| Sewerage | 3,904,841 | 2,823,386 | - | - | - | (1,081,455) | (1,081,455) |
| Motor vehicle parking system | 1,566,202 | 663,178 | - | - | - | (903,024) | (903,024) |
| Refuse collection | 4,279,643 | 4,662,852 | - | - | - | 383,209 | 383,209 |
| Total business-type activities | 16,104,808 | 14,310,461 | - | - | - | (1,794,347) | (1,794,347) |
| TOTAL PRIMARY GOVERNMENT | $ 91,248,440 | $ 21,430,959 | $ 2,016,108 | $ 6,342,160 | (59,664,866) | (1,794,347) | (61,459,213) |

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| General Revenues | | | |
| Taxes | | | |
| Property and replacement | 33,826,733 | - | 33,826,733 |
| Sales | 7,881,002 | - | 7,881,002 |
| Home rule sales | 4,673,737 | - | 4,673,737 |
| Use | 956,775 | - | 956,775 |
| Telecommunications | 2,870,797 | - | 2,870,797 |
| Income | 6,270,922 | - | 6,270,922 |
| Food and beverage | 1,062,201 | - | 1,062,201 |
| Other | 405,705 | - | 405,705 |
| Investment income | 1,081,574 | 150,061 | 1,231,635 |
| Miscellaneous | 326,910 | - | 326,910 |
| Income from joint venture | - | 294,123 | 294,123 |
| Gain on disposal of capital assets | 171,738 | - | 171,738 |
| Total | 59,528,094 | 444,184 | 59,972,278 |
| CHANGE IN NET ASSETS | (136,772) | (1,350,163) | (1,486,935) |
| NET ASSETS, JANUARY 1 | 160,650,582 | 47,624,642 | 208,275,224 |
| Prior period adjustment | (13,286,028) | 4,876,645 | (8,409,383) |
| NET ASSETS, JANUARY 1, AS RESTATED | 147,364,554 | 52,501,287 | 199,865,841 |
| NET ASSETS, DECEMBER 31 | $ 147,227,782 | $ 51,151,124 | $ 198,378,906 |

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2008

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond Series of 1998 | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and investments | $ 10,677,444 | $ 4,660,190 | $ 2,255,353 | $ 2,547 | $ 759,364 | $ 10,357,053 | $ 28,711,951 |
| Restricted cash and investments | 84,456 | - | - | 8,345,136 | - | - | 8,429,592 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | | | | | |
| Property taxes | 18,696,914 | 57,184 | 2,667,186 | 46,076 | 3,987 | - | 21,471,347 |
| Other | 384,847 | - | - | - | - | - | 384,847 |
| Due from other funds | 92,006 | - | - | - | - | - | 92,006 |
| Due from other governments | 3,221,289 | - | - | - | - | 865,488 | 4,086,777 |
| Inventories | 3,281 | - | - | - | - | - | 3,281 |
| Land held for resale | - | 5,788,986 | - | - | 2,136,867 | - | 7,925,853 |
| Advance from other funds | 5,532,920 | - | - | - | - | - | 5,532,920 |
| Advance from fiduciary fund | - | - | - | - | - | 63,599 | 63,599 |
| TOTAL ASSETS | $ 38,693,157 | $ 10,506,360 | $ 4,922,539 | $ 8,393,759 | $ 2,900,218 | $ 11,286,140 | $ 76,702,173 |

| | General | Downtown TIF | General Obligation Bond | Revenue Refunding Bond Series of 1998 | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **LIABILITIES AND FUND BALANCES** | | | | | | | |
| **LIABILITIES** | | | | | | | |
| Accounts payable | $ 820,624 | $ 76,290 | $ - | $ - | $ 1,745,695 | $ 678,730 | $ 3,321,339 |
| Accrued payroll | 1,230,304 | - | - | - | - | - | 1,230,304 |
| Deposits payable | 990,484 | - | - | - | - | - | 990,484 |
| Other payables | 24,829 | - | - | - | - | - | 24,829 |
| Due to fiduciary funds | 55,236 | - | - | - | - | - | 55,236 |
| Deferred property taxes | 18,394,293 | - | 2,625,707 | - | - | - | 21,020,000 |
| Other deferred revenues | - | - | - | - | - | 229,527 | 229,527 |
| Advance from other funds | - | 5,532,920 | - | - | - | - | 5,532,920 |
| Total liabilities | 21,515,770 | 5,609,210 | 2,625,707 | - | 1,745,695 | 908,257 | 32,404,639 |
| **FUND BALANCES** | | | | | | | |
| Reserved for inventories | 3,281 | - | - | - | - | - | 3,281 |
| Reserved for advances | 5,532,920 | - | - | - | - | 63,599 | 5,596,519 |
| Reserved for land held for resale | - | 5,788,986 | - | - | 2,136,867 | - | 7,925,853 |
| Reserved for maintenance of roadways | - | - | - | - | - | 328,387 | 328,387 |
| Reserved for debt service | - | - | 2,296,832 | 8,393,759 | - | - | 10,690,591 |
| Reserved for special projects | - | - | - | - | - | 9,985,897 | 9,985,897 |
| Unreserved | | | | | | | |
| Undesignated - General Fund | 11,641,186 | - | - | - | - | - | 11,641,186 |
| Undesignated - Special Revenue Funds | - | (891,836) | - | - | (982,344) | - | (1,874,180) |
| Total fund balances | 17,177,387 | 4,897,150 | 2,296,832 | 8,393,759 | 1,154,523 | 10,377,883 | 44,297,534 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 38,693,157 | $ 10,506,360 | $ 4,922,539 | $ 8,393,759 | $ 2,900,218 | $ 11,286,140 | $ 76,702,173 |

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2008

| | |
|---|---|
| FUND BALANCES OF GOVERNMENTAL FUNDS | $ 44,297,534 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | 168,840,631 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds | (67,329,754) |
| Issuance costs (deferred charges) are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets | 734,685 |
| Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets | 80,345 |
| Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets | (82,115) |
| Loss on refundings are reported as reduction of long-term debt on the statement of net assets | 61,745 |
| Accrued interest on long-term debt is reported as a liability on the statement of net assets | (931,133) |
| Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds | (1,563,531) |
| Less compensated absences payable reported in internal service funds | 54,514 |
| The net assets of the internal service fund are included in the governmental activities in the statement of net assets | 4,801,474 |
| The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds | (325,293) |
| The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds | (1,411,320) |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | $ 147,227,782 |

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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, 2008

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond Series of 1998 | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Taxes | $ 33,821,916 | $ 5,612,469 | $ 2,600,223 | $ 3,573,439 | $ 3,198,105 | $ 2,870,797 | $ 51,676,949 |
| Licenses and permits | 3,088,823 | - | - | - | - | - | 3,088,823 |
| Intergovernmental | 7,537,063 | - | - | - | - | 1,983,117 | 9,520,180 |
| Charges for services | 1,768,547 | - | - | - | - | 46,089 | 1,814,636 |
| Fines and forfeits | 1,061,999 | - | - | - | - | - | 1,061,999 |
| Investment income | 493,591 | 125,655 | 59,232 | 273,320 | 44,419 | 85,356 | 1,081,573 |
| Contributions | - | - | - | - | 1,230,159 | - | 1,230,159 |
| Property owner contributions | - | - | - | - | - | 4,935,800 | 4,935,800 |
| Miscellaneous | 182,944 | 41,920 | - | - | - | 200,139 | 425,003 |
| Total revenues | 47,954,883 | 5,780,044 | 2,659,455 | 3,846,759 | 4,472,683 | 10,121,298 | 74,835,122 |
| **EXPENDITURES** | | | | | | | |
| Current | | | | | | | |
| General government | 10,747,502 | - | - | - | - | - | 10,747,502 |
| Public safety | 31,524,578 | - | - | - | - | - | 31,524,578 |
| Public works | 6,849,416 | - | - | - | - | 1,803,193 | 8,652,609 |
| Economic development | - | 3,292,250 | - | - | 13,811,285 | 84,918 | 17,188,453 |
| Capital outlay | - | - | - | - | - | 5,495,697 | 5,495,697 |
| Debt service | | | | | | | |
| Principal | - | 2,349,337 | 2,060,070 | 7,555,000 | 2,285,739 | - | 14,250,146 |
| Interest and fiscal charges | - | 1,882,470 | 556,491 | 486,735 | 731,901 | - | 3,657,597 |
| Total expenditures | 49,121,496 | 7,524,057 | 2,616,561 | 8,041,735 | 16,828,925 | 7,383,808 | 91,516,582 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,166,613) | (1,744,013) | 42,894 | (4,194,976) | (12,356,242) | 2,737,490 | (16,681,460) |

| | General | Downtown TIF | General Obligation Bond | Revenue Refunding Bond Series of 1998 | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from sale of capital assets | $ - | $ - | $ - | $ - | | $ 171,738 | $ 171,738 |
| Transfers (out) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | 171,738 | 171,738 |
| NET CHANGE IN FUND BALANCES | (1,166,613) | (1,744,013) | 42,894 | (4,194,976) | (12,356,242) | 2,909,228 | (16,509,722) |
| FUND BALANCES, JANUARY 1 | 18,344,000 | 6,641,163 | 2,253,938 | 12,588,735 | 13,510,765 | 7,468,655 | 60,807,256 |
| FUND BALANCES, DECEMBER 31 | $ 17,177,387 | $ 4,897,150 | $ 2,296,832 | $ 8,393,759 | $ 1,154,523 | $ 10,377,883 | $ 44,297,534 |

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, 2008

| | |
|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | $ (16,509,722) |
| 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 | 1,330,423 |
| 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 | (1,497,663) |
| The repayment of principal on long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities | 14,250,146 |
| The amortization of issuance costs on long-term debt is reported as an expense on the statement of activities | (89,785) |
| The amortization of discount on long-term debt is reported as an expense on the statement of activities | (9,575) |
| The amortization of premium on long-term debt is reported as revenue on the statement of activities | 14,560 |
| The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities | (12,350) |
| The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities | 44,321 |
| The change in compensated absences payable is shown as an expense on the statement of activities | 64,849 |
| The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities | 2,088,889 |
| The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds | (160,395) |
| The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds | 349,530 |
| CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | $ (136,772) |

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VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2008

| | Business-Type Activities | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| **CURRENT ASSETS** | | | | | | |
| Cash and investments | $ 392,535 | $ 5,981,733 | $ 1,085,962 | $ 1,521,170 | $ 8,981,400 | $ 5,118,599 |
| Receivables (net where applicable, of allowances for uncollectibles) | | | | | | |
| Accounts | 901,970 | 449,047 | - | 99,052 | 1,450,069 | - |
| Other | - | 33,665 | - | 138,843 | 172,508 | 167,151 |
| Prepaid expenses | - | - | - | 136,055 | 136,055 | 133,395 |
| Inventories | - | - | - | - | - | 185,315 |
| Deferred charges | 35,750 | 52,859 | - | - | 88,609 | - |
| Total current assets | 1,330,255 | 6,517,304 | 1,085,962 | 1,895,120 | 10,828,641 | 5,604,460 |
| **NONCURRENT ASSETS** | | | | | | |
| Capital assets | | | | | | |
| Land | 740,200 | - | 2,165,938 | - | 2,906,138 | - |
| Construction in progress | 1,548,940 | - | - | - | 1,548,940 | - |
| Systems and improvements | 22,383,020 | 54,272,496 | 15,673,130 | - | 92,328,646 | - |
| Machinery and equipment | 403,885 | 221,450 | - | - | 625,335 | - |
| Accumulated depreciation | (11,032,895) | (28,180,080) | (4,818,960) | - | (44,031,935) | - |
| Net capital assets | 14,043,150 | 26,313,866 | 13,020,108 | - | 53,377,124 | - |
| Other assets | | | | | | |
| Investment in joint venture | | | | | | |
| Northwest Water Commission | 11,523,221 | - | - | - | 11,523,221 | - |
| Total noncurrent assets | 25,566,371 | 26,313,866 | 13,020,108 | - | 64,900,345 | - |
| Total assets | 26,896,626 | 32,831,170 | 14,106,070 | 1,895,120 | 75,728,986 | 5,604,460 |

| | Business-Type Activities | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| **CURRENT LIABILITIES** | | | | | | |
| Accounts payable | $ 245,846 | $ 466,231 | $ 109,852 | $ 449,634 | $ 1,271,563 | $ 158,230 |
| Accrued payroll | 37,850 | 16,535 | - | - | 54,385 | 21,900 |
| Due to other funds | - | - | - | - | - | 92,006 |
| Accrued interest payable | 18,690 | 39,850 | - | - | 58,540 | - |
| Deposits payable | 182,806 | - | - | - | 182,806 | - |
| Claims payable | - | - | - | - | - | 473,000 |
| Deferred revenues | - | 258,247 | - | 143,150 | 401,397 | 3,336 |
| Compensated absences payable | 14,410 | 1,945 | - | - | 16,355 | - |
| General obligation bonds payable | 850,270 | 629,530 | - | - | 1,479,800 | - |
| Total current liabilities | 1,349,872 | 1,412,338 | 109,852 | 592,784 | 3,464,846 | 748,472 |
| **LONG-TERM LIABILITIES** | | | | | | |
| Compensated absences payable | 57,489 | 7,700 | - | - | 65,189 | 54,514 |
| General obligation bonds payable | 8,523,563 | 12,524,264 | - | - | 21,047,827 | - |
| Total long-term liabilities | 8,581,052 | 12,531,964 | - | - | 21,113,016 | 54,514 |
| Total liabilities | 9,930,924 | 13,944,302 | 109,852 | 592,784 | 24,577,862 | 802,986 |
| **NET ASSETS** | | | | | | |
| Invested in capital assets, net of related debt | 7,711,880 | 17,826,078 | 13,020,108 | - | 38,558,066 | - |
| Unrestricted | 9,253,822 | 1,060,790 | 976,110 | 1,302,336 | 12,593,058 | 4,801,474 |
| TOTAL NET ASSETS | $ 16,965,702 | $ 18,886,868 | $ 13,996,218 | $ 1,302,336 | $ 51,151,124 | $ 4,801,474 |

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2008

| | Business-Type Activities | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| OPERATING REVENUES | | | | | | |
| Intergovernmental | $ - | $ - | $ - | $ - | $ - | $ 160,306 |
| Charges for services | 6,125,068 | 2,828,724 | 644,367 | 4,518,301 | 14,116,460 | 10,102,379 |
| Miscellaneous | 35,977 | (5,338) | 18,811 | 144,551 | 194,001 | 80,850 |
| Total operating revenues | 6,161,045 | 2,823,386 | 663,178 | 4,662,852 | 14,310,461 | 10,343,535 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | | | | |
| Costs of sales and services | 5,233,544 | 2,354,758 | 792,542 | 4,279,643 | 12,660,487 | 8,310,281 |
| Total operating expenses excluding depreciation | 5,233,544 | 2,354,758 | 792,542 | 4,279,643 | 12,660,487 | 8,310,281 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION | 927,501 | 468,628 | (129,364) | 383,209 | 1,649,974 | 2,033,254 |
| DEPRECIATION AND AMORTIZATION | 535,300 | 1,116,235 | 773,660 | - | 2,425,195 | - |
| OPERATING INCOME (LOSS) | 392,201 | (647,607) | (903,024) | 383,209 | (775,221) | 2,033,254 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment income | 47,911 | 49,669 | 20,593 | 31,888 | 150,061 | 55,635 |
| Loss on disposal of capital assets | (47,610) | (12,640) | - | - | (60,250) | - |
| Interest expense | (537,668) | (421,208) | - | - | (958,876) | - |
| Income from joint venture | 294,123 | - | - | - | 294,123 | - |
| Total nonoperating revenues (expenses) | (243,244) | (384,179) | 20,593 | 31,888 | (574,942) | 55,635 |
| NET INCOME (LOSS) BEFORE TRANSFERS | 148,957 | (1,031,786) | (882,431) | 415,097 | (1,350,163) | 2,088,889 |

| | Business-Type Activities | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| TRANSFERS | | | | | | |
| Transfers in | $ - | $ - | $ - | $ - | $ - | $ - |
| Total transfers | - | - | - | - | - | - |
| CHANGE IN NET ASSETS | 148,957 | (1,031,786) | (882,431) | 415,097 | (1,350,163) | 2,088,889 |
| NET ASSETS, JANUARY 1 | 16,816,745 | 15,042,009 | 14,878,649 | 887,239 | 47,624,642 | 2,712,585 |
| Prior period adjustment | - | 4,876,645 | - | - | 4,876,645 | - |
| NET ASSETS, JANUARY 1, AS RESTATED | 16,816,745 | 19,918,654 | 14,878,649 | 887,239 | 52,501,287 | 2,712,585 |
| NET ASSETS, DECEMBER 31 | $ 16,965,702 | $ 18,886,868 | $ 13,996,218 | $ 1,302,336 | $ 51,151,124 | $ 4,801,474 |

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2008

| | 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 | $ 6,176,829 | $ 2,830,403 | $ 663,178 | $ 4,684,719 | $ 14,355,129 | $ - |
| Receipts from interfund services transactions | - | - | - | - | - | 10,235,270 |
| Payments to suppliers | (4,566,678) | (1,553,496) | (781,623) | (4,477,423) | (11,379,220) | (7,652,225) |
| Payments to employees | (1,010,287) | (396,863) | - | - | (1,407,150) | (488,018) |
| Net cash from operating activities | 599,864 | 880,044 | (118,445) | 207,296 | 1,568,759 | 2,095,027 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Income from joint venture | 8,493 | - | - | - | 8,493 | - |
| Transfers in | - | - | - | - | - | 92,006 |
| Net cash from noncapital financing activities | 8,493 | - | - | - | 8,493 | 92,006 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Capital assets purchased | (1,327,755) | (856,836) | - | - | (2,184,591) | - |
| Principal payments on long-term debt | (537,368) | (481,050) | - | - | (1,018,418) | - |
| Interest paid on long-term debt | (536,332) | (402,703) | - | - | (939,035) | - |
| Gain (loss) from sale of capital assets | (47,610) | - | - | - | (47,610) | - |
| Proceeds from issuance of long-term debt | - | 4,559,836 | - | - | 4,559,836 | - |
| Payment of bond issuance costs | - | (50,550) | - | - | (50,550) | - |
| Net cash from capital and related financing activities | (2,449,065) | 2,768,697 | - | - | 319,632 | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Interest received | 47,911 | 49,669 | 20,593 | 31,888 | 150,061 | 55,635 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,792,797) | 3,698,410 | (97,852) | 239,184 | 2,046,945 | 2,242,668 |
| **CASH AND CASH EQUIVALENTS, JANUARY 1** | 2,185,332 | 2,283,323 | 1,183,814 | 1,281,986 | 6,934,455 | 2,875,931 |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | $ 392,535 | $ 5,981,733 | $ 1,085,962 | $ 1,521,170 | $ 8,981,400 | $ 5,118,599 |

| | 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) | $ 392,201 | $ (647,607) | $ (903,024) | $ 383,209 | $ (775,221) | $ 2,033,254 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | | | | | | |
| Depreciation | 535,300 | 1,116,235 | 773,660 | - | 2,425,195 | - |
| (Increase) decrease in | | | | | | |
| Accounts receivables | 15,784 | 20,113 | - | (22,590) | 13,307 | - |
| Other receivables | - | (13,096) | - | 48,227 | 35,131 | (108,893) |
| Prepaid expenses | - | - | - | 1,170 | 1,170 | (65,135) |
| Inventories | - | - | - | - | - | (17,714) |
| Increase (decrease) in | | | | | | |
| Accounts payable | (360,747) | 390,543 | 10,919 | (198,950) | (158,235) | 55,264 |
| Accrued payroll | 19,650 | 10,040 | - | - | 29,690 | 12,690 |
| Deferred revenues | - | - | - | - | - | 628 |
| Claims payable | - | - | - | - | - | 173,000 |
| Deposits payable | (15,931) | - | - | - | (15,931) | - |
| Deferred revenues | - | 969 | - | (3,770) | (2,801) | - |
| Compensated absences payable | 13,607 | 2,847 | - | - | 16,454 | 11,933 |
| **NET CASH FROM OPERATING ACTIVITIES** | $ 599,864 | $ 880,044 | $ (118,445) | $ 207,296 | $ 1,568,759 | $ 2,095,027 |

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2008

| | Pension Trust | Agency |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 3,096,561 | $ 724,748 |
| Investments | | |
| U.S. Treasury securities | 25,107,220 | - |
| U.S. agency securities | 18,850,418 | - |
| Money market mutual funds | 2,125,681 | |
| Insurance contracts | 1,211,406 | - |
| Mutual funds | 19,462,667 | - |
| Receivables | | |
| Property taxes | - | 603,910 |
| Accrued interest | 345,482 | - |
| Due from primary government | 55,236 | - |
| Advance to other funds | - | 63,599 |
| Total assets | 70,254,671 | $ 1,392,257 |
| **LIABILITIES** | | |
| Other liabilities | - | $ 603,664 |
| Due to bondholders | - | 724,994 |
| Advances from other funds | - | 63,599 |
| Total liabilities | - | $ 1,392,257 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | $ 70,254,671 | |

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2008

| | |
|---|---|
| **ADDITIONS** | |
| Contributions | |
| Employer | $ 3,265,247 |
| Employee | 1,631,260 |
| Total contributions | 4,896,507 |
| Investment income | |
| Net appreciation (depreciation) in fair value of investments | (10,118,738) |
| Interest | 1,895,916 |
| Total investment income (loss) | (8,222,822) |
| Less investment expense | (341,352) |
| Net investment income (loss) | (8,564,174) |
| Total additions | (3,667,667) |
| **DEDUCTIONS** | |
| Administration | 33,572 |
| Benefits | 3,866,398 |
| Refunds of benefits | 48,316 |
| Total deductions | 3,948,286 |
| NET INCREASE (DECREASE) | (7,615,953) |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| January 1 | 77,870,624 |
| December 31 | $ 70,254,671 |

VILLAGE OF PALATINE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

Police Pension Employees Retirement System

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

b. Fund Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

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

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

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

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

c. Government-Wide and Fund Financial Statements

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

The 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.

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

The Rand Road Corridor TIF Fund accounts for development and debt 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.

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 garage services to various departments of the Village. Financing is provided through fees charged to various Village departments. These are reported as part of the governmental activities on the government-wide financial statements as they provide services to the Village's governmental funds/activities.

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

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Interfund Receivables/Payables

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

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

g. Inventories

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

h. Restricted Assets

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Charges

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

j. Prepaid Items/Expenses

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

k. Land Held for Resale

Land held for resale is valued at the lower of cost or market. Reported land held for resale is equally offset by a fund balance reserve, which indicates that it does not constitute available spendable resources. The land held consists of numerous parcels within the Downtown TIF District that the Village owns and is holding until sold. It is anticipated that these parcels will be sold in 2009.

l. Capital Assets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Capital Assets (Continued)

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

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

m. Compensated Absences

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

n. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2008, the Village has accrued no potential arbitrage liability. Where applicable, any liability for rebatable arbitrage is reported in the funds in which the excess interest income was recorded.

o. Long-Term Obligations

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Long-Term Obligations (Continued)

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

p. Fund Balance/Net Assets

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

q. Interfund Transactions

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

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

2. DEPOSITS AND INVESTMENTS

a. Village Investments

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

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

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

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal 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.



2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

Deposits with Financial Institutions (Continued)

The following table presents the investments and maturities of the Village's debt securities as of December 31, 2008:

| Investment Type | Fair Value | Investment Maturities in Years: Less Than 1 | 1-5 | 6-10 | Greater than 10 |
|---|---|---|---|---|---|
| US Treasury obligations | $ 5,736,215 | $ 5,736,215 | $ - | $ - | $ - |
| Money market mutual funds | 8,803,046 | 6,194,125 | 2,608,921 | - | - |
| Illinois Funds | 30,468,138 | 30,468,138 | - | - | - |
| TOTAL | $ 45,007,399 | $ 42,398,478 | $ 2,608,921 | $ - | $ - |

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

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment 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. At December 31, 2008, the Village had greater than 5% of its overall portfolio invested in money market mutual funds and U.S. Treasury obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments

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

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at December 31, 2008 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2008:

| | | Investment Maturities in Years | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury obligations | $ 11,362,498 | $ 1,130,459 | $ 1,871,346 | $ 655,147 | $ 7,705,546 |
| U.S. agency obligations | 8,363,539 | 116,218 | 1,851,223 | 1,351,614 | 5,044,484 |
| Money market mutual funds | 1,022,302 | 1,022,302 | - | - | - |
| Guaranteed contracts investment | 1,211,406 | - | - | - | 1,211,406 |
| Illinois Funds | 1,895,574 | 1,895,574 | - | - | - |
| TOTAL | $ 23,855,319 | $ 4,164,553 | $ 3,722,569 | $ 2,006,761 | $ 13,961,436 |







2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

Investments (Continued)

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

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

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

Concentration of credit risk is the risk that the Police Pension Fund has a high percentage of their investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25%-35% and 0%-5% ranges, respectively. Fixed income securities should comprise 60%-75% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2008. At December 31, 2008, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations and mutual funds which is in accordance with the Police Pension Fund's investment policy.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments

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

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

Deposits with Financial Institutions

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

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at December 31, 2008 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of December 31, 2008:

| Investment Type | Fair Value | Investment Maturities in Years: Less Than 1 | 1-5 | 6-10 | Greater than 10 |
|---|---|---|---|---|---|
| U.S. Treasury obligations | $ 13,744,722 | $ - | $ 13,744,722 | $ - | $ - |
| U.S. agency obligations | 10,486,879 | 1,000,680 | 9,443,372 | 15,013 | 27,814 |
| Money market mutual funds | 1,103,380 | 1,103,380 | - | - | - |
| Illinois Funds | 1,192,743 | 1,192,743 | - | - | - |
| TOTAL | $ 26,527,724 | $ 3,296,803 | $ 23,188,094 | $ 15,013 | $ 27,814 |



2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments (Continued)

Investments (Continued)

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

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

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

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25%-35% and 0%-5% ranges, respectively. Fixed income securities should comprise 60%-75% of investments. Cash holdings should be 0%-1%. All investments fall within their acceptable ranges at December 31, 2008. At December 31, 2008, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. agency obligations, U.S. Treasury obligations, and mutual funds which is in accordance with the Firefighters' Pension Fund's investment policy.

## 3. RECEIVABLES

### a. Taxes

Property taxes for 2008 attach as an enforceable lien on January 1, 2008, 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, 2009 and August 1, 2009 and are payable in two installments, on or about March 1, 2009 and September 1, 2009. 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 2008 tax levy has been recorded as unearned revenue on the financial statements.

### b. Other Receivables

At December 31, 2008, the Village had other receivables as follows:

| | |
|---|---|
| GOVERNMENTAL ACTIVITIES | |
| Quarterly highway maintenance | $ 29,867 |
| Hotel occupancy tax | 17,506 |
| Insurance reimbursement | 167,151 |
| Ambulance service and fees | 52,845 |
| Cable franchise fees | 105,670 |
| Food and beverage tax | 104,487 |
| Employee computer loan | 481 |
| Other | 31,130 |
| RedSpeed red light | 42,861 |
| Total governmental activities | 551,998 |
| BUSINESS-TYPE ACTIVITIES | |
| Disposal fees | 137,810 |
| Sewer loan program | 33,665 |
| Grants | 1,033 |
| Total business-type activities | 172,508 |
| TOTAL OTHER RECEIVABLES | $ 724,506 |



## 3. RECEIVABLES (Continued)

### c. Due from Other Governments

At December 31, 2008, the Village had amounts due from other governments as follows:

| | |
|---|---|
| State sales tax | $ 2,483,589 |
| Grants | 85,593 |
| Court fines | 115,562 |
| Other State sources | 246,979 |
| Motor fuel tax allotments | 160,894 |
| Telecommunications tax | 704,594 |
| Income tax | 289,566 |
| TOTAL DUE FROM OTHER GOVERNMENTS | $ 4,086,777 |

## 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

| | Beginning Balance, as Restated | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 2,967,075 | $ 18,382 | $ - | $ 2,985,457 |
| Land right of way | 139,482,627 | - | - | 139,482,627 |
| Total capital assets not being depreciated | 142,449,702 | 18,382 | - | 142,468,084 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 15,744,677 | 1,438 | - | 15,746,115 |
| Machinery and equipment | 7,059,662 | 982,007 | 147,575 | 7,894,094 |
| Streets | 24,008,577 | 328,596 | - | 24,337,173 |
| Bridges | 1,596,735 | - | - | 1,596,735 |
| Total capital assets being depreciated | 48,409,651 | 1,312,041 | 147,575 | 49,574,117 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 5,460,875 | 509,500 | - | 5,970,375 |
| Machinery and equipment | 4,720,680 | 461,315 | 147,575 | 5,034,420 |
| Streets | 11,071,317 | 494,843 | - | 11,566,160 |
| Bridges | 598,610 | 32,005 | - | 630,615 |
| Total accumulated depreciation | 21,851,482 | 1,497,663 | 147,575 | 23,201,570 |
| Total capital assets being depreciated, net | 26,558,169 | (185,622) | - | 26,372,547 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | $ 169,007,871 | $ (167,240) | $ - | $ 168,840,631 |

4. CAPITAL ASSETS (Continued)

| | Beginning Balance, as Restated | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 2,906,138 | $ - | $ - | $ 2,906,138 |
| Construction in progress | 661,210 | 887,730 | - | 1,548,940 |
| Total capital assets not being depreciated | 3,567,348 | 887,730 | - | 4,455,078 |
| Capital assets being depreciated | | | | |
| Equipment | 651,830 | - | 26,495 | 625,335 |
| Water system | 21,964,645 | 487,635 | 69,260 | 22,383,020 |
| Sewer system | 53,437,760 | 856,836 | 22,100 | 54,272,496 |
| Parking improvements | 15,673,130 | - | - | 15,673,130 |
| Total capital assets being depreciated | 91,727,365 | 1,344,471 | 117,855 | 92,953,981 |
| Less accumulated depreciation for | | | | |
| Equipment | 360,070 | 75,960 | 26,495 | 409,535 |
| Water system | 10,236,890 | 481,490 | 21,650 | 10,696,730 |
| Sewer system | 27,022,085 | 1,094,085 | 9,460 | 28,106,710 |
| Parking improvements | 4,045,300 | 773,660 | - | 4,818,960 |
| Total accumulated depreciation | 41,664,345 | 2,425,195 | 57,605 | 44,031,935 |
| Total capital assets being depreciated, net | 50,063,020 | (1,080,724) | 60,250 | 48,922,046 |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | $ 53,630,368 | $ (192,994) | $ 60,250 | $ 53,377,124 |

The Sewer System beginning asset balance was restated by $28,726,850. The Water System beginning accumulated depreciation balance was restated by $15,605,720. These restatements are due to change in Village policy to change the accounting for the stormwater sewer system from governmental to business-type activities.

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

| | |
|---|---|
| GOVERNMENTAL ACTIVITIES | |
| General government | $ 159,200 |
| Public works | 907,203 |
| Public safety | 431,260 |
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | $ 1,497,663 |



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 are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding at December 31, 2008 are as follows:

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements / Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| General Obligation Bond Series of 1989 Capital Appreciation Bonds (dated December 1, 1989; maturing January 1, 2016; original issue $1,142,790; interest rate 7.10%; principal payable on January 1, 2014, 2015, 2016). | Water (1) | $ 3,862,110 | $ 278,188 | $ - | $ 4,140,298 | $ - |
| | Sewer (1) | 158,484 | 11,415 | - | 169,899 | - |
| General Obligation Bond, Series 1999 (dated January 1, 1999; maturing December 1, 2015; original issue $6,915,000; interest rates 3.75% to 4.10%; principal payable annually on December 1). | Water | 672,320 | - | 66,410 | 605,910 | 69,080 |
| | Sewer | 193,100 | - | 18,510 | 174,590 | 19,250 |
| | Debt Service | 1,819,580 | - | 180,080 | 1,639,500 | 186,670 |
| General Obligation Bond, Series 1999A (dated December 1, 1999; maturing December 1, 2013; original issue $3,085,000; interest rate 5.15%; principal payable annually on December 1, 2012 - 2013). | Water | 108,760 | - | - | 108,760 | - |
| | Sewer | 31,700 | - | - | 31,700 | - |
| | Debt Service | 294,540 | - | - | 294,540 | - |
| General Obligation Bond, Series 2000 (dated January 1, 2000; maturing December 1, 2011; original issue $21,065,000; interest rates 4.75% to 5.10%; principal payable annually on December 1). | Water | 2,005,000 | - | 462,500 | 1,542,500 | 487,500 |
| | Sewer | 92,720 | - | 21,500 | 71,220 | 22,570 |
| | Debt Service | 5,922,280 | - | 1,366,000 | 4,556,280 | 1,439,930 |

## 5. LONG-TERM DEBT (Continued)

### a. General Obligation Bonds (Continued)

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements / Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| General Obligation Bond, Series 2000B (dated December 1, 2000; maturing December 1, 2015; original issue $1,965,000; interest rates 4.625% to 5.250%; principal payable annually on December 1). | Water | $ 311,200 | $ - | $ 27,470 | $ 283,730 | $ 29,980 |
| | Sewer | 181,240 | - | 16,700 | 164,540 | 17,730 |
| | Debt Service | 752,560 | - | 65,830 | 686,730 | 72,290 |
| General Obligation Bond, Series 2001 (dated December 1, 2001; maturing December 1, 2016; original issue $14,565,000; interest rates 4.50% to 5.00%; principal payable annually on December 1, 2009 - 2016). | Downtown TIF | 14,565,000 | - | - | 14,565,000 | 640,000 |
| General Obligation Bond, Taxable Series 2001 (dated July 1, 2001; maturing December 1, 2009; original issue $3,205,000; interest rate 5.60%; principal payable annually on December 1, 2005 - 2009). | Downtown TIF | 1,755,000 | - | 1,025,000 | 730,000 | 730,000 |
| General Obligation Bond, Series 2002 (dated July 1, 2002; maturing December 1, 2022; original issue $10,000,000; interest rates 4.05% to 5.50%; principal payable annually on December 1). | Sewer | 8,215,000 | - | 400,000 | 7,815,000 | 415,000 |
| Taxable General Obligation Refunding Bond Series of 2003 (dated January 1, 2003; maturing December 1, 2012; original issue $2,975,000; interest rate 2.85% to 4.90%; principal payable annually on December 1, 2005 - 2012). | Downtown TIF | 1,975,000 | - | 360,000 | 1,615,000 | 375,000 |



## 5. LONG-TERM DEBT (Continued)

### a. General Obligation Bonds (Continued)

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements / Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| General Obligation Refunding Bond, Series 2003 (dated October 1, 2003; maturing December 1, 2013; original issue $4,625,000; interest rates 2.00% to 3.30%; principal payable annually on December 1). | Water | $ 731,260 | $ - | $ 125,000 | $ 606,260 | $ 131,200 |
| | Sewer | 156,260 | - | 22,350 | 133,910 | 22,980 |
| | Debt Service | 2,037,480 | - | 352,650 | 1,684,830 | 370,820 |
| General Obligation Tax Increment Bond Series of 2003 (dated October 30, 2003; maturing December 1, 2013; original issue $990,000; interest rate 3.41%; principal payable semi-annually on June 1 and December 1). | Downtown TIF | 692,853 | - | 105,939 | 586,914 | 109,582 |
| General Obligation Bond, Series 2004 (dated March 1, 2004; maturing December 1, 2017; original issue $1,900,000; interest rates 2.50% to 3.875%; principal payable annually on December 1). | Downtown TIF | 1,600,000 | - | 150,000 | 1,450,000 | 150,000 |
| General Obligation Bond, Taxable Series 2004A (dated March 1, 2004; maturing December 1, 2022; original issue $7,500,000; interest rates 4.125% to 5.20%; principal payable annually on December 1). | Downtown TIF | 6,885,000 | - | 325,000 | 6,560,000 | 340,000 |
| General Obligation Bond, Taxable Series 2004B (dated March 1, 2004; maturing December 1, 2008; original issue $3,025,000; interest rates 2.375% to 3.25%; principal payable annually on December 1). | Rand Road Corridor TIF | 1,300,000 | - | 1,300,000 | - | - |

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements / Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| $440,000 Equipment Bond Series 2004 (dated March 1, 2004; maturing December 1, 2009; original issue $440,000, interest rate 2.50%; principal payable annually on December 1). | Debt Service | $ 180,000 | $ - | $ 90,000 | $ 90,000 | $ 90,000 |
| General Obligation Refunding Bond, Series 2004C (dated December 30, 2004; maturing December 1, 2012; original issue $2,250,000; interest rates 2.50% to 4.00%; principal payable annually on December 1). | Water | 463,750 | - | 1,250 | 462,500 | 1,250 |
| | Sewer | 23,400 | - | 620 | 22,780 | 620 |
| | Debt Service | 1,367,850 | - | 3,130 | 1,364,720 | 3,130 |
| General Obligation Refunding Bond, Series 2004D (dated December 30, 2004; maturing December 1, 2020; original issue $5,080,000; interest rates 3.00% to 4.00%; principal payable annually on December 1). | Downtown TIF | 4,970,000 | - | 35,000 | 4,935,000 | 35,000 |
| General Obligation Refunding Bond, Series 2005 (dated December 30, 2004; maturing December 1, 2012; original issue $2,250,000; interest rates 2.50% to 4.00%; principal payable annually on December 1). | Water | 213,770 | - | 1,250 | 212,520 | 1,260 |
| | Sewer | 11,030 | - | 1,370 | 9,660 | 1,380 |
| | Debt Service | 630,200 | - | 2,380 | 627,820 | 2,360 |
| General Obligation Bond, Series 2007A (dated May 15, 2007; maturing December 1, 2017; original issue $365,000; interest rate 4.00%; principal payable annually on December 1). | Downtown TIF | 365,000 | - | - | 365,000 | - |



5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements / Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| General Obligation Bond, Taxable Series 2007B (dated May 15, 2007; maturing December 1, 2022; original issue $7,335,000; interest rate 4.00%; principal payable annually on December 1). | Downtown TIF | $ 7,335,000 | $ - | $ 340,000 | $ 6,995,000 | $ 355,000 |
| General Obligation Bond, Series 2007C (dated May 15, 2007; maturing December 1, 2021; original issue $1,215,000; interest rate 4.00%; principal payable annually on December 1). | Rand Road Corridor TIF | 1,215,000 | - | - | 1,215,000 | - |
| General Obligation Bond, Taxable Series 2007D (dated May 15, 2007; maturing December 1, 2026; original issue $9,885,000; interest rate 4.00%; principal payable annually on December 1). | Rand Road Corridor TIF | 9,885,000 | - | - | 9,885,000 | 350,000 |
| General Obligation Bond, Series 2007E (dated May 15, 2007; maturing December 1, 2026; original issue $1,520,000; interest rate 4.00%; principal payable annually on December 1). | Water | 1,520,000 | - | 130,000 | 1,390,000 | 130,000 |
| General Obligation Bond, Series 2008 (dated December 1, 2008; maturing December 1, 2028; original issue $4,585,000; interest rate 3.375% to 4.625%; principal payable annually on December 1). | Sewer | - | 4,585,000 | - | 4,585,000 | 130,000 |
| | | $84,498,447 | $ 4,874,603 | $ 6,995,939 | $ 82,377,111 | $ 6,729,582 |

(1) These bonds are capital appreciation bonds. The amount shown in the "Issuances" column includes $289,603 of increase in the accreted value of the bonds during the fiscal year ended December 31, 2008. The carrying value of the accreted bonds is $4,310,197 at December 31, 2008.

5. LONG-TERM DEBT (Continued)

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. 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:

| Issue | Fund Debt Retired By | Balances January 1 | Additions | Reductions/ Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| TIF Revenue Refunding Bond Series of 1998 (dated June 30, 1998; maturing January 1, 2017; original issue $24,290,000; interest rate 3.95% to 6.00%; principal payable annually on January 1). | Rand/ Dundee Special Tax Allocation | $ 13,550,000 | $ - | $ 7,555,000 | $ 5,995,000 | $ 1,360,000 |
| Subordinated Limited Obligation Redevelopment Note Series 1998A (dated November 23, 1998; maturing July 31, 2014; original issue $380,000; interest rate 7.0%; principal payable on July 31, 2014). | Rand/ Dundee Special Tax Allocation | 380,000 | - | - | 380,000 | - |
| Subordinated Limited Obligation Redevelopment Note Series 2000A (dated August 14, 2000; maturing July 24, 2018; original issue $100,000; interest rate 7.0%; principal payable on July 24, 2018). | Rand/ Dundee Special Tax Allocation | 100,000 | - | - | 100,000 | - |
| Limited Obligation Redevelopment Note Series 2006A (dated April 3, 2006; maturing December 31, 2026; original issue $3,500,000; interest rate 4.0%; principal payable on December 31, 2026). | Rand Road Corridor TIF | 1,499,664 | - | 985,739 | 513,925 | - |



5. LONG-TERM DEBT (Continued)

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

| Issue | Fund Debt Retired By | Balances January 1 | Additions | Reductions/ Refundings | Balances December 31 | Current Portion |
|---|---|---|---|---|---|---|
| Limited Obligation Redevelopment Note Series 2006B (dated April 3, 2006; maturing July 31, 2014; original issue $190,000; interest rate 4.0%; principal payable on January 31, 2022). | Downtown Tax Allocation | $ 165,793 | $ - | $ 8,398 | $ 157,395 | $ - |
| Subordinated Limited Obligation Redevelopment Note Series 2006A (dated October 16, 2006; maturing July 31, 2014; original issue $337,100; interest rate 7.0%; principal payable on July 31, 2014). | Rand/ Dundee Special Tax Allocation | 337,100 | - | - | 337,100 | - |
| | | $ 16,032,557 | $ - | $ 8,549,137 | $ 7,483,420 | $ 1,360,000 |

c. Legal Debt Margin

The Village is a home rule municipality. Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes 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. Debt Service to Maturity Schedules

The annual requirements to amortize to maturity serial debt outstanding (excluding capital appreciation bonds) as of December 31, 2008 are as follows:

| Fiscal Year Ending December 31, | General Obligation Bonds | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | $ 5,249,782 | $ 2,806,781 | $ 8,056,563 | $ 1,479,800 | $ 796,162 | $ 2,275,962 |
| 2010 | 5,424,480 | 2,565,644 | 7,990,124 | 1,543,870 | 734,391 | 2,278,261 |
| 2011 | 5,674,019 | 2,318,901 | 7,992,920 | 1,623,230 | 668,507 | 2,291,737 |
| 2012 | 6,293,811 | 2,070,290 | 8,364,101 | 1,672,470 | 583,753 | 2,256,223 |
| 2013 | 5,357,582 | 1,792,561 | 7,150,143 | 1,337,870 | 514,283 | 1,852,153 |
| 2014 | 4,630,940 | 1,551,561 | 6,182,501 | 1,014,060 | 460,029 | 1,474,089 |
| 2015 | 5,935,720 | 1,339,490 | 7,275,210 | 1,214,280 | 414,207 | 1,628,487 |
| 2016 | 4,285,000 | 1,063,243 | 5,348,243 | 925,000 | 363,049 | 1,288,049 |
| 2017 | 2,590,000 | 858,113 | 3,448,113 | 970,000 | 324,893 | 1,294,893 |
| 2018 | 2,345,000 | 737,814 | 3,082,814 | 825,000 | 284,594 | 1,109,594 |
| 2019 | 2,450,000 | 625,949 | 3,075,949 | 865,000 | 249,154 | 1,114,154 |
| 2020 | 2,580,000 | 508,061 | 3,088,061 | 910,000 | 211,354 | 1,121,354 |
| 2021 | 2,000,000 | 381,563 | 2,381,563 | 955,000 | 170,948 | 1,125,948 |
| 2022 | 1,990,000 | 276,410 | 2,266,410 | 1,000,000 | 128,558 | 1,128,558 |
| 2023 | 700,000 | 170,240 | 870,240 | 275,000 | 83,838 | 358,838 |
| 2024 | 740,000 | 131,040 | 871,040 | 290,000 | 72,150 | 362,150 |
| 2025 | 780,000 | 89,600 | 869,600 | 305,000 | 59,462 | 364,462 |
| 2026 | 820,000 | 45,920 | 865,920 | 320,000 | 46,118 | 366,118 |
| 2027 | - | - | - | 340,000 | 31,718 | 371,718 |
| 2028 | - | - | - | 355,000 | 16,418 | 371,418 |
| TOTAL | $ 59,846,334 | $ 19,333,181 | $ 79,179,515 | $18,220,580 | $6,213,586 | $ 24,434,166 |

| Fiscal Year Ending December 31, | Revenue Bond | | | Redevelopment Notes | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | | Governmental Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | $ 1,360,000 | $ 265,750 | $ 1,625,750 | $ - | $ - | $ - |
| 2010 | 1,430,000 | 196,000 | 1,626,000 | - | - | - |
| 2011 | 1,505,000 | 122,625 | 1,627,625 | - | - | - |
| 2012 | 1,700,000 | 42,500 | 1,742,500 | - | - | - |
| 2013 | - | - | - | 1,488,420 | 354,869 | 1,843,289 |
| TOTAL | $ 5,995,000 | $ 626,875 | $ 6,621,875 | $ 1,488,420 | $ 354,869 | $ 1,843,289 |



5. LONG-TERM DEBT (Continued)

d. Debt Service to Maturity Schedules (Continued)

The annual requirements to amortize to maturity capital appreciation bonds outstanding as of December 31, 2008 are as follows:

| Fiscal Year | Principal | Interest Accretion |
|---|---|---|
| 2009 | $ - | $ 310,464 |
| 2010 | - | 332,826 |
| 2011 | - | 356,800 |
| 2012 | - | 382,500 |
| 2013 | - | 410,050 |
| 2014 | 1,695,000 | 317,511 |
| 2015 | 2,995,000 | 124,652 |
| 2016 | 1,855,000 | - |
| TOTAL | $ 6,545,000 | $ 2,234,803 |

e. Advance Refunding

On January 1, 2005, the Village issued $870,000 General Obligation Refunding Bond Series 2005 to refund $825,000 of the General Obligation Bond Series of 1999A due on December 13, 2013. Conditions for defeasance have been met and assets were placed in escrow through an irrevocable transfer and the liability has been removed from the financial statements.

Defeased bonds outstanding at December 31, 2008 will be redeemed as follows:

| Fiscal Year Ending December 31, | General Obligation Bond Series 1999A | General Obligation Bond Series 2000A | Total |
|---|---|---|---|
| 2009 | $ - | $ - | $ - |
| 2010 | - | - | - |
| 2011 | - | - | - |
| 2012 | 2,125,000 | - | 2,125,000 |
| 2013 | 825,000 | 475,000 | 1,300,000 |
| 2014 | - | 500,000 | 500,000 |
| 2015 | - | 550,000 | 550,000 |
| 2016 | - | 550,000 | 550,000 |
| 2017 | - | 600,000 | 600,000 |
| 2018 | - | 625,000 | 625,000 |
| 2019 | - | 650,000 | 650,000 |
| 2020 | - | 700,000 | 700,000 |
| TOTAL | $ 2,950,000 | $ 4,650,000 | $ 7,600,000 |

5. LONG-TERM DEBT (Continued)

f. Noncommitment Debt

Special service area bonds outstanding as of December 31, 2008 of this report totaled $25,000. These bonds are not an obligation of the Village and are secured by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for repayment, but is only acting as agent for the property owners in levying and collecting the tax, and forwarding the collections to bondholders.

g. Tax Increment Financing Bond Ordinance Disclosures

The ordinances authorizing the issuance of the Series 1998 Bonds provided for the creation of the Dundee Road Redevelopment Projects Special Tax Allocation Fund. It also designated special accounts into which all revenues of the Village's Tax Increment Financing Districts shall be deposited in accordance with the following requirements:

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

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

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

Special Redemption Account - All incremental taxes remaining after crediting the required amounts to the respective accounts noted above shall be credited to this account.

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

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

5. LONG-TERM DEBT (Continued)

h. Tax Increment Financing Redevelopment Note Disclosures

Subordinated Redevelopment Notes - The Series 1998A, 2000 and 2006A Subordinated Redevelopment Notes were issued in conjunction with the Dundee and Rand Road Redevelopment Projects. The ordinances authorizing the issuance of these notes provided that these instruments were subordinated to the Tax Increment Revenue Refunding Bond Series of 1998, and were payable solely from the incremental property taxes generated from the subject projects' parcels, if any. As such, there are no established principal and interest payment schedules for either of these notes. However, simple interest does accrue on these notes until such time as they are redeemed. These notes are reflected in the annual debt service requirements at the full principal amount payable at their maturity and accrued interest at December 31, 2008.

Limited Obligation Redevelopment Notes - The Series 2006A and 2006B Limited Obligation Redevelopment Notes were issued in conjunction with the Downtown and Rand Corridor Redevelopment Projects, respectively. The ordinances authorizing the issuance of these notes provided that these instruments were payable solely from the incremental property taxes generated from the subject projects' parcels, if any. As such, there are no established principal and interest payment schedules for either of these notes. However, simple interest does accrue on the 2006A notes until such time as they are redeemed. These notes are reflected in the annual debt service requirements at the full principal amount payable at their maturity and accrued interest at December 31, 2008.

i. Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended December 31, 2008:

| | January 1, As Restated | Additions | Refundings/ Reductions | December 31 | Current Portion |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General obligation bonds | $ 65,547,343 | $ - | $ 5,701,009 | $ 59,846,334 | $ 5,249,782 |
| TIF revenue bonds | 13,550,000 | - | 7,555,000 | 5,995,000 | 1,360,000 |
| Tax increment financing notes | 2,482,557 | - | 994,137 | 1,488,420 | - |
| Net pension obligation | 1,760,850 | - | 349,530 | 1,411,320 | - |
| Net OPEB obligation | 164,898 | 160,395 | - | 325,293 | - |
| Compensated absences* | 1,616,447 | 1,563,531 | 1,616,447 | 1,563,531 | 313,560 |
| Total long-term debt | 85,122,095 | 1,723,926 | 16,216,123 | 70,629,898 | 6,923,342 |

5. LONG-TERM DEBT (Continued)

i. Changes in Long-Term Debt (Continued)

| | January 1, As Restated | Additions | Refundings/ Reductions | December 31 | Current Portion |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES (Continued) | | | | | |
| Less deferred amounts | | | | | |
| Unamortized bond discount | $ (89,920) | $ - | $ (9,575) | $ (80,345) | $ - |
| Unamortized bond premium | 96,675 | - | 14,560 | 82,115 | - |
| Unamortized loss on refunding | (74,095) | - | (12,350) | (61,745) | - |
| Total deferred amount | (67,340) | - | (7,365) | (59,975) | - |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 85,054,755 | $ 1,723,926 | $ 16,208,758 | $ 70,569,923 | $ 6,923,342 |

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

| | January 1, As Restated | Additions | Refundings/ Reductions | December 31 | Current Portion |
|---|---|---|---|---|---|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| General obligation bonds | | | | | |
| Water | $ 6,026,060 | $ - | $ 813,880 | $ 5,212,180 | $ 850,270 |
| Sewer | 8,904,450 | 4,585,000 | 481,050 | 13,008,400 | 629,530 |
| General obligation capital appreciation bonds | | | | | |
| Water | 3,862,110 | 278,188 | - | 4,140,298 | - |
| Sewer | 158,484 | 11,415 | - | 169,899 | - |
| Compensated absences | | | | | |
| Water | 58,292 | 71,899 | 58,292 | 71,899 | 14,410 |
| Sewer | 6,798 | 9,645 | 6,798 | 9,645 | 1,945 |
| Total long-term debt | 19,016,194 | 4,956,147 | 1,360,020 | 22,612,321 | 1,496,155 |
| Unamortized bond premium | 26,275 | - | 4,365 | 21,910 | - |
| Unamortized bond discount | - | (25,164) | (104) | (25,060) | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | $ 19,042,469 | $ 4,930,983 | $ 1,364,281 | $ 22,609,171 | $ 1,496,155 |

The Village restated beginning net assets for a policy change in the accounting for the Village's stormwater sewer system from governmental to business-type activities. In conjunction with this restatement, $8,215,000 in general obligation debt was transferred from the governmental activities to the Sewer Fund as of January 1, 2008. Accrued interest on outstanding debt in the amount of $29,485 was also transferred to the Sewer Fund from governmental activities as of January 1, 2008.



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, Self-Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of $100,000 per individual's claims paid and a maximum of 125% of the expected aggregate claims paid. The Village purchases commercial insurance for claims in excess of the coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

All funds of the Village participate and make payments to the Self-Insurance and Casualty and Liability 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, 2006 | $ 300,000 | $ - | $ - | $ 300,000 |
| Claims incurred - 2007 | 3,879,504 | - | - | 3,879,504 |
| Claims payments - 2007 | (3,879,504) | - | - | (3,879,504) |
| UNPAID CLAIMS, DECEMBER 31, 2007 | 300,000 | - | - | 300,000 |
| Claims incurred - 2008 | 4,108,177 | 294,791 | 41,689 | 4,444,657 |
| Claims payments - 2008 | (4,158,177) | (102,791) | (10,689) | (4,271,657) |
| UNPAID CLAIMS, DECEMBER 31, 2008 | $ 250,000 | $ 192,000 | $ 31,000 | $ 473,000 |

6. RISK MANAGEMENT (Continued)

Intergovernmental Risk Management Agency (IRMA)

The Village participated in the Intergovernmental Risk Management Agency (IRMA) through December 31, 2007. IRMA is a public entity risk pool whose members are Illinois municipalities. IRMA manages and funds first-party property losses, third-party liability claims, workers' compensation claims and public officials' liability claims of its member municipalities.

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

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

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

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

The Village's estimated payment for operations and maintenance costs for 2009 is $1,485,520. This is based on an estimated tipping fee of $52.35 per ton for 28,379 tons.

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

7. CONTINGENT LIABILITIES (Continued)

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

The Village's estimated payment of fixed costs for 2009 is $146,963. This amount has been estimated using the Village's current allocation percentage of 10.32%. In future years this allocation percentage will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

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

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

8. JOINT VENTURES (Continued)

Solid Waste Agency of Northern Cook County (SWANCC) (Continued)

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 $1,545,485 to SWANCC in 2008. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2008.

Northwest Water Commission (NWWC)

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

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

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

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



8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC) (Continued)

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

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

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

In accordance with the joint venture agreement, the Village remitted $2,612,065 to NWWC for 2008. The Village's equity interest in NWWC was $11,523,221 at December 31, 2008. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2008 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Internal Service<br>Central Equipment | $ 92,006 |

Due from/to fiduciary funds at December 31, 2008 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Fiduciary | | |
| Police Pension | General | $ 32,435 |
| Firefighters' Pension | General | 22,801 |
| TOTAL | | $ 55,236 |

9. INDIVIDUAL FUND DISCLOSURES (Continued)

a. Due From/To Other Funds (Continued)

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

- $92,006 is payable by the Central Equipment Fund to the General Fund for coverage of a cash shortfall.

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

- $55,236 is payable by the General Fund to the Pension Funds for taxes received in after year end.

b. Advances From/To Other Funds

Advances from/to other funds at December 31, 2008 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Downtown TIF | $ 5,532,920 |
| Nonmajor Governmental | Fiduciary | |
| Capital Improvement | Special Service Area #4 | 63,599 |
| TOTAL | | $ 5,596,519 |

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

- $5,532,920 advanced to the Downtown TIF Fund from the General Fund. This balance relates to financing various redevelopment projects. Repayment is not expected within one year.
- $63,599 advance to other funds from a Nonmajor Governmental Fund. This balance relates to the construction of storm sewer improvements. Repayment is not expected within one year.



10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At December 31, 2008, membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 26 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | 309 |
| TOTAL | 335 |
| Participating employers | 1 |

d. Funding Policy

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

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

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2008 | $ 228,017 | $ 67,622 | 29.7% | $ 325,293 |

The net OPEB obligation as of December 31, 2008, was calculated as follows:

| | |
|---|---|
| Annual required contribution | $ 225,269 |
| Interest on net OPEB obligation | 8,245 |
| Adjustment to annual required contribution | (5,497) |
| Annual OPEB cost | 228,017 |
| Contributions made | 67,622 |
| Increase in net OPEB obligation | 160,395 |
| Net OPEB obligation beginning of year | 164,898 |
| NET OPEB OBLIGATION END OF YEAR | $ 325,293 |



10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Funded Status and Funding Progress: The funded status and funding progress of the plan as of December 31, 2008, was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 2,159,444 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | $ 2,159,444 |
| Funded ratio (actuarial value of plan assets/AAL) | -% |
| Covered payroll (active plan members) | $ 22,550,270 |
| UAAL as a percentage of covered payroll | 9.57% |

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

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

In the January 1, 2008, actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2008 was 30 years.

## 11. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 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 the IMRF as specified by statute. The employer contribution rate for the calendar year ended 2008 was 12.09% of covered payroll.

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2008, the Police Pension Plan membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 42 |
| Terminated employees entitled to benefits but not yet receiving them | 3 |
| Current employees | |
| Vested | 82 |
| Nonvested | 28 |
| TOTAL | 155 |







## 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

Covered employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended December 31, 2008, the Village's contribution was 21.15% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2008, the Firefighters' Pension Plan membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 45 |
| Terminated employees entitled to benefits but not yet receiving them | 1 |
| Current employees | |
| Vested | 60 |
| Nonvested | 35 |
| TOTAL | 141 |

## 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

### a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2008, the Village's contribution was 19.02% 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 plan.

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.



## 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Method Used to Value Investments (Continued)

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

Administrative Costs

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

### c. Annual Pension Costs

Employer contributions have been determined as follows:

| | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|---|---|---|---|
| Actuarial valuation date | December 31, 2006 | January 1, 2008 | January 1, 2008 |
| Actuarial cost method | Entry-age Normal | Entry-age Normal | Entry-age Normal |
| Asset valuation method | 5 Year Smoothed Market | 3 Year Smoothed Market | 3 Year Smoothed Market |
| Amortization method | Level Percentage of Payroll | Level Dollar | Level Dollar |
| Amortization period | 24 Years, Closed | 29 Years, Closed | 29 Years, Closed |

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs (Continued)

| | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|---|---|---|---|
| Significant actuarial assumptions<br>a) Inflation rate | 4.00% | 2.50% | 2.50% |
| b) Rate of return on investments | 7.50% Compounded Annually | 8.00% Compounded Annually | 8.00% Compounded Annually |
| c) Projected salary increases | .40% to 11.60% | 1.12% to 4.86% | 1.12% to 4.86% |
| d) Post-retirement benefit increases | 3.00% | 3.00% | 3.00% |

d. Net Pension Obligation

The Village's annual pension cost and net pension obligation to the Police Pension and Firefighters' Pension Plans for the year ended December 31, 2007 (most current information available) were as follows:

| | Police Pension | Firefighters' Pension |
|---|---|---|
| Annual required contribution | $ 1,697,492 | $ 1,167,796 |
| Interest on net pension obligation | 96,058 | 44,810 |
| Adjustment to annual required contributions | (99,333) | (46,338) |
| Annual pension cost | 1,694,217 | 1,166,268 |
| Contributions made | 1,792,538 | 1,417,474 |
| Increase (decrease) in net pension obligation | (98,321) | (251,206) |
| Net pension obligation beginning of year | 1,200,720 | 560,127 |
| NET PENSION OBLIGATION END OF YEAR | $ 1,102,399 | $ 308,921 |



11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

e. Trend Information

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

| | For Fiscal Year | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|---|---|---|---|---|
| Annual pension cost (APC) | 2006 | $ 1,128,178 | $ 1,379,223 | $ 1,066,117 |
| | 2007 | 1,192,374 | 1,675,991 | 1,164,489 |
| | 2008 | 1,268,107 | 1,694,217 | 1,166,268 |
| Actual contribution | 2006 | $ 1,128,178 | $ 1,094,984 | $ 986,399 |
| | 2007 | 1,192,374 | 1,368,869 | 1,062,061 |
| | 2008 | 1,268,107 | 1,792,538 | 1,417,414 |
| Percentage of APC contributed | 2006 | 100.00% | 79.39% | 92.52% |
| | 2007 | 100.00% | 81.68% | 91.20% |
| | 2008 | 100.00% | 105.80% | 121.53% |
| NPO (asset) | 2006 | $ - | $ 893,598 | $ 457,699 |
| | 2007 | - | 1,200,720 | 560,127 |
| | 2008 | - | 1,102,399 | 308,921 |

f. Funded Status and Funding Progress

| | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|---|---|---|---|
| Actuarial valuation date | December 31, 2007 | December 31, 2007 | December 31, 2007 |
| Actuarial accrued liability (AAL) | $ 27,169,988 | $ 50,689,201 | $ 50,944,617 |
| Actuarial value of plan assets | 18,211,574 | 40,507,394 | 47,172,964 |
| Unfunded actuarial accrued liability (UAAL) | 8,958,414 | 10,181,807 | 3,771,653 |
| Funded ratio (actuarial value of plan assets/AAL) | 67.03% | 79.91% | 92.60% |
| Covered payroll (active plan members) | $ 10,488,890 | $ 8,476,021 | $ 7,451,465 |
| UAAL as a percentage of covered payroll | 85.41% | 120.12% | 50.62% |

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented in the RSI following the notes to the 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.

The actuarial value of plan assets for the police and firefighters' pension plans above are as of December 31, 2007. As disclosed on page 94, both pension funds experienced significant declines in the fair value (actuarial value) of assets for the year ended December 31, 2008, which are not reflected in these funded ratios.

12. PENSION TRUST FUNDS

a. Schedule of Net Assets as of December 31, 2008

| | Police Pension | Firefighters' Pension | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash and short-term investments | $ 1,897,617 | $ 1,198,944 | $ 3,096,561 |
| Investments | | | |
| U.S. Treasury securities | 11,362,498 | 13,744,722 | 25,107,220 |
| U.S. agency securities | 8,363,539 | 10,486,879 | 18,850,418 |
| Money market mutual funds | 1,022,301 | 1,103,380 | 2,125,681 |
| Guaranteed contract investment | 1,211,406 | - | 1,211,406 |
| Equities | 8,576,053 | 10,886,614 | 19,462,667 |
| Receivables | | | |
| Accrued interest | 153,449 | 192,033 | 345,482 |
| Due from general fund | 32,435 | 22,801 | 55,236 |
| Total assets | 32,619,298 | 37,635,373 | 70,254,671 |
| LIABILITIES | | | |
| None | - | - | - |
| Total liabilities | - | - | - |
| NET ASSETS | $ 32,619,298 | $ 37,635,373 | $ 70,254,671 |



12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Assets for the year ended December 31, 2008.

| | Police Pension | Firefighters' Pension | Total |
|---|---|---|---|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | $ 1,824,972 | $ 1,440,275 | $ 3,265,247 |
| Employee | 889,426 | 741,834 | 1,631,260 |
| Total contributions | 2,714,398 | 2,182,109 | 4,896,507 |
| INVESTMENT INCOME | | | |
| Net (depreciation) in fair value of investments | (3,734,197) | (6,384,541) | (10,118,738) |
| Interest income | 698,265 | 1,197,651 | 1,895,916 |
| Less investment expense | (200,990) | (140,362) | (341,352) |
| Net investment income | (3,236,922) | (5,327,252) | (8,564,174) |
| Total additions | (522,524) | (3,145,143) | (3,667,667) |
| DEDUCTIONS | | | |
| Administrative | 20,610 | 12,962 | 33,572 |
| Pension benefits and refunds | 1,975,537 | 1,939,177 | 3,914,714 |
| Total deductions | 1,996,147 | 1,952,139 | 3,948,286 |
| NET INCREASE | (2,518,671) | (5,097,282) | (7,615,953) |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | | |
| January 1 | 35,137,969 | 42,732,655 | 77,870,624 |
| December 31 | $ 32,619,298 | $ 37,635,373 | $ 70,254,671 |

13. RESTATEMENT

Net assets of the governmental activities and Sewerage Fund were restated to account for the Village's change in accounting for storm sewers and their related debt from governmental activities to the Sewerage Fund. Net assets decreased by $13,121,130 and increased by $4,876,645 in governmental activities and business-type activities, respectively.

13. RESTATEMENT (Continued)

The Village implemented GASB Statements 43 and 45 relating to the accounting and financial reporting for other postemployment benefits. Beginning net assets of the governmental activities were restated by $164,898.

14. SUBSEQUENT EVENTS

On April 1, 2009, the Village called and redeemed the remaining principal balance of $5,995,000 of the Tax Increment Revenue Refunding Bond Series of 1998.

On April 13, 2009, the Village issued General Obligation Bonds, Series 2009A and B in the amount of $1,190,000 for the purpose of financing land acquisition for a new fire station and $8,000,000 for the acquisition of land for economic development, respectively. Principal is payable on December 1 and interest is payable semi-annually on June 1 and December 1. The bonds bear interest at an annual rate of 4.0% to 5.6%.

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

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

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

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

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

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

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

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

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

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

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

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

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

**APPENDIX C**
**PROPOSED FORM OF OPINION OF BOND COUNSEL**
**[LETTERHEAD OF CHAPMAN AND CUTLER LLP]**
**[TO BE DATED CLOSING DATE]**

June 16, 2010

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 $7,315,000 principal amount of General Obligation Refunding Bonds, Series 2010A (the "2010A Bonds") and $12,555,000 principal amount of General Obligation Refunding Bonds, Series 2010B (the "2010B Bonds," and together with the 2010A Bonds, 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 April 19, 2010 and entitled: "Ordinance Authorizing the Issuance of General Obligation Refunding Bonds, Series 2010A and Series 2010B, 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 June 16, 2010 and bear interest from their date payable on December 1, 2010 and semiannually thereafter on each June 1 and December 1.

The 2010A 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 2010A 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 |
|---|---|---|
| 2011 | $485,000 | 2.00% |
| 2012 | 800,000 | 2.50 |
| 2013 | 640,000 | 2.50 |
| 2014 | 510,000 | 3.00 |
| 2015 | 530,000 | 3.00 |
| 2016 | 550,000 | 3.00 |
| 2017 | 565,000 | 4.00 |
| 2018 | 590,000 | 4.00 |
| 2019 | 615,000 | 4.00 |
| 2020 | 650,000 | 4.00 |
| 2021 | 675,000 | 4.00 |
| 2022 | 705,000 | 4.00 |

The 2010A Bonds maturing on or after December 1, 2021, 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, 2020 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The 2010B 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 2010B Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such principal amount:

| Year | Principal Amount | Interest Rate |
|---|---|---|
| 2011 | $1,545,000 | 3.00% |
| 2012 | 2,085,000 | 2.50 |
| 2013 | 2,140,000 | 2.50 |
| 2014 | 2,195,000 | 3.00 |
| 2015 | 2,300,000 | 4.00 |
| 2015 | 500,000 | 3.00 |
| 2016 | 1,790,000 | 4.00 |

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

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

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

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

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

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

Very truly yours,

LG/be

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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

We have audited the accompanying schedule of revenues and other sources, expenditures and other financing uses and changes in fund balances of the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2010. These financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the changes in financial position of the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund of the Village of Palatine, Illinois for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Sikich LLP

Aurora, Illinois
May 2, 2011

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended
December 31, 2010

| | Tax Increment Revenue Refunding Bond Series of 1998 | Downtown TIF | Rand Road Corridor TIF |
|---|---|---|---|
| REVENUES | | | |
| Property taxes | | | |
| Rand/Dundee TIF | $ 2,695,814 | $ - | $ - |
| Downtown TIF | - | 6,090,100 | - |
| Rand Road Corridor TIF | - | - | 2,614,632 |
| Intergovernmental | - | 2,561,081 | - |
| Investment income | 8,470 | 11,331 | 3,101 |
| Miscellaneous | - | 40,122 | 9,293 |
| Total revenues | 2,704,284 | 8,702,634 | 2,627,026 |
| EXPENDITURES | | | |
| Economic development | | | |
| Project expenditures | - | 2,357,555 | 704,498 |
| Land acquisition | - | 134,966 | - |
| Administration | 3,100,000 | 378,163 | 9,088 |
| Debt service | | | |
| Principal | - | 2,818,915 | 465,000 |
| Interest and fiscal charges | - | 2,126,000 | 988,345 |
| Total expenditures | 3,100,000 | 7,815,599 | 2,166,931 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (395,716) | 887,035 | 460,095 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds issued, at par | - | 12,555,000 | - |
| Bond premium | - | 693,945 | - |
| Payment to refunded bond escrow | - | (13,094,336) | - |
| Total other financing sources (uses) | - | 154,609 | - |
| NET CHANGES IN FUND BALANCES | (395,716) | 1,041,644 | 460,095 |
| FUND BALANCES, JANUARY 1 | 4,670,214 | 14,151,572 | 11,202,740 |
| FUND BALANCES, DECEMBER 31 | $ 4,274,498 | $ 15,193,216 | $ 11,662,835 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

TAX INCREMENT FINANCING DISTRICTS FUNDS

SCHEDULE OF FUND BALANCES BY SOURCE

For the Year Ended
December 31, 2010

| | Tax Increment Revenue Refunding Bond Series of 1998 | Downtown TIF | Rand Road Corridor TIF |
|---|---|---|---|
| BEGINNING BALANCES, JANUARY 1, 2010 | $ 4,670,214 | $ 14,151,572 | $ 11,202,740 |
| ADDITIONS | | | |
| Property taxes | | | |
| Dundee Road TIF | 2,695,814 | - | - |
| Downtown TIF | - | 6,090,100 | - |
| Rand Road Corridor TIF | - | - | 2,614,632 |
| Intergovernmental | - | 2,561,081 | - |
| Investment income | 8,470 | 11,331 | 3,101 |
| Miscellaneous | - | 40,122 | 9,293 |
| Bonds issued, at par | - | 12,555,000 | - |
| Premium on issuance of bonds | - | 693,945 | - |
| Total additions | 2,704,284 | 21,951,579 | 2,627,026 |
| BEGINNING BALANCES PLUS ADDITIONS | 7,374,498 | 36,103,151 | 13,829,766 |
| DEDUCTIONS | | | |
| Economic development | | | |
| Project expenditures | - | 2,357,555 | 704,498 |
| Land acquisition | - | 134,966 | - |
| Administration | 3,100,000 | 378,163 | 9,088 |
| Debt service | | | |
| Principal | - | 2,818,915 | 465,000 |
| Interest and fiscal charges | - | 2,126,000 | 988,345 |
| Payment to refunded bond escrow | - | 13,094,336 | - |
| Total deductions | 3,100,000 | 20,909,935 | 2,166,931 |
| ENDING BALANCES, DECEMBER 31, 2010 | $ 4,274,498 | $ 15,193,216 | $ 11,662,835 |
| ENDING BALANCES BY SOURCE | | | |
| Property taxes | $ 466,189 | $ 672,709 | $ 1,516,257 |
| Investment income | 3,808,309 | 23,525 | 6,780 |
| Investment in land held for resale | - | 14,496,982 | 10,139,798 |
| Subtotal | 4,274,498 | 15,193,216 | 11,662,835 |
| Less Surplus Funds | - | - | - |
| ENDING BALANCES, DECEMBER 31, 2010 | $ 4,274,498 | $ 15,193,216 | $ 11,662,835 |

(See independent auditor's report.)

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

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

We have audited the basic, combining and individual fund financial statements of the Village of Palatine, Illinois, as of and for the year ended December 31, 2010, and have issued our separate report thereon dated May 2, 2011. These financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the Village of Palatine's compliance with the provisions of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2010, for the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund. The management of the Village of Palatine, Illinois, is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Village of Palatine, Illinois' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Village of Palatine, Illinois, complied, in all material respects, with the requirements of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.43 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended December 31, 2010, for the Dundee Road and Rand/Dundee Tax Increment Financing District Fund, Downtown Tax Increment Financing District Fund, and the Rand Road Corridor Tax Increment Financing District Fund.

Sikich LLP

Aurora, Illinois
May 2, 2011