New Issue
Date of Sale: Monday, August 5, 2013
Between 10:00 and 10:15 A.M., C.D.T.
(Open Speer Auction)

Investment Rating:
Moody's Investors Service ...
(Rating Requested)

Official Statement

*Subject to compliance by the Village with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "**TAX EXEMPTION**" herein for a more complete discussion. 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.*

$8,580,000*
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois
General Obligation Refunding Bonds, Series 2013

Dated Date of Delivery **Book-Entry** **Bank Qualified** **Non-Callable** **Due Serially December 1, 2014-2019**

The $8,580,000* General Obligation Refunding Bonds, Series 2013 (the "Bonds") are being issued by the Village of Arlington Heights, Cook County, Illinois (the "Village"). Interest is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2013. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 1 in the following years and amounts.

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

Principal Amount*	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount*	Due Dec. 1	Interest Rate	Yield or Price	CUSIP Number
$ 170,000	2014	______%	______%	_________	$2,125,000	2017	______%	______%	_________
170,000	2015	______%	______%	_________	1,805,000	2018	______%	______%	_________
2,275,000	2016	______%	______%	_________	2,035,000	2019	______%	______%	_________

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

OPTIONAL REDEMPTION

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

PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used to advance refund a portion of the Village's General Obligation Bonds, Series 2006, due December 1, 2016-2019 and to pay the costs of issuing the Bonds. See **"PLAN OF FINANCING"** herein.

In the opinion of Chapman and Cutler 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, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. Certain legal matters will be passed upon for the Village by its Attorney, Jack M. Siegel, Holland & Knight LLP, Chicago, Illinois.

This Official Statement is dated July 24, 2013, and has been prepared under the authority of the Village. An electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Competitive Official Statement Sales Calendar". Additional copies may be obtained from Mr. Thomas Kuehne, Finance Director, Village of Arlington Heights, 33 South Arlington Heights Road, Arlington Heights, Illinois 60005, or from the Independent Public Finance Consultants to the Village:

Established 1954

Speer Financial, Inc.

INDEPENDENT PUBLIC FINANCE CONSULTANTS

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

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

www.speerfinancial.com

**Subject to change.*

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

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

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

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

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

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OFFICIAL BID FORM (Open Speer Auction Internet Sale)
OFFICIAL NOTICE OF SALE

BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Official Statement, including the Official Notice of Sale and the Official Bid Form, which are provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

Issuer:	Village of Arlington Heights, Cook County, Illinois.
Issue:	$8,580,000* General Obligation Refunding Bonds, Series 2013.
Dated Date:	Date of delivery, expected to be on or about August 21, 2013.
Interest Due:	Each June 1 and December 1, commencing December 1, 2013.
Principal Due:	Serially each December 1, commencing December 1, 2014 through 2019, as detailed on the front page of this Official Statement.
No Optional Redemption:	The Bonds are **not** subject to optional redemption prior to maturity.
Authorization:	The Village is a home rule unit under the Illinois Constitution and as such has no debt limitation and is not required to seek referendum approval to issue the Bonds.
Security:	The Bonds are 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, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.
Credit Rating:	A credit rating for the Bonds has been requested from Moody's Investors Service.
Purpose:	The Bonds will be used to advance refund a portion of the Village's General Obligation Bonds, Series 2006, due December 1, 2016-2019 and to pay the costs of issuing the Bonds. See **"PLAN OF FINANCING"** herein.
Tax Exemption:	Chapman and Cutler LLP, Chicago, Illinois, will provide an opinion as to the federal tax exemption of interest on the Bonds as discussed under **"TAX EXEMPTION"** in this 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:	The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois.
Verification Agent:	Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois.
Delivery:	The Bonds are expected to be delivered on or about August 21, 2013.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.
Denomination:	$5,000 or integral multiples thereof.
Financial Advisor:	Speer Financial, Inc., Chicago, Illinois.

**Subject to change.*

VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois

THE VILLAGE

Located in Cook County, the Village of Arlington Heights (the "Village") was incorporated in 1887 and is located approximately 25 miles northwest of the City of Chicago. The Village encompasses an area of 16.6 square miles and was originally settled in the 1830's. The first railroad linking the area to downtown Chicago was constructed in 1854 and shortly thereafter the area became known as the Town of Dunton. The town's name was changed to Arlington Heights in 1874 and incorporation as a village occurred in 1887.

Access to this area is provided through the facilities of nearby O'Hare International Airport, Union Pacific Railway line of Metra, and the northwest route of the Illinois Tollway, I-90. Adjacent communities include Buffalo Grove to the north, Wheeling, Prospect Heights and Mount Prospect to the east, Elk Grove Village to the south, and Rolling Meadows and Palatine to the west.

The Village's population, according to the 2010 Census was 75,101 representing a decrease of 1.2% over the 2000 Census of 76,031. The Chicago Metropolitan Agency for Planning ("CMAP") projects the Village population to grow to 90,283 by the year 2040. According to census data, the Village is, by population, the second largest suburb in Cook County, eighth largest suburb in the Chicago Metropolitan area and fourteenth largest community in the State of Illinois.

The Arlington Park Racecourse is located in the Village. The original Arlington Park grandstand was destroyed by a fire in 1985, but was rebuilt and reopened in 1989. The racecourse is owned and operated by the Churchill Downs Corp.

Organization and Services

The Village is a home rule municipality under the Illinois Constitution and operates under the Council/Manager from of government. Policy is determined by the Village Board, which is comprised of the Village president and eight trustees elected at large for staggered four-year terms. The Village Board appoints a Village Manager and Attorney. The Village Manager is responsible for the day-to-day operations of the Village.

The Village employs approximately 427 full-time equivalent employees, including 109 full-time fire fighters and 109 sworn police officers. In addition, there are 149 Library employees, a component unit of the Village. The Village has a history of good labor relations. The only employees who are members of a collective bargaining group are the police and fire departments. The Metropolitan Alliance of Police, Arlington Heights Police Chapter No. 510 has a three-year contract that will expire on April 30, 2014. The Arlington Heights Fire Fighters Association, Local 3105 have a three-year contract that will expire on April 30, 2014.

The Village has shown a commitment to forward planning since its first zoning ordinance was adopted in 1927. In 1957, the Village's first Comprehensive Plan was adopted, and a Five Year Capital Improvement Program is prepared annually. The current plan covers the fiscal years 2014 through 2018.

In January 2008 the Village began occupancy of its new $25.9 million Village Hall, replacing the former Village Hall that was constructed in 1962.

The four existing Village fire stations were constructed in 1968, 1971, 1999 and 2006. In 1997, the Village's fire insurance rating was upgraded to Class 1 from its previous rating of Class 2, due to increased training, an upgrading of equipment and better response to alarms. This puts the Village among the top municipalities/fire protection districts in the State of Illinois. The proceeds of the 1998A Bonds were used to construct a replacement for a fire station constructed in 1957 and an administration headquarters for firefighting personnel. Station Nos. 3 and 4 (built in 1968 and 1971) recently received major ongoing renovations and a portion of the 2006 Bonds were used to construct a new Station No. 1 which was in service since 1963.

The Arlington Heights Memorial Library has a seven member board elected at large for staggered, six-year terms. The Library Board functions as an independent, subordinate entity of the Village, with the Village providing oversight such as debt issuance and levying of the Library's annual real estate taxes. In 1992, voter approval was given to build a 56,000 square foot addition to the Library and to renovate the original facility. The process of renovating and expanding the Library facilities was completed in 1996. There are over 49,400 registered borrowers and approximately 514,000 volumes. The circulation of library materials is over 2.6 million items.

The Village and neighboring communities participate in several joint venture undertakings: a central police dispatching facility; mutual aid fire protection agreements; a joint purchasing agreement where the Village purchases the petroleum products for High School District 214, the Park District and Grade School District 25; a joint municipal insurance agency; a joint water wholesale system; and a joint solid waste agency.

The Village water supply and distribution system began operation in 1902. In order to obtain a reliable long term source of potable water, the Village has contracted with Northwest Water Commission to purchase Lake Michigan water. The Commission is composed of the Villages of Arlington Heights, Buffalo Grove, Palatine, and Wheeling. The Village's well system is maintained only for emergency use. The Village presently has 31 million gallons of storage capacity. Average daily consumption in fiscal year 2012 was 8.7 million gallons per day. Sewage treatment is the responsibility of the Metropolitan Water Reclamation District of Greater Chicago, with the Village responsible for the maintenance of its sewerage collection system. Other utilities are provided by Northern Illinois Gas (gas), Commonwealth Edison (electricity) and AT&T and Sprint (telephone).

Community Life

The Arlington Heights Park District (a separate municipal corporation) is virtually coterminous with the Village. The Park District owns or leases 58 parks covering 715 acres, has one indoor pool and five outdoor pools. Other recreational facilities include 45 ball diamonds, 58 outdoor tennis courts, 14 indoor tennis courts, an 18-hole golf course and a 9-hole golf course. The Village leases Lake Arlington to the Park District, a man-made lake over 2 miles in circumference constructed for storm retention purposes and has boating and various recreation facilities.

Northwest Community Hospital, a 488 bed facility located in the Village. It received its first patient in 1959 and had major expansions in 1965, 1966, 1972, 1998 and 2009. The Village has assisted the hospital by issuing Hospital Facility (Industrial Revenue) Revenue Bonds. In March 1995 the Village approved the Hospital's Master Plan which called for a Wellness Center (constructed in 1995), a parking garage and a Hospital addition. The new Patient Care addition opened in spring 2010 with 200 private rooms. In addition to the Northwest Community Hospital, other area hospitals include Holy Family Hospital, Alexian Brothers Medical Center, St. Alexius Medical Center and Lutheran General Hospital.

The Historical Society of Arlington Heights (the "Society") was chartered in 1957 to collect, preserve, exhibit and interpret significant materials relating to the Village. In 1966 the Village purchased three buildings for the Society. Visitors and residents tour the "Banta House" which is restored to the 1908-1916 period; the "Muller and Coach Houses" and the "Log Cabin" which represents the home of the Village's 1836 settlers. The Historical Museum (the "Museum") which is part of the Society's complex, was opened in 1968. In 1985 the Society entered into a three-way agreement with the Village government and the Park District to operate the Museum.

Education

There are six elementary districts and two high school districts providing education for the children of the Village residents. Approximately 59% of the Village is served by the School District Number 25. Other school districts serving the Village are School District Number 15 (serving 4% of the Village), School District Number 21 (serving 15% of the Village), School District Number 23 (serving 7% of the Village), School District Number 57 (serving 1% of the Village) and School District Number 59 (serving 14% of the Village).

Township High School District 214 (Arlington Heights) (the "District") serves a majority of Village residents and is comprised of six high schools and two special education facilities. Each of the six high schools in the District offers a comprehensive curriculum of academics and co-curricular activities. Offerings include Advanced Placement courses, a Talent Development program, social, academic and career counseling, and special education services. Three of the District's schools have received the Blue Ribbon Recognition Award from the U.S. Department of Education. Expansion Management Magazine awarded the District a "Gold Medal" for above average educational achievement and above average education spending.

In addition to its primary mission of educating high school students, the District's secondary mission is "to provide residents with opportunities for life-long learning". To accomplish this mission the District has a Community Education Program which serves more than 50,000 participants each year. The District's outstanding Adult Education and Literacy Program has received the Secretary's Award from the U.S. Department of Education.

Higher Education

Higher educational facilities are available at Community College District Number 512 (Harper Community College). Robert Morris University also maintains a location in the Village. The University is a private, not-for-profit associate, baccalaureate, and master's degree-generating institution. Numerous institutions of higher education are located in the Chicago Metropolitan Area.

The educational background of residents over the age of 25 in the Village and in some nearby communities as compared to residents of the County and the State is displayed in the following table:

Level of Education*(1)*
(Persons 25 years and over)

	Total	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher
The Village	**53,502**	**94.7%**	**51.6%**
Village of Buffalo Grove	29,338	95.9%	60.1%
City of Des Plaines	41,579	87.1%	30.3%
Village of Elk Grove	23,293	93.4%	34.0%
Village of Mount Prospect	38,136	89.2%	39.7%
Village of Northbrook	23,044	96.5%	65.7%
Village of Palatine	45,426	91.2%	48.1%
City of Propsect Heights	10,990	82.2%	33.2%
City of Rolling Meadows	15,798	86.8%	29.7%
Village of Wheeling	45,545	89.9%	21.2%
Cook County	3,434,122	83.7%	33.7%
State of Illinois	8,405,202	86.6%	30.7%

Note: (1) Source: Bureau of the Census 2007-2011 American Community Survey 5 year estimates.

Transportation

The Village is served by state roads and interstate highways including State Routes 12, 21, 45, 53 and 72 and Interstates I-90 (the "golden corridor"), I-94, I-294 and I-290. In April 1997, an exit from I-90 east was opened which provides a full interchange at Arlington Heights Road. O'Hare International Airport (commercial airport) is located adjacent to the Village, and Chicago Executive Airport (a public airport for smaller sized planes) is located in the Village of Wheeling, adjacent to the Village. The Union Pacific Railroad/Metra has two commuter stops in the Village.

SOCIOECONOMIC INFORMATION

The following statistics pertain principally to the Village. Additional comparisons are made with Cook County (the "County") and the State of Illinois (the "State").

Population

The following tables show population growth for the Village and various population rankings.

Village Population*(1)*

Year	Population(1)	Percent
1950	8,768	------
1960	27,878	217.95%
1970	64,884	132.74%
1980	66,116	1.90%
1990	75,460	14.13%
2000	76,031	0.76%
2010	75,101	(1.22%)
2040(2)	90,283	20.22%

Notes: (1) Source: Bureau of the Census.
(2) Projection by the CMAP.

Chicago's Ten Most Populous Suburbs*(1)*

	1980	1990	2000	2010
Aurora	81,293	99,581	142,990	197,899
Joliet	77,956	76,836	106,221	147,433
Naperville	42,601	85,351	128,358	141,853
Elgin	63,668	77,010	94,487	108,188
Waukegan	67,653	69,392	87,901	89,078
Cicero	61,232	67,436	85,616	83,891
Arlington Heights	**66,116**	**75,460**	**76,031**	**75,101**
Evanston	73,706	73,233	74,239	74,486
Schaumburg	53,356	68,586	75,386	74,227
Bolingbrook	37,261	40,843	56,321	73,366

Note: (1) Source: Bureau of the Census; 2010 Census.

Fourteen Most Populous Communities in Illinois*(1)*

Community	Population
Chicago	2,695,598
Aurora	197,899
Rockford	152,871
Joliet	147,433
Naperville	141,853
Springfield	116,250
Peoria	115,007
Elgin	108,188
Waukegan	89,078
Cicero	83,891
Champaign	81,055
Bloomington	76,610
Decatur	76,122
Arlington Heights	**75,101**

Note: (1) Source: Bureau of the Census; 2010 Census.

Employment

The following is a list of large employers located in the Village. Additional employment opportunities are available to Village residents throughout the Chicago Metropolitan area.

Major Village Employers*(1)*

Name	Business/Service	Approximate Employment
Arlington International Race Course	Horse Racing	4,500(2)
Northwest Community Healthcare	General Hospital	4,000
Arlington Heights High School District Number 214	Public School	1,670
Nokia Siemens	Business Technology	1,267
Clearbook	Specialty Outpatient Clinic	1,000
Paddock Publications	Newspaper Printing	550
Alexian Bros. Health System	Company Headquarters	500
Dex One	Telephone Directory Publishing	500
Level 3 Communications, Inc.	Data and Voice Communications Services	500
Kroeschell, Inc.	Heating, Air Conditioning, Plumbing and Electrical Contractor	450
Weber Marking System, Inc.	Labeling Systems	300
Gurtz Electric Co.	Commercial, Office Building and Institutional Electrical Contracting Services	300
IMS Buhrke-Olson	Precision Metal Stampings and Assemblies	250
Paylocity Corporation	Payroll Processor	250
Advance Mechanical Systems, Inc.	Heating, Air Conditioning, Plumbing and Water Treatment Contractor	240
Audit Bureau of Circulations	Newspaper and Periodical Circulation	200
Cano Packing Corp.	Contractor Packing	200
Intertek Testing Service, NA, Inc.	Testing Laboratories	200
Lincoln Financial Group	Retirement Consulting Services	200
Pace	Company Headquarters	200
Coldwell Banker Residential Brokerage	Real Estate Brokerage	185
Molon Motor & Coil Corp.	Subfractional Horsepower and Gear Motors	185
GE Healthcare	Pharmaceutical Preparations	180

Notes: (1) Source: 2013 Illinois Manufacturers Directory, 2013 Illinois Services Directory and a selective telephone survey.
(2) Employment is seasonal.

The following is a list of large employers located in the surrounding communities.

Major Area Employers*(1)*

Location	Name	Business/Service	Approximate Employment
Northbrook	Allstate Insurance Company	Insurance Corporate Office	8,000
Park Ridge	Advocate Lutheran General Hospital	Health Care Institution	4,200
Elk Grove Village	Alexian Brothers Medical Center	Regional Medical Center	3,100
Schaumburg	Zurich US Insurance	Life Insurance Corporate Headquarters	2,500
Rolling Meadows	Northrop Grumman Corp., Defensive Systems Div.	Divisional Headquarters and Search and Navigation Equipment	2,300
Northbrook	Underwriter Laboratories	Independent Non-Profit Testing	2,000
Buffalo Grove	Siemens Building Technologies, Inc.	Corporate Headquarters and Building Control Systems	1,800
Barrington	Advocate Good Shepard Hospital	Hospital Care	1,700
Elk Grove Village	Automatic Data Processing, Employer Services	Data Processing and Payroll Services	1,500
Des Plaines	U O P LLC	Chemical Engineering Services	1,500
Northbrook	CVS Caremark	Intermediate Health Facilities	1,400
Buffalo Grove	I.S.I.	Management Consulting	1,200
Buffalo Grove	Rexam Mold Manufacturing	Plastic Injection Molding	1,200
Northbrook	Astellas Pharma US, Inc.	Corporate Headquarters, Pharmaceutical Products	1,150
Des Plaines	Holy Family Medical Center	General Hospital	1,036
Elk Grove Village	Swissport USA, Inc.	International Airline Cargo Services	1,000
Elk Grove Village	Wirtz Beverage Illinois, LLC	Wholesale Wine and Liquor	1,000
Des Plaines	Oakton Community College	Public Community College	990
Schaumburg	Motorola, Inc.	Corporate Headquarters	970

Note: (1) Source: 2013 Illinois Manufacturers Directory, 2013 Illinois Services Directory and a selective telephone survey.

Employment By Industry*(1)*

Classification	The Village Number	The Village Percent	Cook County Number	Cook County Percent	State of Illinois Number	State of Illinois Percent
Agriculture, Forestry, Fishing, Hunting, and Mining	72	0.2%	4,316	0.2%	63,960	1.1%
Construction	1,796	4.8%	123,469	5.1%	343,232	5.7%
Manufacturing	4,659	12.3%	267,783	11.0%	775,663	12.8%
Wholesale Trade	1,291	3.4%	71,321	2.9%	196,738	3.3%
Retail Trade	4,145	11.0%	240,683	9.9%	659,708	10.9%
Transportation and Warehousing, and Utilities	1,934	5.1%	152,899	6.3%	355,486	5.9%
Information	1,074	2.8%	61,250	2.5%	135,688	2.4%
Finance, Insurance, Real Estate, Rental and Leasing	3,877	10.3%	210,438	8.7%	466,468	7.7%
Professional, Scientific, Management, Administrative, and Waste Management Services	5,592	14.8%	322,649	13.3%	662,987	11.0%
Educational, Health and Social Services	7,908	20.9%	530,526	21.8%	1,337,455	22.1%
Arts, Entertainment, Recreation, Accommodation and Food Services	2,838	7.5%	231,014	9.5%	524,925	8.7%
Other Services (except public administration)	1,803	4.8%	121,008	5.0%	288,538	4.8%
Public administration	775	2.1%	91,913	3.8%	232,923	3.9%
Total	37,764	100.00%	2,429,269	100.00%	6,043,771	100.00%

Note: (1) Source: U. S. Bureau of the Census, 2007-2011 American Community Survey 5 year estimates.

Employment By Occupation*(1)*

Classification	The Village Number	The Village Percent	Cook County Number	Cook County Percent	State of Illinois Number	State of Illinois Percent
Management, Professional and Related Occupations	19,269	51.0%	900,655	37.1%	2,167,571	35.1%
Service Occupations	3,681	9.7%	424,830	17.5%	1,007,434	16.7%
Sales and Office Occupations	10,044	26.6%	617,135	25.4%	1,550,202	25.6%
Natural Resources, Construction, and Maintenance	1,910	5.1%	162,266	6.7%	474,566	7.9%
Production, Transportation, and Material Moving	2,860	7.6%	324,383	13.4%	843,998	14.0%
Total	37,764	100.00%	2,429,269	100.00%	6,043,771	100.00%

Note: (1) Source: U.S. Bureau of the Census, 2007-2011 American Community Survey 5 year estimates.

Annual Average Unemployment Rates*(1)*

Calendar Year	Village	Cook County	State of Illinois
2002	5.0%	7.4%	6.5%
2003	5.0%	7.4%	6.7%
2004	4.4%	6.7%	6.2%
2005	4.2%	6.4%	5.8%
2006	3.2%	4.8%	4.6%
2007	3.4%	5.2%	5.1%
2008	4.3%	6.4%	6.4%
2009	7.6%	10.4%	10.0%
2010	7.5%	10.8%	10.4%
2011	7.1%	10.3%	9.7%
2012	6.6%	9.3%	8.9%
2013(2)	6.8%	9.8%	8.7%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for May 2013.

Building Permits

Single-family residential building permits have averaged $12,818,185 over the last five full years (2008-2012) in the Village, excluding the value of land.

Village Building Permits*(1)*
(Excludes the Value of Land)

	Commercial Construction		Residential Construction				
			Single-Family		Multi-Family		
Calendar Year	Number of Units	Value	Number of Units	Value	Number of Units	Value	Total Value(2)
2000.........	4	$ 7,500,000	56	$17,961,150	10	$32,145,594	$57,606,744
2001.........	1	450,000	33	9,552,400	1	845,000	10,847,400
2002.........	7	40,782,651	46	5,429,800	4	22,470,000	68,682,451
2003.........	5	9,422,000	77	17,923,035	12	3,760,000	31,105,035
2004.........	-	-	22	5,738,000	3	4,283,769	10,021,769
2005.........	7	15,870,172	63	23,924,089	2	5,265,000	45,059,261
2006.........	5	39,588,605	51	20,415,214	8	1,000,000	61,003,819
2007.........	7	22,632,533	44	19,200,363	9	1,636,565	43,469,461
2008.........	2	3,050,000	11	5,593,520	26	5,534,130	14,177,650
2009.........	16	8,266,667	21	8,931,118	1	545,000	17,742,785
2010.........	2	1,309,507	12	4,183,943	7	1,759,309	7,252,759
2011.........	10	5,793,911	131	19,659,563	56	29,061,177	54,514,651
2012.........	20	58,416,497	131	25,722,782	0	0	84,139,279

Notes: (1) Source: The Village. Based on valuations per building permits issued by the Village of Arlington Heights Building Department.
(2) Does not include permits for miscellaneous purposes.

Housing

The U.S. Census Bureau, 2007-2011 American Community Survey 5-Year Estimates, reported that the median value of the Village's owner-occupied homes was $358,100, which compares with $256,900 for Cook County and $198,500 for the State. The value of specified owner-occupied units for the Village, Cook County and the State was as follows:

Specified Owner-Occupied Units*(1)*

	The Village		Cook County		State of Illinois	
Value	Number	Percent	Number	Percent	Number	Percent
Less than $50,000..........	316	1.4%	32,251	2.8%	218,208	6.6%
$50,000 to $99,999.........	499	2.2%	58,161	5.0%	451,967	14.2%
$100,000 to $149,999.......	1,039	4.5%	115,458	10.0%	464,158	14.1%
$150,000 to $199,999.......	1,715	7.4%	181,081	15.7%	518,957	14.9%
$200,000 to $299,999.......	4,393	19.0%	310,631	26.9%	725,004	21.3%
$300,000 to $499,999.......	10,422	45.1%	303,331	26.2%	613,486	19.5%
$500,000 to $999,999.......	4,418	19.1%	125,991	10.9%	234,600	7.7%
$1,000,000 or more.........	330	1.4%	29,748	2.6%	53,191	1.6%
Total	23,132	100.00%	1,156,652	100.00%	3,279,571	100.00%

Note: (1) Source: U.S. Bureau of the Census. 2007-2011 American Community Survey 5-year estimates.

Income

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

Rank		2007-2011
1	Lake County	$38,512
2	DuPage County	38,405
3	McHenry County	32,318
4	Monroe County	31,570
5	Kendall County	31,325
6	Will County	30,199
7	**Cook County**	**29,920**
8	Woodford County	29,886
9	Kane County	29,864
10	Sangamon County	29,167

Note: (1) Source: U.S. Bureau of the Census. 2007-2011 American Community 5-Year Estimates.

The following shows a ranking of median family income for the Chicago metropolitan area from the 2007-2011 American Community Survey.

Ranking of Median Family Income*(1)*

Ill. County	Family Income	Ill. Rank
DuPage County	$94,049	1
Lake County	93,260	2
Kendall County	90,696	3
McHenry County	87,133	4
Will County	86,372	5
Kane County	79,686	7
Cook County	65,842	20

Note: (1) Source: U.S. Bureau of the Census. 2007-2011 American Community 5-Year Estimates.

According to the U.S. Census Bureau, 2007-2011 American Community Survey 5-Year Estimates, the Village had a median family income of $100,966. This compares to $65,842 for Cook County and $69,658 for the State. The following table represents the distribution of family incomes for the Village, Cook County and the State.

Family Income*(1)*

	The Village		Cook County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	151	0.8%	63,241	5.3%	131,841	4.2%
$10,000 to $14,999	232	1.2%	39,634	3.3%	86,610	2.7%
$15,000 to $24,999	613	3.1%	100,077	8.4%	224,421	7.1%
$25,000 to $34,999	888	4.4%	105,831	8.8%	260,262	8.3%
$35,000 to $49,999	1,654	8.2%	147,041	12.3%	389,862	12.4%
$50,000 to $74,999	3,496	17.4%	213,790	17.9%	606,737	19.2%
$75,000 to $99,999	2,860	14.2%	166,870	13.9%	486,151	15.4%
$100,000 to $149,999	4,955	24.7%	192,184	16.1%	547,784	17.4%
$150,000 to $199,999	2,195	10.9%	78,924	6.6%	212,016	6.7%
$200,000 or more	3,047	15.2%	89,204	7.5%	207,841	6.6%
Total	20,091	100.00%	1,196,796	100.00%	3,153,525	100.00%

Note: (1) Source: U.S. Bureau of the Census. 2007-2011 American Community Survey 5-year estimates.

According to the U.S. Census Bureau, 2007-2011 American Community Survey 5-Year Estimates, the Village had a median household income of $78,494. This compares to $54,598 for Cook County and $56,576 for the State. The following table represents the distribution of household incomes for the Village, Cook County and the State.

Household Income*(1)*

	The Village		Cook County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	992	3.3%	155,944	8.1%	324,506	6.8%
$10,000 to $14,999	795	2.6%	95,215	4.9%	225,927	4.7%
$15,000 to $24,999	1,956	6.5%	201,175	10.4%	480,204	10.1%
$25,000 to $34,999	1,847	6.1%	187,616	9.7%	462,115	9.7%
$35,000 to $49,999	3,147	10.5%	251,609	13.0%	628,998	13.2%
$50,000 to $74,999	5,748	19.1%	345,130	17.8%	884,623	18.5%
$75,000 to $99,999	3,965	13.2%	238,954	12.4%	627,813	13.2%
$100,000 to $149,999	5,938	19.8%	252,033	13.0%	656,199	13.7%
$150,000 to $199,999	2,419	8.0%	98,215	5.1%	243,765	5.1%
$200,000 or more	3,250	10.8%	108,880	5.6%	238,852	5.0%
Total	30,057	100.00%	1,934,771	100.00%	4,773,002	100.00%

Note: (1) Source: U.S. Bureau of the Census. 2007-2011 American Community Survey 5-year estimates.

Significant Events and Future Prospects

The Village's Economic strategy over the last few years has been successful in attracting many corporations to locate or expand their existing facilities in the Village of Arlington Heights. Several major sales tax generating businesses received approval to locate in Arlington Heights. Numerous shopping centers were redeveloped and upgraded and growth and expansion in the Village's award winning Downtown continued.

In an effort to spur redevelopment in one of the most highly visible intersections and a gateway to the community from the south, the Village has developed a redevelopment plan for this area. The Village Board approved a redevelopment plan and Tax Increment Financing District IV for the properties at the northeast corner of Golf and Arlington Heights Roads. The TIF IV includes 34 acres and incorporates a number of commercial properties. The goal of the redevelopment plan is to revitalize existing properties within the area and to stimulate and enhance private development. The Village has acquired property at the northwest corner of Arlington Heights Road and Golf Road within TIF IV for future development.

Also in the south portion of the Village, the Village Board amended the Comprehensive Plan and Official Map to designate a four and a half acre parcel of property as future government use for a new train station to be located and constructed as part of the proposed Metra Star Line. The Metra Star Line is a $1 billion transportation project designed to provide suburb to suburb transit capability as well as connecting the City of Chicago, O'Hare Airport with Arlington Heights and communities west. Feasibility studies are ongoing. Upon construction of the Metra Star Line, significant transit oriented redevelopment in and around the new station area is envisioned as outlined in the Village's adopted METRA STAR Line Plan.

Over the past several years, new development projects were completed in the downtown area and have continued to successfully contribute to the economic growth of the downtown Arlington Heights area. In addition to attracting hundreds of new Arlington Heights residents, the developments have helped to spur a renewed interest by residents from Arlington Heights and surrounding areas in the downtown. The critically acclaimed downtown has also prompted numerous inquiries from the developers and community leaders throughout the United States.

Arlington Town Square, at the corner of Arlington Heights Road and Sigwalt Street, is a mixed use development with 72,000 square feet of retail space, a six-screen movie theater, 35,000 square feet of office space, six restaurants and 94 residential condominium units.

Metropolis Performing Arts Center is owned by the Village and occupies two floors in a building on Campbell Street that is part of a larger three building development in downtown Arlington Heights at the corner of Vail Avenue and Campbell Street. The first floor of the Metropolis Performing Arts Center building has a restaurant that is privately owned and a 357-seat theater. The second floor has a dance studio, rehearsal rooms and classrooms. The two other buildings in the development include 32,500 square feet of retail space, 32,000 square feet of office space and 63 residential condominium units.

Village Green, completed in approximately 2005, is a three building development also at the corner of Vail Avenue and Campbell Street in downtown Arlington Heights. It consists of 236 residential condominium units, private parking and 53,000 square feet of retail space, as well as 17,000 square feet of office space.

Retail and restaurant sales have blossomed in the downtown area with recent new developments. Since completion of construction in the downtown area, numerous restaurants continue to open and restaurant sales have increased from $7 million to over $26 million.

The Village's third Tax Incremental Financing District (TIF III) located at the southwest corner of Rand and Arlington Heights Road is a five acre addition to the existing shopping center, Arlington Annex. The bookstore Barnes and Noble is the main anchor. Other tenants include: Panera Bread, Hallmark, Edwards Cleaners, For Eyes Optical, Vitamin Shoppe, Bedding Experts, and Trader Joe's.

In 2005, the Village approved a redevelopment plan and Tax Increment Financing District V for two major commercial shopping areas on Rand Road and Palatine Road. These shopping centers are known as Town & Country Center and Southpoint Shopping Center. Both shopping centers have been in states of decline with declining property taxes. A Redevelopment Agreement was approved between the Village and Visconsi Companies that facilitated the major de-malling and redevelopment of the former Town Country Mall. Town & Country Center was completed in 2007 with the following new tenants: Dick's Sporting Goods, JoAnn Fabric Superstore and Ashley Furniture. Small in line tenant spaces have also been leased to compliment the existing tenants of Best Buy, Marshall's, Dominick's and Walgreens.

In January 2006, Lowe's Home Improvement Center opened their new store in Arlington Heights, which is the first Lowe's store in the northwest suburbs. The store opened to rave reviews and will generate significant sales tax revenue to the Village. The opening of the 162,000 square foot home improvement center provides a significant economic boost to the Village and has also resulted in a substantial upgrade to the Surrey Ridge shopping center. To facilitate the development, the Village negotiated a financial assistance package with Lowe's and coordinated with the Illinois Department of Transportation regarding substantial roadway improvements.

The Village's Uptown shopping region was successful in attracting many new tenants to the area, including but not limited to, hhgreg, Binny's Beverage, Petco, an expansion of Burlington Coat Factory, Value City and the tenants previously mentioned as part of the Town & Country Center redevelopment. In addition, Ridge Plaza in the north portion of the Village, continued its successful retail strategy with the complete teardown and rebuilding of Portillo's Restaurant which followed an expansion of Kohl's a few years earlier. In the Southtown region Dollar Tree and PNC Bank opened in 2010.

Bob Rohrman's Arlington Nissan opened in 2008. In addition, the Bob Rohrman Auto Group is planning to complete an Auto Mall which would include dealerships such as Lexus, which is currently under construction and others to be named. Also in 2013, Napelton Jeep Chrysler opened a car dealership on Dundee Road.

Northwest Community Hospital has completed their third Master Plan, which is a $250 million expansion, adding a new hospital tower, new state of the art emergency room facilities and associated improvements. The new hospital tower opened in April 2010.

In 2010, Mariano's Fresh Market opened just east of downtown. This was the first Mariano's Fresh Market to open in the Chicago area.

As with most communities, over the last year the Village has experienced decreased sales tax revenues and the closing of some businesses. The most notable closing was the Chevrolet dealer which closed its doors in 2008. However, this has been replaced with the July 2010 opening of the new 68,000 square foot Mariano's Fresh Market on that site. The strength of the Village's other major retailers and the ongoing development of the Rohrman Auto Mall on the north end of the community will provide a good base for further growth as the economy improves.

Village of Arlington Heights
Retailers' Occupation, Service Occupation and Use Tax*(1)*

Calendar Year Ending December 31	Municipal Tax(2)	Percent Change +(-)	Home Rule Sales Tax(6)	Percent Change +(-)	Total	Percent Change +(-)
2001(3)	$11,146,865	(2.71%)(4)	$3,624,200	(3.27%)	$14,771,064	(2.85%)
2002(3)	11,307,316	1.44%	3,824,909	5.54%	15,132,225	2.45%
2003(3)	11,162,841	(1.28%)	3,783,329	(1.09%)	14,946,170	(1.23%)
2004(5)	11,077,524	(0.76%)	4,783,434	26.43%	15,860,958	6.12%
2005(5)	11,176,818	0.90%	5,791,045	21.06%	16,967,863	6.98%
2006(5)	11,334,622	1.41%	6,011,224	3.80%	17,345,846	2.23%
2007(5)	11,141,847	(1.70%)	5,832,948	(2.97%)	16,974,795	(2.14%)
2008(5)	10,714,345	(3.84%)	5,403,836	(7.36%)	16,118,181	(5.05%)
2009(5)	9,776,135	(8.76%)	4,792,279	(11.32%)	14,568,414	(9.62%)
2010(6)	10,114,433	3.46%	6,505,620	35.75%	16,620,052	14.08%
2011(6)	10,459,561	3.41%	6,729,179	3.44%	17,188,740	3.42%
2012(6)	10,357,930	(0.97%)	6,670,566	(0.87%)	17,028,496	(0.93%)
Growth from 2003 to 2012		(12.42%)		26.67%		(2.53%)

Notes: (1) Source: Illinois Department of Revenue. Includes home rule sales tax.
(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) Effective January 1, 1995, the Village increased the home rule sales tax from $0.025 to $0.50%.
(4) The 2001 percentage of municipal tax is based on a 2000 sales tax of $11,157,167 and the 2001 percentage of home rule sales tax is based on a 2000 sales tax of $3,746,734.
(5) Effective July 1, 2004, the Village increased the home rule sales tax to 0.75%.
(6) Effective January 1, 2010, the Village increased its Home Rule Sales Tax by 0.25%.

Sales Tax Receipts by Kind of Business*(1)*
(For the 12 months ended December 31, 2012)

	Municipal Tax(2)	Percent	Home Rule Sales Tax(3)	Percent	Total
General Merchandise	$ 684,152	6.6%	$ 577,679	8.7%	$ 1,261,831
Food	1,940,299	18.7%	457,338	6.9%	2,397,637
Drinking and Eating Places	1,450,277	14.0%	1,290,849	19.4%	2,741,126
Apparel	338,314	3.3%	337,413	5.1%	675,728
Furniture, Household & Radio	791,372	7.6%	787,537	11.8%	1,578,909
Lumber Building and Hardware	416,502	4.0%	415,588	6.2%	832,090
Automotive and Filling Stations	1,897,485	18.3%	670,689	10.1%	2,568,175
Drugs and Misc. Retail	1,397,958	13.5%	818,990	12.3%	2,216,948
Agriculture and All Other	1,193,223	11.5%	1,071,571	16.1%	2,264,793
Manufactures	248,348	2.4%	242,911	3.6%	491,259
Total	$10,357,930	100.0%	$6,670,566	100.0%	$17,028,496

Number of taxpayers (establishments) 1,720

Notes: (1) Source: State of Illinois, Department of Revenue.
(2) The amount of Municipal Tax returned to the Village is equal to 1% of taxable sales made at businesses located with the corporate limits of the Village.
(3) The Village's Home Rule Sales Tax is currently 1.0% of taxable sales made at businesses located with the corporate limits of the Village.

PLAN OF FINANCING

The Bond proceeds will be used to fund an escrow to advance refund a portion of the Village's outstanding General Obligation Bonds, Series 2006 (the "Refunded Bonds") due December 1, 2016-2019, as listed below:

General Obligation Bonds, Series 2006
(As of August 21, 2013)

Maturity	Outstanding Amount	Refunded Amount(1)	Redemption Price(s)	Redemption Date(s)
12/1/2013	$ 1,500,000	$ 0	N/A	N/A
12/1/2014	1,400,000	0	N/A	N/A
12/1/2015	3,400,000	0	N/A	N/A
12/1/2016	2,100,000	2,100,000	100.00%	12/1/2014
12/1/2017	2,000,000	2,000,000	100.00%	12/1/2014
12/1/2018	2,000,000	2,000,000	100.00%	12/1/2014
12/1/2019	2,000,000	2,000,000	100.00%	12/1/2014
	$14,400,000	$8,100,000		

Note: (1) Subject to change.

The 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 the redemption date. 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"), between the Village and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as Bond Paying Agent/Registrar with respect to the refunding bonds (the "Paying Agent/Registrar").

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 Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois, at the time of delivery of the Bonds. All moneys and Government Securities deposited for the payment of Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the Refunded Bonds.

DEBT INFORMATION

After issuance of the Bonds, and the refunding of the Refunded Bonds (subject to change), the Village will have $48,375,000* principal amount of outstanding general obligation debt, of which amount some $5,565,000 of principal, or 9.40%, is self-supporting. The Village has no outstanding revenue bonds. A summary of general obligation debt by issue, including the Bonds, is as follows. The Village does not expect to issue any additional debt in 2013.

Outstanding General Obligation Debt - By Issue*(1)*
(Principal Only)

Bond Issue:	Amount
Property Tax Supported:	
2003B General Obligation Refunding Bonds (Senior Center) (2)	$ 1,255,000
2004 General Obligation Bonds	100,000
2006 General Obligation Bonds	14,400,000(3)
2006A General Obligation Refunding Bonds	1,860,000
2009A General Obligation Refunding Bonds	5,445,000
2009B General Obligation Bonds	945,000
2011 General Obligation Bonds	9,765,000
2012 General Obligation Bonds	9,560,000
Total Outstanding Tax Supported	$43,330,000
Self-Supported:	
2003A General Obligation Refunding Bonds (TIF III)	$ 960,000
2005 General Obligation Bonds (TIF V)	1,175,000
2010 General Obligation Refunding Bonds (Northwest Central Dispatch)	2,430,000
Total Self-Supported	$ 4,565,000
Less:	
The Refunded	$(8,100,000)(4)
Plus:	
The Bonds	$ 8,580,000(4)
Total Bonds	$48,375,000

Notes: (1) Source: the Village.
(2) Approximately $150,000 of debt service is abated annually from a Community Development Block Grant the Village received from the federal government.
(3) Includes the Refunded Bonds.
(4) Subject to change.

**Subject to change.*

The Village repays its general obligation debt as follows with over half repaid within five years.

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

Calendar Year	Tax Supported	Self Supporting G.O. Debt	Total Principal All G.O. Bonds(2)	Less: The Refunded Bonds(2)	Plus: The Bonds(2)	Total(2)	Cumulative Principal Retired(2) Amount	Percent
2013	$ 5,370,000	$ 790,000	$ 6,160,000	$ 0	$ 0	$ 6,160,000	$ 6,160,000	12.73%
2014	5,590,000	850,000	6,440,000	0	170,000	6,610,000	12,770,000	26.40%
2015	4,260,000	895,000	5,155,000	0	170,000	5,325,000	18,095,000	37.41%
2016	3,370,000	485,000	3,855,000	(2,100,000)	2,275,000	4,030,000	22,125,000	45.74%
2017	3,390,000	235,000	3,625,000	(2,000,000)	2,125,000	3,750,000	25,875,000	53.49%
2018	3,410,000	245,000	3,655,000	(2,000,000)	1,805,000	3,460,000	29,335,000	60.64%
2019	3,075,000	255,000	3,330,000	(2,000,000)	2,035,000	3,365,000	32,700,000	67.60%
2020	2,050,000	260,000	2,310,000	0	0	2,310,000	35,010,000	72.37%
2021	2,195,000	270,000	2,465,000	0	0	2,465,000	37,475,000	77.47%
2022	2,275,000	280,000	2,555,000	0	0	2,555,000	40,030,000	82.75%
2023	2,450,000	0	2,450,000	0	0	2,450,000	42,480,000	87.81%
2024	2,520,000	0	2,520,000	0	0	2,520,000	45,000,000	93.02%
2025	1,895,000	0	1,895,000	0	0	1,895,000	46,895,000	96.94%
2026	1,480,000	0	1,480,000	0	0	1,480,000	48,375,000	100.00%
Total	$43,330,000	$4,565,000	$47,895,000	$(8,100,000)	$8,580,000	$48,375,000		

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

Overlapping Bonded Debt*(1)*
(As of July 9, 2013)

	Outstanding Debt(2)	Applicable to Village Percent(3)	Applicable to Village Amount
Schools:			
School District Number 15	$ 25,958,750	3.11%	$ 807,317
School District Number 21	47,585,000	23.17%	11,025,445
School District Number 23	1,560,000	35.22%	549,432
School District Number 25	5,120,000	96.80%	4,956,160
School District Number 57	10,600,000	3.49%	369,940
School District Number 59	8,750,000	13.64%	1,193,500
High School District Number 211	24,970,000	0.52%	129,844
High School District Number 214	71,550,000	32.39%	23,175,045
Community College District Number 512	182,990,000	14.99%	27,430,201
Total Schools			$ 69,636,884
Others:			
Cook County	$3,616,435,000	2.04%	$ 73,775,274
Cook County Forest Preserve District	187,950,000	2.04%	3,834,180
Metropolitan Water Reclamation District of Greater Chicago	2,238,816,507	2.04%	45,671,857
Arlington Heights Park District	22,397,550	97.19%	21,768,179
Buffalo Grove Park District	10,190,000	13.49%	1,374,631
Mt. Prospect Park District	7,070,000	2.08%	147,056
Rolling Meadows Park District	620,000	0.07%	434
Palatine Park District	11,235,000	1.04%	116,844
Salt Creek Rural Park District	4,303,000	30.85%	1,327,476
Total Others			$148,015,930
Total Schools and Others Overlapping Bonded Debt			$217,652,814

Notes: (1) Source: Cook County.
(2) Excludes general obligation alternate revenue source bonds which are expected to be repaid from sources other than property taxes. Includes original principal amounts of capital appreciation bonds.
(3) Percentages are based on 2011 Equalized Assessed Valuations, the most recent available.

Statement of Bonded Indebtedness*(1)*

	Amount Applicable	Ratio to Equalized Assessed	Ratio to Estimated Actual	Per Capita (2010 Census 75,101)
Assessed Valuation of Taxable Property, 2012	$2,859,958,555	100.00%	33.33%	$ 38,081.50
Estimated Actual Value, 2012	$8,579,875,665	300.00%	100.00%	$114,244.49
Village Direct Bonded Debt(2)(3)	$ 48,375,000	1.69%	0.56%	$ 644.13
Less: Self Supporting	(4,565,000)	(0.16%)	(0.05%)	(60.78)
Net Direct Bonded Debt(2)(3)	$ 43,810,000	1.53%	0.51%	$ 583.35
Overlapping Debt:(4)				
Schools	$ 69,636,844	2.43%	0.81%	$ 927.24
All Others	148,015,930	5.18%	1.73%	1,970.89
Total Overlapping Bonded Debt	$ 217,652,774	7.61%	2.54%	$ 2,898.13
Total Net Direct & Overlapping Debt (2) (3)	$ 261,462,774	9.14%	3.05%	$ 3,481.48

Notes: (1) Source: Cook County.
(2) Includes the Bonds and excludes the Refunded Bonds.
(3) Subject to change.
(4) As of July 9, 2013.

PROPERTY ASSESSMENT AND TAX INFORMATION

The Village's 2011 EAV, the most recent for which detailed information is available, is comprised of 70.51% residential, 22.22% commercial, 7.25% industrial, and 0.02% railroad valuations.

Equalized Assessed Valuation*(1)*

	Levy Years				
Property Class	2008	2009	2010(2)	2011	2012
Residential	$2,363,924,787	$2,562,767,692	$2,328,125,638	$2,181,305,538	
Farm	0	0	0	0	Detail
Commercial	927,728,746	855,590,509	808,869,919	687,378,788	Not
Industrial	332,953,746	280,348,725	261,967,060	224,364,941	Available
Railroad	460,399	549,104	679,364	719,722	
Total	$3,625,067,678	$3,699,256,030	$3,399,641,981	$3,093,768,989	$2,859,958,555
Percent change +(-)	7.05%	2.05%	(8.10%)	(9.00%)	(7.56%)

Notes: (1) Source: Cook County Clerk.
(2) Triennial assessment year.
(3) Percentage based on 2007 EAV of $3,386,389,500.

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

Representative tax rates for property located in the Village of Arlington Heights are as follows:

	Levy Years				
	2008	2009	2010(2)	2011	2012
Village Rates:					
Corporate Fund	0.2131	$0.2109	$0.2387	$0.2832	$0.3139
Bonds and Interest	0.2063	0.1964	0.2253	0.2133	0.2349
IMRF	0.0471	0.0478	0.0402	0.0461	0.0566
Police Pension	0.0680	0.0922	0.1200	0.1400	0.1529
Fire Pension	0.0904	0.1078	0.1325	0.1498	0.1660
Public Benefit	0.0000	0.0000	0.0000	0.0000	0.0000
Social Security	0.0346	0.0339	0.0345	0.0366	0.0414
Capital Improvements	0.0619	0.0660	0.0743	0.0857	0.0954
Total Village Rate	0.7220	$0.7550	$0.8660	$0.9547	$1.0611
Arlington Heights Library	0.3500	0.3530	0.4230	0.4300	0.4700
Cook County	0.4150	0.3940	0.3880	0.4620	0.5310
Cook County Forest Preserve District	0.0510	0.0490	0.0510	0.0580	0.0630
Consolidated Elections	0.0000	0.0210	0.0000	0.0250	0.0000
Wheeling Township (3)	0.0590	0.0600	0.0620	0.0720	0.0770
Suburban T.B. Sanitarium Dist.	0.0000	0.0000	0.0000	0.0000	0.0000
Northwest Mosquito Abatement Dist.	0.0080	0.0080	0.0090	0.0100	0.0110
Metropolitan Water Reclamation Dist.	0.2520	0.2610	0.2740	0.3200	0.3700
Arlington Heights Park District	0.3790	0.3920	0.4500	0.4960	0.5450
School District Number 25	2.8070	2.5100	2.8130	3.1010	3.4160
Township High School District Number 214	1.5870	1.6360	1.8390	2.0670	2.3240
Community College District Number 512	0.2560	0.2580	0.2950	0.3340	0.3730
Total(4)	6.8860	$6.6970	$7.4700	$8.3297	$9.2411

Notes: (1) Source: Cook County Clerk.
(2) Reassessment year.
(3) Includes Road and Bridge and General Assistance.
(4) Representative tax rate is for Tax Code No. 38023 which represents 54.10% of the Village's 2011 EAV; the latest data available.

Tax Extensions and Collections*(1)*
(Excludes Road and Bridge Levy)

Levy Year	Coll. Year	Taxes Extended	Taxes Collected Amount	Taxes Collected Percent
2007	2008	$25,838,152	$25,338,902	98.07%
2008	2009	26,172,989	25,955,808	99.17%
2009	2010	27,931,942	27,316,219	97.80%
2010	2011	29,423,724	29,049,739	98.73%
2011	2012	29,534,588	29,051,324	98.36%
2012	2013	30,348,788	15,336,693	50.53%(2)

Notes: (1) Source: Cook County Treasurer.
(2) In collection. As of April 30, 2013.

Principal Taxpayers*(1)*

Taxpayer Name	Business/Service	2012 EAV(2)
Luther Village	Housing	$ 43,849,356
Nokia Siemens Networks	Mobile Cellular Electronics	29,997,966
Arlington PK Racetrack	Racetrack	26,309,873
Town & Country Chicago	Real Property	20,565,525
New Plan Excel Realty Trust	Real Estate	19,196,207
AmCap Northpoint LLC	Retail	17,043,215
E Property Tax RDGE PL	Real Property	11,286,909
YPI Arlington	Real Property	10,440,143
Robin Reality Management	Real Estate	9,998,123
WBCMT 2007-C33 EVGRN A	Real Property	9,453,455
Total		$198,140,773
Ten Largest Taxpayers as Percent of Total		6.93%

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 2012 EAV is the most current available.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Real Property Assessment

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

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

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

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

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

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

Equalization

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

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

Tax Levy Year	Equalization Factor
2002	2.4689
2003	2.4598
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056

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.

Extensions

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

Collections

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

Tax Levy Year	Second Installment Penalty Date
2002	October 1, 2003
2003	November 15, 2004
2004	November 2, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013

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") requires specified notice, hearing and certification requirements to be met by the Village if the aggregate amount of certain taxes which can be levied by, and extended for, are greater than 105% of the amount of taxes extended in the preceding year. 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

Financial Overview

The Village's General Fund is the largest unrestricted fund for general operating purposes.

The Village has never instituted a real estate transfer tax and must hold a referendum if it wishes to institute one in the future.

Basis of Accounting

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

Investment Policy

The standard of prudence to be used by investment officials of the Village shall be the "prudent person" standard stated as follows:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

The objective of the investment of Village funds is to identify and invest cash not immediately needed to achieve the highest return on funds available for investment, subject to safeguarding of principal, maintenance of necessary liquidity, maintenance of public confidence, and compliance with all Village, State and Federal regulations.

Investments in the respective types of funds shall be only in securities and investment instruments allowed by the State of Illinois for local government non-pension and pension funds.

Deposits and investments in the form of interest or non-interest bearing accounts, certificates of deposit, or repurchase agreements will be made only in those institutions which qualify as depositories approved by the Board of Trustees of the Village.

Deposits and investments in any one institution that are not collateralized or insured by the agency of the Federal Government shall not exceed seventy-five (75%) of the capital and surplus of such institution.

The maturity dates of investments in any fund portfolio are not to be longer than that which will provide for the reasonably anticipated cash needs of that fund.

Collateral for investments may include only full faith and credit securities of the U.S. Government and its agencies, full faith and credit obligations of the State of Illinois and its political subdivisions. Such obligations must have a rating of "A" or better.

Collateral pledged must be equal at market to 110% of the par value of the investments. Federal Deposit Insurance Corporation (FDIC) and Federal Saving & Loan Insurance Corporation (FSLIC) may be used to collateralize investments to the extent that such insurance actually covers the investment made.

Pledged collateral must be held by the Federal Reserve Bank of Boston or a third-party bank authorized by the Village.

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 April 30, 2012 (the "2012 Audit"). The 2012 Audit has been prepared by Sikich LLP, Certified Public Accountants & Advisors, Aurora, Illinois, (the "Auditor"), and approved by formal action of the Village Board. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2012 Audit. The inclusion of the Excerpted Financial Information in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2012 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2012 Audit should be directed to the Village.

Summary Financial Statements

The Village's financial statements are audited annually by certified public accountants. The Village has received the Governmental Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for its published financial reports for the fiscal year ended April 30, 2012. This was the twenty-first consecutive year that the Village has received this award. The following reports 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 2012 Comprehensive Annual Financial Report.

Statement of Net Assets
Governmental Activities
Primary Government

	Audited as of April 30				
	2008	2009	2010	2011	2012
ASSETS:					
Cash and Investments	$ 72,343,013	$ 66,759,348	$ 67,558,995	$ 70,108,025	$ 75,285,156
Receivables, net:					
Property Taxes	15,743,446	15,958,427	15,032,678	16,060,437	14,670,064
Other Taxes	5,936,879	5,754,140	7,051,765	6,603,156	7,825,551
Accrued Interest	400,487	509,477	187,913	108,804	108,506
CDBG Rehabilitation Loans	2,139,107	2,181,367	2,250,808	2,275,113	2,342,465
Grants	154,812	147,800	228,678	265,258	9,247
Other	957,257	1,239,912	774,889	1,153,081	1,078,199
Prepaid Expenses	263,975	121,289	147,001	143,679	428,627
Inventory	175,057	132,921	154,460	153,319	166,778
Due from Other Governments	418,650	369,092	357,158	361,497	386,992
Due from Fiduciary Funds	2,459,021	2,571,285	3,041,116	3,700,216	4,488,561
Deferred Charges	503,296	447,636	483,661	433,564	441,397
Net Pension Asset	1,832,796	1,872,076	1,587,356	1,359,654	1,280,898
Capital Assets Not Being Depreciated	83,064,314	84,664,314	85,109,314	85,249,046	85,249,046
Capital Assets Being Depreciated, Net of Depreciation	95,153,259	93,549,415	90,339,197	86,858,257	84,188,936
Total Assets	$281,545,369	$276,278,499	$274,304,989	$274,833,106	$277,950,423
LIABILITIES:					
Accounts Payable	$ 3,036,047	$ 2,409,800	$ 2,438,340	$ 2,029,050	$ 1,594,472
Retainage Payable	0	0	0	17,994	0
Accrued Payroll	233,110	378,942	579,594	513,759	619,341
Payroll Taxes Payable	210,523	215,076	479,331	225,488	291,208
Claims Payable	3,280,646	3,481,719	3,229,759	2,537,860	2,420,842
Due to Other Governments	0	0	850,651	0	284,975
Accrued Interest Payable	1,300,612	1,217,112	1,117,332	965,632	1,092,191
Unearned Revenues	31,961,831	32,435,427	33,147,595	34,768,659	35,357,442
Noncurrent Liabilities:					
Due Within One Year	5,653,643	5,763,957	5,873,509	6,562,399	6,166,891
Due In More Than One Year	71,577,677	67,071,544	65,376,186	59,783,159	55,411,360
Total Liabilities	$117,254,089	$112,973,577	$113,092,297	$107,404,000	$103,238,722
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	$105,832,314	$110,917,033	$111,371,613	$113,491,072	$116,954,018
Restricted for:					
Public Safety	819,507	607,659	638,280	653,544	659,948
Highways and Streets	988,930	1,224,060	1,727,896	1,068,100	1,237,324
Community Development	7,478,322	4,420,446	5,114,632	5,986,147	6,075,436
Capital Projects	0	0	0		6,528,973
Debt Service	1,962,895	1,946,327	1,789,843	1,744,304	1,761,874
Net Pension Asset	0	0	0	0	0
Unrestricted	47,209,312	44,189,397	40,570,428	44,485,939	41,494,128
TOTAL NET ASSETS	$164,291,280	$163,304,922	$161,212,692	$167,429,106	$174,711,701

General Fund
Balance Sheet

	Audited as of April 30				
	2008	2009	2010	2011	2012
ASSETS:					
Cash and Equivalents	$20,202,905	$18,970,837	$17,362,993	$19,540,182	$21,966,104
Receivables:					
Property Taxes	8,702,735	8,783,990	9,403,129	10,235,317	9,718,490
Other Taxes	5,764,638	5,600,492	6,884,864	6,444,352	7,679,751
Accrued Interest	80,508	155,827	47,567	17,402	16,885
Other	818,108	811,717	720,846	1,135,592	1,077,749
Prepaid Items/ Expenses	131,194	109,051	132,615	135,822	43,169
Due from Other Funds	1,476,000	284,000	220,000	149,000	0
Due from Fiduciary Funds	2,459,021	2,571,285	3,041,116	3,700,215	4,488,561
Advances to Other Funds	99,355	0	0	0	0
Inventory	0	52,125	71,869	68,183	78,322
Total Assets	$39,734,464	$37,339,324	$37,884,999	$41,426,065	$45,069,031
LIABILITIES AND FUND BALANCE:					
Accounts Payable	$ 883,110	$ 974,865	$ 995,037	$ 1,034,892	$ 794,115
Other Liabilities	0	0	0	0	0
Due to Other Funds	0	0	0	0	0
Payroll Taxes Payable	210,523	215,076	479,331	225,488	291,208
Accrued Payroll	206,362	345,912	533,144	472,198	566,098
Deferred Revenue (Property Taxes)	16,116,799	16,455,850	18,244,026	19,268,500	20,322,580
Public Safety Pension Contribution	0	0	0	0	0
Deferred Revenue (Other)	200,000	9,160	13,498	13,498	51,423
Total Liabilities	$17,616,794	$18,000,863	$20,265,036	$21,014,576	$22,025,424
Fund Balance:					
Reserved for Prepaid Items	$ 131,194	$ 109,051	$ 132,615	$ 135,822	$ 0
Reserved for Advances	0	0	0	0	0
Reserved for Inventory	99,355	52,125	71,869	68,183	0
Reserved for Encumbrances	166,619	90,450	0	0	0
Unreserved/Designated	756,620	757,918	756,084	625,658	0
Unreserved/Undesignated	20,963,882	18,328,917	16,659,395	19,581,826	0
Nonspendable - Prepaid	0	0	0	0	43,169
Nonspendable - Inventory	0	0	0	0	78,322
Unrestricted - Assigned	0	0	0	0	600,689
Unassigned	0	0	0	0	22,321,417
Total Fund Balance	$22,117,670	$19,338,461	$17,619,963	$20,411,489	$23,043,597
Total Liabilities and Fund Balance	$39,734,464	$37,339,324	$37,884,999	$41,426,065	$45,069,021

Statement of Activities
Net (Expenses) Revenues and Changes in Net Assets

Functions/Programs
Primary Government

	Audited Year Ended April 30				
	2008	2009	2010	2011	2012
Governmental Activities(1):					
General Government	$ 186,552	$ (3,071,139)	$ (2,929,574)	$ (592,359)	$ (1,459,804)
Public Safety	(32,386,938)	(34,924,144)	(36,655,340)	(36,967,853)	(38,686,438)
Highways and Streets	(15,967,715)	(15,712,938)	(12,670,821)	(11,468,623)	(12,471,238)
Community Development	(5,422,421)	(5,538,175)	(5,611,979)	(5,177,956)	(4,599,080)
Health and Welfare	(2,235,027)	(2,436,349)	(2,356,716)	(1,837,281)	(1,905,586)
Interest	(3,496,323)	(3,273,165)	(3,037,995)	(2,583,611)	(2,514,126)
Total Governmental Activities	$(59,321,872)	$(64,955,910)	$(63,262,425)	$(58,627,683)	$ (61,636,272)
General Revenues:					
Taxes:					
Property	$ 28,321,080	$ 29,517,038	$ 29,321,029	$ 28,710,137	$ 30,715,129
Income	7,084,398	7,010,647	6,111,105	5,998,989	6,135,155
Sales	10,999,700	10,446,148	9,570,850	10,369,871	10,519,988
Home Rule Sales	5,736,288	5,244,404	5,139,660	6,574,175	6,897,071
Replacement	516,811	464,953	411,138	455,733	410,962
Use	1,079,824	1,085,127	915,224	1,103,427	1,101,284
Telecommunications	4,711,422	4,419,759	4,158,597	3,772,498	4,269,272
Utility	0	0	917,319	4,051,320	5,265,951
Hotel/Motel	1,705,506	1,360,158	893,169	814,905	885,190
Food and Beverage	1,835,620	1,784,132	1,681,355	1,674,096	1,750,023
Foreign Fire Insurance	90,579	90,271	104,658	117,835	123,597
Other	45,162	43,066	46,465	52,554	40,782
Investment Income	2,121,255	1,090,223	581,468	351,656	217,990
Miscellaneous	958,864	1,403,621	1,018,158	746,901	886,473
Contributions	0	10,005	0	0	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	0
Transfers In (Out)	0	0	300,000	50,000	(300,000)
Total General Revenues	$ 65,206,509	$ 63,969,552	$ 61,170,195	$64,844,097	$ 68,918,867
Change in Net Assets	$ 5,884,637	$ (986,358)	$ (2,092,230)	$6,216,414	$ 7,282,595
Net Assets, May 1	$158,406,643	$164,291,280	$163,304,922	$161,212,692	$167,429,106
Net Assets, April 30	$164,291,280	$163,304,922	$161,212,692	$167,429,106	$174,711,701

Note: (1) Expenses less program revenues of Charges for Services, Operating Grants and Capital Grants.

General Fund
Revenues and Expenditures

	Audited Year Ended April 30				
	2008	2009	2010	2011	2012
REVENUES:					
Taxes:					
Property Tax	$14,923,180	$15,747,860	$15,898,237	$17,848,954	$19,011,589
Sales Tax	14,835,223	13,959,466	13,160,993	15,300,503	15,692,881
State Income Tax	7,084,398	7,010,647	6,111,105	5,998,989	6,135,155
Other taxes	10,082,264	9,385,760	9,245,696	12,168,250	13,989,301
Licenses and Permits	4,206,336	3,737,099	3,644,510	3,373,772	3,618,724
Intergovernmental Service Charges	745,158	577,523	357,282	372,196	261,065
Charges for Services	1,743,232	1,784,442	1,960,514	2,021,291	2,030,165
Fees and Fines	3,984,204	4,282,145	4,301,459	4,449,754	4,541,895
Interest on Investments	697,060	452,186	205,407	120,768	87,787
Rents and Reimbursements	440,515	462,268	448,573	406,325	431,382
Other Revenues	329,570	448,712	369,818	282,646	363,774
Total Revenues	$59,071,140	$57,848,108	$55,703,594	$62,343,448	$66,163,718
EXPENDITURES:					
General Government	$ 6,116,676	$ 6,536,042	$ 7,875,528	$ 5,771,441	$ 5,890,843
Public Safety	34,633,366	36,421,229	37,052,156	38,545,139	40,356,464
Highways and Streets	8,924,872	9,402,994	8,341,525	8,308,438	7,826,633
Community Development	5,293,973	5,568,289	5,117,338	4,815,709	4,734,196
Health and Welfare	2,273,352	2,412,863	2,344,242	1,880,681	1,853,564
Total Expenditures	$57,242,239	$60,341,417	$60,730,789	$59,321,408	$60,661,700
Revenues and Over Expenditures	$ 1,828,901	$(2,493,309)	$(5,027,195)	$ 3,022,040	$ 5,502,018
Operating Transfers, Net	(300,600)	(285,900)	3,308,697	(230,514)	(2,869,900)
Proceeds from Sale of Capital Equipment	14,353	0	0	0	0
Excess of Revenues and Other Financing Sources (Uses) over Expenditures	$ 1,542,654	$(2,779,209)	$(1,718,498)	$ 2,791,526	$ 2,632,118
Beginning Fund Balance	20,575,016	22,117,670	19,338,461	17,619,963	20,411,489
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfers In	0	0	0	0	0
Ending Fund Balance	$22,117,670	$19,338,461	$17,619,963	$20,411,489	$23,043,607

General Fund Budget and Unaudited Information*(1)*

	2013 Fiscal Budget	2013 Actual (Unaudited)	2014 Fiscal Budget
REVENUES:			
Property Taxes	$20,082,580	$19,962,078	$20,696,700
Sales Taxes	10,534,000	10,333,845	10,574,000
Home Rule Sales Tax	5,112,000	4,935,567	5,129,000
State Income Taxes	6,043,000	6,768,141	6,550,000
Other Taxes	13,789,000	13,876,585	13,757,000
Other Intergovernmental	168,000	223,241	164,900
Licenses and Permits	3,522,500	4,289,920	3,590,500
Fees	3,697,600	4,264,675	3,943,100
Fines	640,600	669,232	625,200
Service Charges	2,070,700	2,052,554	2,079,800
Interest	130,000	92,508	68,000
Sales/Reimbursements Rents	420,200	436,635	142,300
Other	290,920	329,880	304,900
Total Revenues	$66,501,100	$68,234,861	$67,625,400
Operating Transfers In	$ 0	$ 0	$ 0
Revenues and Transfers In	$66,501,100	$68,234,861	$67,625,400
EXPENDITURES:			
Personal Services	$51,730,500	$50,588,885	$53,504,300
Contractual Services	9,517,400	8,546,463	9,918,700
Commodities	2,636,700	2,432,175	2,706,200
Other Charges	1,177,400	1,157,627	1,081,900
Total Expenditures	$65,062,000	$62,725,150	$67,211,100
Operating Transfer (Out)	$ 631,900	$ 5,371,900	360,000
Total Expenditures and Transfers Out	$65,693,900	$68,097,050	$67,571,100
Revenues over (Under) Expenditures	$ 807,200	$ 137,811	$54,300
Beginning Fund Balance	$23,043,607	$23,043,607	$23,181,418
Ending Fund Balance	$23,850,807	$23,181,418	$23,235,718

Note: (1) Source: The Village.

EMPLOYEE RETIREMENT BENEFIT OBLIGATIONS

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 the plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. As of the most recent actuarial valuation date, the pension plans each had an unfunded liability.

See **APPENDIX D** herein for a discussion of the Village's employee retirement benefit obligations.

REGISTRATION, TRANSFER AND EXCHANGE

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

The Village shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. The Village will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the Village for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the Village shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the Village of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the 15th day of the month next preceding any interest payment date on such Bond (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Village or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Village has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Village's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Village with respect to certain material facts within the Village's knowledge and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by Dunbar, Breitweiser & Company, LLP, Certified Public Accountants. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the *"Issue Price"*) for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the *"OID Bonds"*) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Village complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the *"Revised Issue Price"*), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the *"Service"*) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Village as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the Village's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

CONTINUING DISCLOSURE

The Village will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. No person, other than the Village, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under **"THE UNDERTAKING."**

The Village has represented that it has not failed to comply in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the Village to comply with the Undertaking will not constitute a default under the Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See **"THE UNDERTAKING - Consequences of Failure of the Village to Provide Information."** The Village must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Village and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the Village.

Annual Financial Information Disclosure

The Village covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information within 210 days after the last day of the Village's fiscal year (currently April 30). If Audited Financial Statements are not available when the Annual Financial Information is filed, the Village will file unaudited financial statements. The Village will submit Audited Financial Statements to the MSRB's Electronic Municipal Market Access ("EMMA") system within 30 days after availability to the Village. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

"Annual Financial Information" means:

1. The table under the heading of "**Retailers' Occupation, Service Occupation and Use Tax"** within this Official Statement;
2. All of the tables under the heading "**PROPERTY ASSESSMENT AND TAX INFORMATION"** within this Official Statement;
3. All of the tables under the heading "**DEBT INFORMATION"** within this Official Statement; and
4. All of the tables under the heading "**FINANCIAL INFORMATION"** within this Official Statement.

"Audited Financial Statements" means financial statements of the Village as audited annually by independent certified public accountants. Audited Financial Statements are expected to continue to be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

Reportable Events Disclosure

The Village covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The "Events" are:

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

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

Consequences of Failure of the Village to Provide Information

The Village shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the Village to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Village to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the Village to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Village by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Village, or type of business conducted; or

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Village (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the Village shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

Termination of Undertaking

The Undertaking shall be terminated if the Village shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The Village shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Village from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the Village chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the Village shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The Village may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

NO OPTIONAL REDEMPTION

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

LITIGATION

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

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel"), who has been retained by, and acts as, Bond Counsel to the Village. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Village, reviewed only those portions of this Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of interest on the Bonds and the "bank-qualified" status of the Bonds, if any. This review was undertaken solely at the request and for the benefit of the Village and did not include any obligation to establish or confirm factual matters set forth herein.

OFFICIAL STATEMENT AUTHORIZATION

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

INVESTMENT RATING

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

DEFEASANCE

The Bonds are subject to legal defeasance by the irrevocable deposit of full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America (collectively, the "Government Obligations") with a bank or trust company acting as escrow agent. Any such deposit must be of sufficient amount that the receipts from the Government Obligations plus any cash on deposit will be sufficient to pay debt service on the Bonds when due or as called for redemption.

UNDERWRITING

The Bonds were offered for sale by the Village at a public, competitive sale on August 5, 2013. The best bid submitted at the sale was submitted by ____________________ (the "Underwriter"). The Village awarded the contract for sale of the Bonds to the Underwriter at a price of $__________. The Underwriter has represented to the Village that the Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the addendum to this Official Statement.

FINANCIAL ADVISOR

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

CERTIFICATION

We have examined this Official Statement dated July 24, 2013, for the $8,580,000* General Obligation Refunding Bonds, Series 2013, 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/ **THOMAS W. HAYES**
Village President
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois

/s/ **REBECCA A. HUME**
Village Clerk
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois

**Subject to change.*

APPENDIX A

VILLAGE OF ARLINGTON HEIGHTS
COOK COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2012 AUDITED FINANCIAL STATEMENTS

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Arlington Heights Memorial Library
ASSETS				
Cash and investments	$ 75,285,156	$ 6,930,747	$ 82,215,903	$ 15,098,246
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	14,670,064	-	14,670,064	6,275,214
Other taxes	7,825,551	-	7,825,551	-
Customer accounts	-	1,813,457	1,813,457	-
Accrued interest	108,506	19,996	128,502	16,029
CDBG rehabilitation loans	2,342,465	-	2,342,465	-
Grants	9,247	-	9,247	77,016
Other	1,078,199	-	1,078,199	-
Prepaid expenses	428,627	91,658	520,285	33,748
Inventory	166,778	452,079	618,857	-
Due from other governments	386,992	-	386,992	-
Due from fiduciary funds	4,488,561	-	4,488,561	-
Deferred charges	441,397	-	441,397	-
Net pension asset	1,280,898	-	1,280,898	-
Investment in joint venture	-	14,834,382	14,834,382	-
Capital assets not being depreciated	85,249,046	3,124,150	88,373,196	142,378
Capital assets being depreciated (net of accumulated depreciation)	84,188,936	29,653,685	113,842,621	7,139,223
Total assets	277,950,423	56,920,154	334,870,577	28,781,854
LIABILITIES				
Accounts payable	1,594,472	730,859	2,325,331	480,311
Accrued payroll	619,341	105,433	724,774	238,535
Due to other governments	284,975	-	284,975	-
Payroll taxes payable	291,208	-	291,208	-
Claims payable	2,420,842	-	2,420,842	-
Accrued interest payable	1,092,191	-	1,092,191	-
Unearned revenues	35,357,442	-	35,357,442	13,158,857
Noncurrent liabilities				
Due within one year	6,166,891	61,478	6,228,369	-
Due in more than one year	55,411,360	505,059	55,916,419	687,142
Total liabilities	103,238,722	1,402,829	104,641,551	14,564,845
NET ASSETS				
Invested in capital assets, net of related debt	116,954,018	32,777,835	149,731,853	7,281,601
Restricted for				
Public safety	659,948	-	659,948	-
Highways and streets	1,237,324	-	1,237,324	-
Capital projects	6,528,973	-	6,528,973	-
Community development	6,075,436	-	6,075,436	-
Debt service	1,761,874	-	1,761,874	-
Culture, recreation and education	-	-	-	6,935,408
Unrestricted	41,494,128	22,739,490	64,233,618	-
TOTAL NET ASSETS	$ 174,711,701	$ 55,517,325	$ 230,229,026	$ 14,217,009

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VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	$ 6,257,562	$ 4,582,832	$ 214,926	$ -
Public safety	41,805,406	2,895,316	223,652	-
Highways and streets	17,923,609	3,017,043	1,861,270	574,058
Community development	5,838,531	901,216	338,235	-
Health and welfare	1,948,340	42,754	-	-
Interest	2,514,126	-	-	-
Total governmental activities	76,287,574	11,439,161	2,638,083	574,058
Business-Type Activities				
Water and sewer	14,914,914	12,960,678	-	-
Solid waste disposal	1,529,106	1,701,884	-	-
Arts, entertainment and events	819,933	132,209	-	-
Total business-type activities	17,263,953	14,794,771	-	-
TOTAL PRIMARY GOVERNMENT	$ 93,551,527	$ 26,233,932	$ 2,638,083	$ 574,058
COMPONENT UNIT				
Arlington Heights Memorial Library	$ 12,720,404	$ 241,260	$ 185,560	$ -

Net (Expense) Revenue and Change in Net Assets

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Arlington Heights Memorial Library
General government	$ (1,459,804)	$ -	$ (1,459,804)	$ -
Public safety	(38,686,438)	-	(38,686,438)	-
Highways and streets	(12,471,238)	-	(12,471,238)	-
Community development	(4,599,080)	-	(4,599,080)	-
Health and welfare	(1,905,586)	-	(1,905,586)	-
Interest	(2,514,126)	-	(2,514,126)	-
Total governmental activities	(61,636,272)	-	(61,636,272)	-
Water and sewer	-	(1,954,236)	(1,954,236)	-
Solid waste disposal	-	172,778	172,778	-
Arts, entertainment and events	-	(687,724)	(687,724)	-
Total business-type activities	-	(2,469,182)	(2,469,182)	-
TOTAL PRIMARY GOVERNMENT	(61,636,272)	(2,469,182)	(64,105,454)	-
Arlington Heights Memorial Library	-	-	-	(12,293,584)
General Revenues				
Taxes				
Property	30,715,129	-	30,715,129	13,014,353
Sales	10,519,988	-	10,519,988	-
Home rule sales	6,897,071	-	6,897,071	-
Replacement	410,962	-	410,962	-
Use	1,101,284	-	1,101,284	-
Telecommunications	4,269,272	-	4,269,272	-
Utility	5,265,951	-	5,265,951	-
Hotel/motel	885,190	-	885,190	-
Food and beverage	1,750,023	433,045	2,183,068	-
Foreign fire insurance	123,597	-	123,597	-
Other	40,782	-	40,782	-
Shared income taxes	6,135,155	-	6,135,155	-
Investment income	217,990	27,741	245,731	54,049
Miscellaneous	886,473	320,267	1,206,740	27,529
Transfers	(300,000)	300,000	-	-
Total	68,918,867	1,081,053	69,999,920	13,095,931
CHANGE IN NET ASSETS	7,282,595	(1,388,129)	5,894,466	802,347
NET ASSETS, MAY 1	167,429,106	56,905,454	224,334,560	13,414,662
NET ASSETS, APRIL 30	$ 174,711,701	$ 55,517,325	$ 230,229,026	$ 14,217,009

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

GOVERNMENTAL FUNDS

BALANCE SHEET

April 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
ASSETS					
Cash and investments	$ 21,966,104	$ 5,231,656	$ 7,699,425	$ 19,316,444	$ 54,213,629
Receivables (net, where applicable, of allowances for uncollectibles)					
Property taxes	9,718,490	3,045,146	1,223,261	683,167	14,670,064
Other taxes	7,679,751	-	-	145,800	7,825,551
Accrued interest	16,885	19,208	5,101	23,505	64,699
CDBG rehabilitation loans	-	-	-	2,342,465	2,342,465
Grants	-	-	-	9,247	9,247
Other	1,077,749	450	-	-	1,078,199
Prepaid items	43,169	-	-	-	43,169
Due from fiduciary funds	4,488,561	-	-	-	4,488,561
Due from other governments	-	-	386,992	-	386,992
Inventory	78,322	-	-	-	78,322
TOTAL ASSETS	$ 45,069,031	$ 8,296,460	$ 9,314,779	$ 22,520,628	$ 85,200,898
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 794,115	$ -	$ 92,145	$ 304,419	$ 1,190,679
Accrued payroll	566,098	-	-	11,389	577,487
Due to other governments	-	-	-	284,975	284,975
Payroll taxes payable	291,208	-	-	-	291,208
Deferred property taxes	20,322,580	6,534,586	2,624,999	1,494,601	30,976,766
Deferred revenue	51,423	-	68,662	4,260,591	4,380,676
Total liabilities	22,025,424	6,534,586	2,785,806	6,355,975	37,701,791
FUND BALANCES					
Nonspendable					
Prepaid items	43,169	-	-	-	43,169
Inventory	78,322	-	-	-	78,322
Restricted					
Debt service	-	1,761,874	-	-	1,761,874
Capital projects	-	-	6,528,973	-	6,528,973
Public safety	-	-	-	659,948	659,948
Highways and streets	-	-	-	1,237,324	1,237,324
Community development	-	-	-	6,075,436	6,075,436
Unrestricted					
Assigned					
Wellness programs	49,443	-	-	-	49,443
Disabled citizens programs	13,965	-	-	-	13,965
Emergency assistance programs	78,291	-	-	-	78,291
Senior center maintenance	459,000	-	-	-	459,000
Public parking	-	-	-	4,462,003	4,462,003
Public building	-	-	-	1,737,477	1,737,477
Emerald ash borer	-	-	-	1,992,465	1,992,465
Unassigned	22,321,417	-	-	-	22,321,417
Total fund balances	23,043,607	1,761,874	6,528,973	16,164,653	47,499,107
TOTAL LIABILITIES AND FUND BALANCES	$ 45,069,031	$ 8,296,460	$ 9,314,779	$ 22,520,628	$ 85,200,898

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

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

April 30, 2012

FUND BALANCES OF GOVERNMENTAL FUNDS	$ 47,499,107
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	169,437,982
Less internal service funds	(5,784,572)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(53,730,000)
Unamortized premium on bonds	(618,150)
Unamortized discount on bonds	16,322
Unamortized loss on refunding of bonds	1,847,864
Net pension obligation - police pension	(1,616,799)
Net pension obligation - IMRF	(797,032)
Net other postemployment benefits obligation	(3,302,830)
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in governmental funds	(3,062,617)
Deferred charges is reported as an asset on the statement of net assets	441,397
Accrued interest on long-term liabilities is reported as a liability on the statement of net assets	(1,092,191)
The net pension asset of the firefighters' pension fund is included in the governmental activities in the statement of net assets	1,280,898
The net assets of the internal service funds are included in the governmental activities in the statement of net assets	24,192,322
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 174,711,701

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended April 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
REVENUES					
Taxes	$ 48,693,771	$ 7,549,493	$ 4,212,835	$ 1,399,553	$ 61,855,652
Licenses and permits	3,618,724	-	-	-	3,618,724
Intergovernmental	6,135,155	-	-	2,162,379	8,297,534
Grants	261,065	-	239,919	672,374	1,173,358
Charges for services	2,030,165	-	-	-	2,030,165
Fines and fees	4,541,895	-	-	1,053,797	5,595,692
Investment income	87,787	22,041	31,448	76,714	217,990
Rents and reimbursables	431,382	-	-	-	431,382
Miscellaneous	363,774	-	49,709	236,179	649,662
Total revenues	66,163,718	7,571,534	4,533,911	5,600,996	83,870,159
EXPENDITURES					
Current					
General government	5,890,843	-	-	-	5,890,843
Public safety	40,356,464	-	-	328,178	40,684,642
Highways and streets	7,826,633	-	-	1,423,932	9,250,565
Community development	4,734,196	-	-	339,610	5,073,806
Health and welfare	1,853,564	-	-	7,535	1,861,099
Capital outlay	-	-	4,404,935	2,648,608	7,053,543
Debt service					
Principal retirement	-	6,360,000	-	-	6,360,000
Interest and fiscal charges	-	2,199,945	-	-	2,199,945
Issuance costs	-	147,895	-	-	147,895
Total expenditures	60,661,700	8,707,840	4,404,935	4,747,863	78,522,338
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,502,018	(1,136,306)	128,976	853,133	5,347,821
OTHER FINANCING SOURCES (USES)					
Bonds issued, at par	-	19,595,000	-	-	19,595,000
Premium on bonds issued	-	395,279	-	-	395,279
Payment to escrow agent	-	(19,810,106)	-	-	(19,810,106)
Transfers in	-	973,700	-	2,008,325	2,982,025
Transfers (out)	(2,869,900)	-	-	(712,125)	(3,582,025)
Total other financing sources (uses)	(2,869,900)	1,153,873	-	1,296,200	(419,827)
NET CHANGE IN FUND BALANCES	2,632,118	17,567	128,976	2,149,333	4,927,994
FUND BALANCES, MAY 1	20,411,489	1,744,307	6,399,997	14,015,320	42,571,113
FUND BALANCES, APRIL 30	$ 23,043,607	$ 1,761,874	$ 6,528,973	$ 16,164,653	$ 47,499,107

VILLAGE OF ARLINGTON HEIGHTS, 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 April 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 4,927,994
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	113,654
The repayment of the principal portion of 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	6,360,000
The payment to escrow agent is reported as an other financing use in governmental funds but as a reduction of principal on the statement of activities	19,810,106
The issuance of bonds and related premium is reported as an other financing source in governmental funds but as an addition to principal outstanding in the statement of activities	
Bond proceeds	(19,595,000)
Premium on bonds issued	(395,279)
Issuance costs on bonds are capitalized and amortized in the statement of activities	147,895
The change in accrued interest payable on long-term debt is reported as an expense on the statement of activities	(126,549)
The amortization of premium on long-term debt is reported as a reduction of expense on the statement of activities	57,711
The reduction of discount on long-term debt is reported as an expense on the statement of activities	(55,351)
Less amount of discount on refunded bonds written off	49,910
The amortization of the loss on refunding is reported as an expense on the statement of activities	(178,409)
The amortization of deferred charges is reported as an expense on the statement of activities	(61,483)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(4,227,348)
Less internal service funds	1,062,776
Increase in compensated absences liability	(84,484)
Decrease in net pension asset	(78,756)
Increase in net pension obligation	
Police pension	(274,999)
IMRF	(797,032)
Increase in net other postemployment benefits obligation	(191,950)
The change in net assets of internal service funds is reported in governmental activities	819,189
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 7,282,595

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

April 30, 2012

	Business-Type Activities Water and Sewer	Business-Type Activities Nonmajor Enterprise	Business-Type Activities Total	Governmental Activities Internal Service
CURRENT ASSETS				
Cash and cash equivalents	$ 4,278,860	$ 2,651,887	$ 6,930,747	$ 21,071,527
Receivables				
Customer accounts	1,714,741	98,716	1,813,457	-
Accrued interest	17,684	2,312	19,996	43,807
Prepaid expenses	-	91,658	91,658	385,458
Inventory	452,079	-	452,079	88,456
Total current assets	6,463,364	2,844,573	9,307,937	21,589,248
NONCURRENT ASSETS				
Capital assets				
Nondepreciable capital assets	2,648,950	475,200	3,124,150	-
Depreciable capital assets	98,402,494	2,514,999	100,917,493	17,664,186
Accumulated depreciation	(70,626,136)	(637,672)	(71,263,808)	(11,879,614)
Net capital assets	30,425,308	2,352,527	32,777,835	5,784,572
Other assets				
Investment in joint venture	14,834,382	-	14,834,382	-
Total other assets	14,834,382	-	14,834,382	-
Total noncurrent assets	45,259,690	2,352,527	47,612,217	5,784,572
Total assets	51,723,054	5,197,100	56,920,154	27,373,820
CURRENT LIABILITIES				
Accounts payable	704,772	26,087	730,859	403,793
Accrued payroll	105,433	-	105,433	41,854
Claims payable	-	-	-	2,420,842
Compensated absences payable	61,478	-	61,478	25,629
Total current liabilities	871,683	26,087	897,770	2,892,118
LONG-TERM LIABILITIES				
Compensated absences payable	348,378	-	348,378	145,230
Net other postemployment benefits obligation	156,681	-	156,681	144,150
Total long-term liabilities	505,059	-	505,059	289,380
Total liabilities	1,376,742	26,087	1,402,829	3,181,498
NET ASSETS				
Invested in capital assets, net of related debt	30,425,308	2,352,527	32,777,835	5,784,572
Unrestricted	19,921,004	2,818,486	22,739,490	18,407,750
TOTAL NET ASSETS	$ 50,346,312	$ 5,171,013	$ 55,517,325	$ 24,192,322

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended April 30, 2012

	Business-Type Activities Water and Sewer	Business-Type Activities Nonmajor Enterprise	Business-Type Activities Total	Governmental Activities Internal Service
OPERATING REVENUES				
Charges for services	$ 12,960,678	$ 1,834,093	$ 14,794,771	$ 16,225,603
Fines	-	-	-	27,637
Intergovernmental	-	-	-	28,800
Miscellaneous	152,794	149,473	302,267	298,890
Total operating revenues	13,113,472	1,983,566	15,097,038	16,580,930
OPERATING EXPENSES				
Operations	13,483,848	2,285,391	15,769,239	15,159,303
Depreciation	1,431,066	63,648	1,494,714	1,062,776
Total operating expenses	14,914,914	2,349,039	17,263,953	16,222,079
OPERATING INCOME (LOSS)	(1,801,442)	(365,473)	(2,166,915)	358,851
NONOPERATING REVENUES (EXPENSES)				
Investment income	17,137	10,604	27,741	94,290
Building management fee	-	18,000	18,000	-
Food and beverage tax	-	433,045	433,045	-
Gain on disposal of capital assets	-	-	-	66,048
Total nonoperating revenues (expenses)	17,137	461,649	478,786	160,338
INCOME (LOSS) BEFORE TRANSFERS	(1,784,305)	96,176	(1,688,129)	519,189
TRANSFERS				
Transfers in	-	300,000	300,000	1,484,692
Transfers (out)	-	-	-	(1,184,692)
Total transfers	-	300,000	300,000	300,000
CHANGE IN NET ASSETS	(1,784,305)	396,176	(1,388,129)	819,189
NET ASSETS, MAY 1	52,130,617	4,774,837	56,905,454	23,373,133
NET ASSETS, APRIL 30	$ 50,346,312	$ 5,171,013	$ 55,517,325	$ 24,192,322

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2012

	Business-Type Activities			Governmental Activities
	Water and Sewer	Nonmajor Enterprise	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 13,047,108	$ 2,006,546	$ 15,053,654	$ -
Receipts from internal services	(1,330,536)	-	(1,330,536)	16,580,930
Payments to suppliers	(7,088,860)	(2,231,967)	(9,320,827)	(13,540,885)
Payments to employees	(5,229,639)	-	(5,229,639)	(2,185,830)
Net cash from operating activities	(601,927)	(225,421)	(827,348)	854,215
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transfers in	-	300,000	300,000	1,484,692
Interfund transfers (out)	-	-	-	(1,184,692)
Food and beverage tax receipts	-	451,045	451,045	-
Net cash from noncapital financing activities	-	751,045	751,045	300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased	-	-	-	(1,444,373)
Proceeds from the disposal of capital assets	-	-	-	66,048
Net cash from capital and related financing activities	-	-	-	(1,378,325)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	17,202	10,945	28,147	94,676
Net cash from investing activities	17,202	10,945	28,147	94,676
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(584,725)	536,569	(48,156)	(129,434)
CASH AND CASH EQUIVALENTS, MAY 1	4,863,585	2,115,318	6,978,903	21,200,961
CASH AND CASH EQUIVALENTS, APRIL 30	$ 4,278,860	$ 2,651,887	$ 6,930,747	$ 21,071,527

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2012

	Business-Type Activities			Governmental Activities
	Water and Sewer	Nonmajor Enterprise	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ (1,801,442)	$ (365,473)	$ (2,166,915)	$ 358,851
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	1,431,066	63,648	1,494,714	1,062,776
Income from investment in joint venture	(477,971)	-	(477,971)	-
Change in assets and liabilities				
Receivables	(66,364)	22,980	(43,384)	-
Prepaid expenses	-	31,950	31,950	(385,458)
Inventories	(25,961)	-	(25,961)	(3,320)
Accounts payable	296,436	21,474	317,910	(86,330)
Accrued payroll	20,919	-	20,919	8,219
Compensated absences payable	12,231	-	12,231	6,950
Net other postemployment benefits payable	9,159	-	9,159	9,545
Claims payable	-	-	-	(117,018)
NET CASH FROM OPERATING ACTIVITIES	$ (601,927)	$ (225,421)	$ (827,348)	$ 854,215

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

April 30, 2012

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	$ 2,652,543	$ 1,447,092
Investments		
U.S. Government and agency obligations	58,145,702	-
Equity securities	19,605,897	-
Corporate bonds	11,462,711	-
Illinois Funds	7,265,383	-
Mutual funds	52,765,258	-
Municipal bonds	2,362,441	-
Receivables		
Accrued interest	517,403	1,899
Other	9,391	157,860
Total assets	154,786,729	$ 1,606,851
LIABILITIES		
Accounts payable	50	$ 2,500
Deposits payable	-	1,599,550
Due to other funds	4,488,561	-
Other payables	-	4,801
Total liabilities	4,488,611	$ 1,606,851
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 150,298,118	

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

PENSION TRUST FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended April 30, 2012

ADDITIONS	
Contributions	
Employer	$ 8,508,639
Participants	1,809,579
Other	274,819
Total contributions	10,593,037
Investment income	
Net appreciation in fair value of investments	750,758
Interest income	4,208,819
Subtotal	4,959,577
Less investment expense	(356,379)
Net investment income	4,603,198
Total additions	15,196,235
DEDUCTIONS	
Administrative	99,368
Pension benefits and refunds	9,085,133
Total deductions	9,184,501
NET INCREASE	6,011,734
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
May 1	144,286,384
April 30	$ 150,298,118

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Arlington Heights, 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 is a municipal corporation governed by an elected board. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of its operational or financial relationship with the primary government.

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 President, one pension beneficiary elected by the membership and two police employees elected by the membership constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the Village's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension System

The Village's sworn firefighters participate in the Firefighters' Pension System (FPS). FPS functions for the benefit of those employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected fire employees constitute the pension board. The Village and FPS participants are obligated to fund all FPS 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. FPS is reported as a pension trust fund because of the Village's fiduciary responsibility.

Discretely Presented Component Unit - Arlington Heights Memorial Library

The component unit column in the basic financial statements includes the financial data of the Village's component unit. It is reported in a separate column to emphasize that it is legally separate from the Village.

The Arlington Heights Memorial Library (the Library) operates and maintains the public library within the Village. The Library's Board is elected by the voters of the Village. The Library may not issue bonded debt without the Village's approval and its annual budget and property tax levy request are subject to the Village Board's approval.

Complete financial statements for the Library can be obtained from the Library's offices at 500 North Dunton Street, Arlington Heights, Illinois, 60004.

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 an equity proprietary joint venture.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Joint Ventures (Continued)

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

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for substantially all of the Village'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) and the servicing of general long-term debt (debt service funds). 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*, the Village has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989 to account for enterprise funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. The Village utilizes pension trust funds and agency funds which are generally used to account for assets that the Village holds in fiduciary capacity or on behalf of others as their agent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements 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 financial statements, except for interfund services. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions 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 is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned to expenditure of principal and interest.

The Capital Projects Fund accounts for financial resources that are restricted, committed or assigned to expenditure for capital outlays. Financing is provided by earmarking revenues to provide for the costs associated with the projects. Major projects include: road improvements, curb replacement, paving maintenance and sidewalk replacement/installation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, billing and collection.

Internal Service Funds account for operations that provide services to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis. These funds are Health and Life Insurance, General Liability Insurance, Workers' Compensation, Fleet Operations and Technology.

The Village reports the following fiduciary funds:

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and the Firefighters' Pension Fund. The Village reports the Guaranty Deposits, Escrow Deposits and Special Assessment Collection agency funds as fiduciary funds.

d. Measurement Focus, Basis of Accounting and Basis of 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 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 and expenses are directly attributable to the operation of the proprietary funds. Nonoperating revenue/expenses are incidental to the operations of these funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales taxes and telecommunication taxes which use a 90-day period and income taxes which uses a 120-day period. The Village recognizes property taxes when they become both measurable and available in the year intended to finance. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

Sales taxes owed to the state at year end, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Income and motor fuel taxes and fines collected and held by the state or county at year end on behalf of the Village also are recognized as revenue. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments (Continued)

Investments

Investments with a maturity of one year or less when purchased are stated at cost or amortized cost. Investments with a maturity greater than one year and all pension fund investments are stated at fair value in accordance with GASB Statement No. 31.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer, is reported at a $1 per share value, which equals the fair value in the pool. The Illinois Metropolitan Investment (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members is valued at IMET's share price, the price foe which the investment could be sold.

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."

g. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when purchased.

h. 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.

i. 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 of more than $10,000 and an estimated useful life in excess of one year. Easements are defined by the Village as assets with an initial, individual cost of more than $100,000. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Capital Assets (Continued)

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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 and improvements	10-40
Machinery, equipment and vehicles	3-20
Infrastructure	40
Underground systems	40

j. Compensated Absences

Vested or accumulated vacation is reported as an expenditure and a fund liability of the governmental (General) fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation of proprietary funds and governmental activities are recorded as an expense and liability of those funds as the benefits accrue to employees.

k. Long-Term Obligations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Fund Balances/Net Assets

In the fund financial statements, in accordance with GASB Statement No. 54 as implemented, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Finance Director by the Fund Balance and Reserve Policy. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund are reported as unassigned.

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

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the Village's restricted net assets resulted from enabling legislation adopted by the Village. Invested in capital assets, net of related debt is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

m. Interfund Transactions

Interfund services 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 and reimbursements, are reported as transfers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." 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.

a. Village Deposits and Investments

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Treasurer that maintains a $1 per share value which is equal to the participants fair value) and Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. The Village's investment policy does limit its deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

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 yield.

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Deposits and Investments (Continued)

Deposits with Financial Institutions

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

Investments

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 cash requirements for ongoing operations in shorter-term securities, money market funds or similar investment pools.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk limiting investments to the safest types of securities; prequalifying the financial institutions, intermediaries and advisors with which the Village will conduct business; and diversifying the investment portfolio so that potential losses on individual investments will be minimized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third party custodian and evidenced by safekeeping receipts and a written custodial agreement.

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village's investment policy requires diversification of investments to avoid unreasonable risk by limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPS) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments

The Police Pension Fund's investment policy authorizes the Police Pension Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, 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, corporate bonds, common and preferred stock, Illinois Funds (created by the Illinois State Legislature under the control of the State Treasurer that maintains a $1 per share value which is equal to the participants fair value) and IMET, a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

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, liquidity and rate of return.

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's investment policy does not address this issue.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments (Continued)

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of April 30, 2012:

		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 21,533,160	$ 754,395	$ 9,746,341	$ 11,032,424	$ -
U.S. agency obligations	20,681,170	229,200	2,638,227	8,110,748	9,702,995
TOTAL	$ 42,214,330	$ 983,595	$ 12,384,568	$ 19,143,172	$ 9,702,995

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Police Pension Fund's investment policy does not address this issue. 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.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Police Pension Fund limits its exposure to credit risk by primarily investing U.S. Treasury obligations and other obligations which are rated AA or better by a national rating agency. The U.S. Treasury and U.S. agency obligations 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 Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party custodian and evidenced by safekeeping receipts.

Concentration of credit risk is the risk that the Police Pension Fund has a high percentage of its investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Maximum percentages are cash 5%, fixed income 73%, large cap domestic equities 43%, small cap domestic equities 7%, international equities 7% and real estate 5%.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Deposits and Investments

The Firefighters' Pension Fund's investment policy authorizes the Firefighters' Pension Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, 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, corporate bonds, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Treasurer that maintains a $1 per share value which is equal to the participants fair value) and IMET, a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

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 daily 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, liquidity and return on investment.

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'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 an independent third party or the Federal Reserve Bank, and evidenced by safekeeping receipts.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Plan Deposits and Investments (Continued)

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of April 30, 2012:

		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 4,875,397	$ -	$ 1,254,637	$ 3,620,760	$ -
U.S. agency obligations	11,055,975	1,697,198	4,980,112	1,430,559	2,948,106
Municipal bonds	2,362,441	-	-	2,103,396	259,045
Corporate bonds	11,462,711	1,368,944	2,708,886	7,384,881	-
TOTAL	$ 29,756,524	$ 3,066,142	$ 8,943,635	$ 14,539,596	$ 3,207,151

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Firefighters' Pension Fund's investment policy does not address this issue. 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.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Firefighters' Pension Fund limits its exposure to credit risk by primarily investing U.S. Treasury obligations and other obligations which are rated AA or better by a national rating agency. The U.S. Treasury and U.S. agency obligations that had ratings were rated AAA and the municipal bonds that were rated ranged from Baa to AAA.

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 requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party custodian and evidenced by safekeeping receipts.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Plan Deposits and Investments (Continued)

Investments (Continued)

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of its investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Maximum percentages are cash 5%; fixed income 40%; large cap domestic equities 40%; small/mid cap domestic equities 15%; international equities 15%; Real Estate 11% and Global Tactical AA 9%.

3. RECEIVABLES

a. Property Taxes

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2012 and August 1, 2012, and are payable in two installments, on or about March 1, 2012 and September 1, 2012. Tax Increment Financing (TIF) property tax receipts are received in two installments similar to levied taxes described above. TIF property taxes are not levied, but are paid by the County from incremental property tax receipts of all taxing bodies within a TIF District. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience. As the 2011 tax levy is intended to fund expenditures for the 2012-2013 fiscal year, these taxes are deferred as of April 30, 2012.

The 2012 tax levy, which attached as an enforceable lien on property as of January 1, 2012, has not been recorded as a receivable as of April 30, 2012 as the tax has not yet been levied by the Village and will not be levied until December 2012 and, therefore, the levy is not measurable at April 30, 2012.

3. RECEIVABLES (Continued)

b. Other Taxes

Other taxes receivable are comprised of the following at April 30, 2012:

Fund	Description	Amount
General	Municipal sales tax	$ 2,437,808
	Home rule sales tax	1,161,336
	State income tax	2,240,073
	State use tax	266,780
	Telecommunications tax	1,316,973
	Food and beverage tax	146,599
	Hotel tax	107,960
	Auto rental	2,222
	Total General	7,679,751
Special Revenue Motor Fuel Tax	Motor fuel tax allotments	145,800
	Total Special Revenue	145,800
TOTAL GOVERNMENTAL FUNDS		$ 7,825,551

c. Other Receivables

Other receivables are comprised of the following at April 30, 2012:

Fund	Description	Amount
General	Cable franchise fees	$ 418,510
	Traffic fines	63,023
	SWANCC service charge	25,000
	Grants	97,377
	Gas tax rebate	14,668
	Utility taxes	362,464
	Liquor licenses	67,787
	Police counselors	28,920
	Total General	1,077,749

3. RECEIVABLES (Continued)

c. Other Receivables (Continued)

Fund	Description	Amount
Debt Service Debt Service	Miscellaneous Receipts	$ 450
	Total Debt Service	450
TOTAL GOVERNMENTAL FUNDS		$ 1,078,199

4. CDBG REHABILITATION LOANS

The Village makes loans to village residents for the rehabilitation of single-family housing. Initial funding for these loans was from Community Development Block Grant (CDBG) funds. These loans are title transfer loans which are due in full when the housing unit is sold. Repayments of principal on these receivables, which are recorded in the CDBG fund, are used to make additional rehabilitation loans. Loan activity for the current year is summarized as follows:

	Interest Rates	Beginning of Year	Loans Made	Loan Repayments	Loan Write-Off	End of Year
CDBG rehab loans	0%	$ 2,275,113	$ 82,126	$ 14,774	$ -	$ 2,342,465

5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 was as follows:

	Balances May 1	Increases	Decreases	Balances April 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 13,064,722	$ -	$ -	$ 13,064,722
Land rights of way	72,184,324	-	-	72,184,324
Total capital assets not being depreciated	85,249,046	-	-	85,249,046

5. CAPITAL ASSETS (Continued)

	Balances May 1	Increases	Decreases	Balances April 30
GOVERNMENTAL ACTIVITIES (Continued)				
Capital assets being depreciated				
Buildings and improvements	$ 101,509,232	$ -	$ -	$ 101,509,232
Machinery, equipment and vehicles	19,410,679	1,496,027	389,964	20,516,742
Infrastructure	47,846,324	62,000	-	47,908,324
Total capital assets being depreciated	168,766,235	1,558,027	389,964	169,934,298
Less accumulated depreciation for				
Buildings and improvements	28,569,438	2,507,998	-	31,077,436
Machinery, equipment and vehicles	13,887,308	1,133,967	389,964	14,631,311
Infrastructure	39,451,232	585,383	-	40,036,615
Total accumulated depreciation	81,907,978	4,227,348	389,964	85,745,362
Total capital assets being depreciated, net	86,858,257	(2,669,321)	-	84,188,936
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 172,107,303	$ (2,669,321)	$ -	$ 169,437,982

Depreciation expense was charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
General government	$ 598,695
Public safety	892,693
Highways and streets	2,290,292
Community development	418,327
Health and welfare	27,341
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 4,227,348

	Balances May 1	Increases	Decreases	Balances April 30
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 3,124,150	$ -	$ -	$ 3,124,150
Total capital assets not being depreciated	3,124,150	-	-	3,124,150
Capital assets being depreciated				
Buildings and improvements	19,240,175	-	-	19,240,175
Machinery and equipment	5,654,781	-	-	5,654,781
Underground systems	76,022,537	-	-	76,022,537
Total capital assets being depreciated	100,917,493	-	-	100,917,493

5. CAPITAL ASSETS (Continued)

	Balances May 1	Increases	Decreases	Balances April 30
BUSINESS-TYPE ACTIVITIES (Continued)				
Less accumulated depreciation for				
Buildings and improvements	$ 7,311,191	$ 441,278	$ -	$ 7,752,469
Machinery and equipment	2,823,476	215,519	-	3,038,995
Underground systems	59,634,427	837,917	-	60,472,344
Total accumulated depreciation	69,769,094	1,494,714	-	71,263,808
Total capital assets being depreciated, net	31,148,399	(1,494,714)	-	29,653,685
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 34,272,549	$ (1,494,714)	$ -	$ 32,777,835

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; natural disasters and injuries to the Village's employees. These risks, along with medical claims for employees and retirees, are provided for through a limited self-insured program. The Village is self-insured for the first $100,000 for property claims, $100,000 per employee for medical claims, $1,000,000 for liability claims, $1,000,000 for errors and omissions and $750,000 for workers' compensation claims. Commercial insurance is carried for amounts in excess of the self-insured amounts. There were no reductions in insurance coverage during 2012 from the coverage amounts in effect for 2011. The Village's self-insurance activities are reported in the Health and Life Insurance, Retiree Health Insurance, General Liability Insurance and Workers' Compensation internal service funds.

Premiums are paid into the internal service funds by the departments of the General Fund and other funds based upon historical cost estimates. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Reported liabilities are actuarially determined and include an amount for claims that have been incurred but not reported. There were no insurance claim settlements which exceeded the amounts of insurance coverage during 2010 through 2012.

6. RISK MANAGEMENT (Continued)

A reconciliation of claims liability for the current year and that of the preceding year are as follows:

	Health and Life	General Liability	Workers' Compensation	Total
UNPAID CLAIMS LIABILITY - APRIL 30, 2010	$ 868,441	$ 1,086,982	$ 1,274,338	$ 3,229,761
Claims incurred/adjustments - 2011	4,912,470	325,514	1,160,668	6,398,652
Claim payment - 2011	(4,891,814)	(1,095,915)	(1,102,824)	(7,090,553)
UNPAID CLAIMS LIABILITY - APRIL 30, 2011	889,097	316,581	1,332,182	2,537,860
Claims incurred/adjustments - 2012	5,476,934	340,635	776,344	6,593,913
Claim payment - 2012	(5,464,079)	(399,398)	(847,454)	(6,710,931)
UNPAID CLAIMS LIABILITY - APRIL 30, 2012	$ 901,952	$ 257,818	$ 1,261,072	$ 2,420,842

High-Level Excess Liability Pool - The Village is a member of the High-Level Excess Liability Pool (the POOL) which consists of 15 Illinois municipalities. The purpose of the POOL is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the members and other parties included within the scope of coverage of the POOL. The coverage provided by the POOL is $5,000,000 per occurrence and in the aggregate for each member, with a self-insured retention of $2,000,000 per member. In addition, the POOL provides excess insurance of $5,000,000 per occurrence for claims in excess of $6,000,000.

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

The Village does not exercise any control over the activities of the POOL beyond its representation on the Board of Directors.

The Village of Elk Grove Village, Illinois (the initial Host Member) issued $5,000,000 of general obligation bonds in 1987 to provide initial funding for the POOL. The bond proceeds were put into escrow with LaSalle National Bank as escrow agent. An intergovernmental agreement among the POOL, the Village of Elk Grove Village, Illinois and the members provides that the POOL and its members were obligated to the Village of Elk Grove Village, Illinois for payment of principal and interest on the bonds until such bonds have been retired. The bonds were retired December 1, 1995.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RISK MANAGEMENT (Continued)

The POOL was organized on April 1, 1987 with the initial agreement which has been extended to April 30, 2018. The Village has committed to purchase excess liability insurance from the POOL through the term of the agreement. Annual premiums are calculated based on a formula which specifies the following four criteria: (1) miles of streets; (2) full-time equivalent employees; (3) number of motor vehicles and (4) operating revenues.

7. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund both general obligation bonds and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

b. Changes in Long-Term Liabilities

	Fund Debt Retired by	Balances May 1	Additions	Refundings/ Reductions	Balances April 30	Due Within One Year
GOVERNMENTAL ACTIVITIES						
$2,270,000 General Obligation Refunding Bonds, Series 2003A, due in annual installments ranging from $20,000 to $255,000 with interest from 2.00% to 4.00%. The last payment is due December 1, 2016.	Debt Service	$ 1,380,000	$ -	$ 205,000	$ 1,175,000	$ 215,000
$3,330,000 General Obligation Refunding Bonds, Series 2003B, due in annual installments ranging from $30,000 to $310,000 with interest from 2.00% to 4.00%. The last payment is due December 1, 2016.	Debt Service	1,885,000	-	305,000	1,580,000	325,000
$20,000,000 General Obligation Bonds, Series 2004, due in annual installments ranging from $100,000 to $2,500,000 with interest from 3.00% to 5.00%. The last payment is due December 1, 2026.	Debt Service	18,990,000	-	18,790,000	200,000	100,000

7. LONG-TERM DEBT (Continued)

b. Changes in Long-Term Liabilities (Continued)

	Fund Debt Retired by	Balances May 1	Additions	Refundings/ Reductions	Balances April 30	Due Within One Year
GOVERNMENTAL ACTIVITIES (Continued)						
$2,235,000 General Obligation Bonds, Series 2005, due in annual installments ranging from $125,000 to $425,000 with interest from 3.30% to 3.65%. The last payment is due December 1, 2015.	Debt Service	$ 1,710,000	$ -	$ 235,000	$ 1,475,000	$ 300,000
$20,000,000 General Obligation Bonds, Series 2006, due in annual installments ranging from $400,000 to $3,400,000 with interest at 4.00%. The last payment is due December 1, 2019.	Debt Service	16,800,000	-	1,000,000	15,800,000	1,400,000
$16,515,000 General Obligation Refunding Bonds, Series 2006A, due in annual installments ranging from $275,000 to $2,660,000 with interest at 4.00%. The last payment is due December 1, 2018.	Debt Service	6,090,000	-	2,640,000	3,450,000	1,590,000
$8,380,000 General Obligation Refunding Bonds, Series 2009A, due in annual installments ranging from $620,000 to $2,835,000 with interest at 2.00% to 2.50%. The last payment is due December 1, 2014.	Debt Service	7,760,000	-	1,175,000	6,585,000	1,140,000
$2,050,000 General Obligation Bonds, Series 2009B, due in annual installments of $315,000 to $505,000 with interest at 2.00% to 2.50%. The last payment is due December 1, 2014.	Debt Service	1,735,000	-	380,000	1,355,000	410,000
$2,855,000 General Obligation Refunding Bonds, Series 2010, due in annual installments of $20,000 to $280,000 with interest at 1.50% to 3.25%. The last payment is due December 1, 2022.	Debt Service	2,835,000	-	200,000	2,635,000	205,000
$9,925,000 General Obligation Refunding Bonds, Series 2011, due in annual installments of $40,000 to $2,450,000 with interest at 2% to 4%. The last payment is due December 1, 2027.	Debt Service	-	9,925,000	120,000	9,805,000	40,000

7. LONG-TERM DEBT (Continued)

b. Changes in Long-Term Liabilities (Continued)

	Fund Debt Retired by	Balances May 1	Additions	Refundings/ Reductions	Balances April 30	Due Within One Year
GOVERNMENTAL ACTIVITIES (Continued)						
$9,670,000 General Obligation Refunding Bonds, Series 2012A, due in annual installments of $85,000 to $2,145,000 with interest at 2%. The last payment is due December 1, 2023.	Debt Service	$ -	$ 9,670,000	$ -	$ 9,670,000	$ 110,000
Total bonds		59,185,000	19,595,000	25,050,000	53,730,000	5,835,000
Unamortized premium		280,582	395,279	57,711	618,150	-
Unamortized loss on refunding		(777,678)	(1,248,595)	(178,409)	(1,847,864)	-
Unamortized discount		(71,673)	-	(55,351)	(16,322)	-
Total debt service fund bonds		58,616,231	18,741,684	24,873,951	52,483,964	5,835,000
Compensated absences	General	2,978,133	382,297	297,813	3,062,617	306,262
Compensated absences	Internal Service	163,909	31,535	24,585	170,859	25,629
Net pension obligation (Police)	General	1,341,800	274,999	-	1,616,799	-
Net pension obligation (IMRF)	General	-	797,032	-	797,032	-
Other postemployment benefits obligation	General	3,110,880	191,950	-	3,302,830	-
Other postemployment benefits obligation	Internal Service	134,605	9,545	-	144,150	-
TOTAL GOVERNMENTAL ACTIVITIES		$ 66,345,558	$20,429,042	$25,196,349	$61,578,251	$ 6,166,891

	Fund Debt Retired by	Balances May 1	Additions	Refundings/ Reductions	Balances April 30	Due Within One Year
BUSINESS-TYPE ACTIVITIES						
Compensated absences	Water and Sewer	$ 397,625	$ 71,875	$ 59,644	$ 409,856	$ 61,478
Other postemployment benefits obligation	Water and Sewer	147,522	9,159	-	156,681	-
TOTAL BUSINESS-TYPE ACTIVITIES		$ 545,147	$ 81,034	$ 59,644	$ 566,537	$ 61,478

7. LONG-TERM DEBT (Continued)

c. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending April 30	Governmental Activities Principal	Governmental Activities Interest
2013	$ 5,835,000	$ 1,735,016
2014	6,160,000	1,575,600
2015	6,440,000	1,392,375
2016	5,155,000	1,196,413
2017	3,855,000	1,001,100
2018	3,625,000	863,250
2019	3,655,000	742,525
2020	3,330,000	619,588
2021	2,310,000	509,875
2022	2,465,000	460,075
2023	2,555,000	406,400
2024	2,450,000	333,800
2025	2,520,000	235,800
2026	1,895,000	135,000
2027	1,480,000	59,200
TOTAL	$ 53,730,000	$ 11,266,017

d. Legal Debt Margin

The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

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

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

7. LONG-TERM DEBT (Continued)

e. Advance Refunding

On September 22, 2010, the Village issued $2,855,000 General Obligation Refunding Bonds, Series 2010, to advance refund, through an in-substance defeasance, $2,790,000 of the Series 2002A General Obligation Bonds, of which $2,615,000 remained outstanding as of April 30, 2012.

On August 1, 2011, the Village issued $9,925,000 General Obligation Refunding Bonds, Series 2011, to advance refund, through an in-substance defeasance, $9,315,000 of the Series 2004 General Obligation Bonds, of which $9,315,000 remained outstanding as of April 30, 2012. Through the refunding, the Village reduced its debt service by $666,541 and achieved an economic gain of $480,097.

On February 1, 2012, the Village issued $9,670,000 General Obligation Refunding Bonds, Series 2012, to advance refund, through an in-substance defeasance, $9,375,000 of the Series 2004 General Obligation Bonds, of which $9,375,000 remained outstanding as of April 30, 2012. Through the refunding, the Village reduced its debt service by $2,048,658 and achieved an economic gain of $1,868,026.

8. INDIVIDUAL FUND DISCLOSURES

a. Interfund Transactions

Due from/to other funds at April 30, 2012 consist of the following:

Receivable Fund	Payable Fund	Amount
General	Fiduciary - Police Pension	$ 2,128,962
General	Fiduciary - Firefighters' Pension	2,359,599
TOTAL		$ 4,488,561

The amounts due from the pension funds to the General Fund represent short-term advances of contributions to be recognized in fiscal 2012.

8. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Transfers

Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General	$ -	$ 2,869,900
Debt Service	973,700	-
Nonmajor Governmental		
CDBG	-	150,000
TIF I South	-	8,325
TIF II North	8,325	-
TIF III	-	259,200
TIF V	-	294,600
Emerald Ash Borer	2,000,000	-
Internal Service		
General Liability Insurance	300,000	-
Health Insurance	-	1,184,692
Retiree Health	1,184,692	-
Nonmajor Enterprise		
Arts, Entertainment & Events	300,000	-
TOTAL ALL FUNDS	$ 4,766,717	$ 4,766,717

The purposes of significant interfund transfers are as follows:

- $269,900, $150,000, $259,200 and $294,600 transferred from the General, CDBG, TIF III and TIF V Funds, respectively, are for debt service payments.
- $1,184,692 transferred from the Health Insurance Fund to the Retiree Health Fund to fund retiree medical insurance.
- $300,000 transferred from General Fund to the Arts, Entertainment & Events Fund to establish the Metropolis Theater Reserve Fund.
- $300,000 transferred from the General Fund to the General Liability Insurance Fund to fund general liability insurance.
- $2,000,000 transferred from the General Fund to the Emerald Ash Borer Fund to fund initial costs of the emerald ash borer program.
- $8,325 transferred from the TIF I South Fund to the TIF II North Fund to fund property tax rebates.

9. COMMITMENTS

a. High-Level Excess Liability Pool

The Village has committed to purchase excess liability insurance from the POOL, an insurance pool of Illinois municipalities, through April 30, 2018. There is no minimum annual commitment amount for the purchase of this insurance coverage.

Future premiums will be calculated using the Village's allocation percentage. The POOL agreement provides that each year members will be assessed based upon a formula which specifies the following four criteria for allocating premium costs:

Miles of streets
Full-time equivalent employees
Number of motor vehicles
Operating revenues

b. Northwest Water Commission

The Village has committed to purchase water from NWWC. The Village expects to pay the following minimum amounts:

Fiscal Year Ending April 30	Amount
2013	$ 970,292
2014	256,862
TOTAL	$ 1,227,154

These amounts have been calculated using the Village's current allocation percentage of 35.82%. In future years, this allocation percentage will be subject to change.

c. Solid Waste Agency of Northern Cook County

The Village has committed to make payments to SWANCC. The Village expects to pay the following minimum amounts:

Fiscal Year Ending April 30	Amount
2013	$ 648,515
2014	648,588
TOTAL	$ 1,297,103

This amount has been calculated using the Village's current allocation percentage of 11.13%. In future years, this allocation percentage will be subject to change.

10. ECONOMIC DEVELOPMENT

The Village has entered into economic development agreements with companies to provide sales tax rebates. As of April 30, 2012, two agreements have been executed for stores that have opened. The agreements require the Village to rebate to the companies different amounts of additional sales tax generated by the facilities. One agreement requires 33% of sales tax and home-rule sales tax to be rebated in annual installments through December 31, 2016 or $1,839,310, whichever occurs first. The second agreement requires 33% of sales tax to be rebated in annual installments through April 30, 2015 or $1,580,000, whichever occurs first. The amount paid/accrued for the fiscal year ended April 30, 2012 was $245,995. Total expenditures incurred to date in rebates as of April 30, 2012 was $1,321,822.

11. 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 management, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

In FY2008, the Village was sued by Village Green LLC (the Developer), a developer in the Village's Tax Increment Financing District #1 (TIF 1). The February 2008 lawsuit claims that the Village should have extended TIF 1 for one additional year through tax levy year 2006, payable in 2007, which would have allowed the Developer to qualify for payment using TIF 1 funds on a Developer Note outlined in the Village Green Redevelopment Agreement. If funds were available, the payment on the Developer Note would have been between $1 - $2 million. The Village stands by its assertion that Cook County records show that the 23rd and final year of TIF 1 was the 2005 tax levy payable in 2006. This was confirmed and implemented by Cook County, which is the entity that administers tax levies and collections for all taxing districts within the County. The Village has not received any further payments from Cook County for TIF 1 after December 31, 2006. Village attorneys are of the opinion that the lawsuit is without merit.

Furthermore, since 2005 the Village has sought collection from the Developer on Investor Notes outlined in the Village Green Redevelopment Agreement. The Village asserts that the amount owed on the Investor Notes is $231,481 plus interest. The Investor Notes represent a promise by the Developer that the net revenue generated by Village Green Development would match or exceed the projected net revenue on an annual basis, and if that target was not met the Developer would pay the Village the difference. The net revenue from the Village Green Development did not meet the projected net revenue in FY2005 and FY2006. In February 2008, the Village sued the Developer seeking payment on the Investor Notes.

11. CONTINGENT LIABILITIES (Continued)

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. High Level Excess Liability Pool

The Village's agreement with the POOL provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

d. Northwest Water Commission (NWWC)

The Village's water purchase contract with NWWC provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

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

The Village's contract with SWANCC provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

12. JOINT VENTURES

a. Northwest Water Commission (NWWC)

Description of Joint Venture

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

12. JOINT VENTURES (Continued)

a. Northwest Water Commission (NWWC) (Continued)

Description of Joint Venture (Continued)

The four members of NWWC and their percentage shares as of April 30, 2012 are as follows:

	% Share
Village of Arlington Heights	35.82
Village of Buffalo Grove	18.45
Village of Palatine	27.90
Village of Wheeling	17.83
	100.00

These percentage shares are based on a formula contained in the water supply agreement (the NWWC Agreement) and are subject to change in future years based on consumption by the municipalities.

The members form a contiguous geographic service area which is located northwest of downtown Chicago. Under the NWWC Agreement, additional members may join NWWC upon the approval of each member.

NWWC is governed by a Board of Commissioners which consists of one Village Manager from each member municipality. 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, adopts resolutions providing for the issuance of bonds or notes by NWWC, adopts by-laws, rules and regulations and exercises such powers and performs such duties as may be prescribed in NWWC Agreement or the by-laws.

12. JOINT VENTURES (Continued)

a. Northwest Water Commission (NWWC) (Continued)

Summary Financial Information of Joint Venture

Summary of financial position as of April 30, 2012:

ASSETS	
Current assets	$ 2,707,272
Restricted assets	11,433,511
Capital assets	31,709,348
Other assets	36,780
Total assets	45,886,911
LIABILITIES	
Current liabilities	3,210,612
Long-term liabilities	2,060,112
Total liabilities	5,270,724
NET ASSETS	
Invested in capital assets, net of related debt	27,454,235
Restricted	9,230,898
Unrestricted	3,931,054
NET ASSETS	$ 40,616,187

Summary of revenues, expenses and changes in net assets for the year ended April 30, 2012:

Total revenues	$ 10,006,504
Total expenses	6,784,857
Operating income before depreciation	3,221,647
Depreciation	1,752,865
Operating income	1,468,782
Other income (expense)	(120,046)
CHANGE IN NET ASSETS	$ 1,348,736

Complete financial statements for NWWC can be obtained from NWWC's administrative office at 1525 North Wolf Road, Des Plaines, Illinois, 60016. Financial information as of April 30, 2012 is the most recent available as of the date of this report.

12. JOINT VENTURES (Continued)

a. Northwest Water Commission (NWWC) (Continued)

Summary Financial Information of Joint Venture (Continued)

NWWC's bonds are revenue obligations. They are limited obligations of NWWC 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 NWWC resolutions. The bonds are not a debt of any member. NWWC has no power to levy taxes.

Revenues of the system consist of (1) all receipts derived from Water Supply Contracts 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 revenue to meet all its requirements.

NWWC has entered into Water Supply Contracts with the four member municipalities for a term of 40 years, extending to 2030. The Water Supply Contracts are irrevocable and may not be terminated or amended except as provided in the Water Supply Contracts. 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, Illinois (the City) under which the City has agreed to sell quantities of lake water sufficient to supply the projected water needs of NWWC through the year 2030.

The obligation of the Village to make all payments as required by the Water Supply Contracts is unconditional and irrevocable, without regard to performance or nonperformance by NWWC of its obligations under the Water Supply Contracts.

The payments required to be made by the Village under the Water Supply Contracts are required to be made solely from revenues to be derived by the Village from the operation of the Village's system. The Village is not prohibited by the Water Supply Contracts from using any other available funds to make the payments required by the Water Supply Contracts. The Water Supply Contracts shall not constitute an indebtedness of the Village within the meaning of any statutory or constitutional limitation.

In accordance with the joint venture agreement, the Village remitted $3,545,296 to NWWC for 2012. The Village's equity interest in NWWC was $14,834,382 at April 30, 2012. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Water and Sewer Fund.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. JOINT VENTURES (Continued)

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

Description of Joint Venture

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

The members of SWANCC and their percentage shares based on formula contained in SWANCC agreement as of April 30, 2012 are:

	% Share		% Share
Arlington Heights	11.13	Mount Prospect	8.05
Barrington	1.65	Niles	3.44
Buffalo Grove	6.37	Palatine	9.14
Elk Grove Village	5.77	Park Ridge	5.08
Evanston	7.91	Prospect Heights	1.38
Glencoe	1.53	Rolling Meadows	2.90
Glenview	4.77	Skokie	8.15
Hoffman Estates	3.71	South Barrington	0.70
Inverness	1.15	Wheeling	4.06
Kenilworth	0.81	Wilmette	4.23
Lincolnwood	1.84	Winnetka	3.09
Morton Grove	3.14		
			100.00

These percentage shares are subject to change in future years based on the usage of the municipalities. The members form a contiguous geographic service area which is located northwest of downtown Chicago. Under the SWANCC Agreement, additional members may join SWANCC upon the approval of all 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, adopts resolutions providing for the issuance of bonds or notes by SWANCC, adopts by-laws, rules and regulations and exercises such powers and performs such duties as may be prescribed in the SWANCC Agreement or the by-laws.

12. JOINT VENTURES (Continued)

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

Summary Financial Information of Joint Venture

Summary of financial position as of April 30, 2011 (most recent audited financial statements):

ASSETS		LIABILITIES AND NET ASSETS	
Current assets	$ 4,471,458	Current liabilities	$ 5,164,235
Restricted assets	2,371,951	Long-term liabilities	4,788,844
Capital assets	11,228,739	Total liabilities	9,953,079
Other assets	66,091	Net assets	8,185,160
TOTAL ASSETS	$ 18,138,239	TOTAL LIABILITIES AND NET ASSETS	$ 18,138,239

Summary of revenues, expenses and changes in net assets for the year ended April 30, 2011 (most recent audited financial statements):

Total revenues	$ 14,222,737
Total expenses	13,893,000
Operating income	329,737
Net nonoperating revenue (expenses)	(242,615)
NET INCOME	$ 87,122

Complete financial statements for SWANCC can be obtained from SWANCC's administrative office at 1616 East Golf Road, Des Plaines, Illinois, 60016. Financial information as of April 30, 2011 is the most recent available as of the date of this report.

SWANCC's 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 a debt of any member. SWANCC has no power to levy taxes.

12. JOINT VENTURES (Continued)

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

Summary Financial Information of Joint Venture (Continued)

Revenues of the system consist of (a) all receipts derived from Solid Waste Disposal Contracts or any other contracts for the disposal of waste; (b) all income derived from the investment of monies; and (c) all income, fees, service charges and all grants, rents and receipts derived by SWANCC from the ownership and operation of the system.

SWANCC covenants to establish fees and charges sufficient to provide revenues to meet all its requirements.

SWANCC has entered into Solid Waste Disposal Contracts with the member municipalities. The Solid Waste Disposal Contracts are irrevocable and may not be terminated or amended except as provided in the Solid Waste Disposal Contracts. Each member is obligated, on a "take or pay" basis, to purchase or in any event to pay for a minimum annual cost of the system.

The obligation of the Village to make all payments as required by the Solid Waste Disposal Contracts are unconditional and irrevocable, without regard to performance or nonperformance by SWANCC of its obligations under the Solid Waste Disposal Contracts.

The payments required to be made by the Village under the Solid Waste Disposal Contracts are required to be made solely from revenues to be derived by the Village from the operation of the Village's system. The Village is not prohibited by Solid Waste Disposal Contracts from using any other available funds to make the payments required by the Solid Waste Disposal Contracts. The Solid Waste Disposal Contracts shall not constitute an indebtedness of the Village within the meaning of any statutory or constitutional limitation.

In accordance with the joint venture agreement, the Village remitted $1,529,106 to SWANCC for 2012, which is recorded in the Village's Solid Waste Disposal Fund.

The Village does not have an equity interest in SWANCC.

13. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At April 30, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	217
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	491
TOTAL	708
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.

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	$ 1,767,035	$ 204,833	11.6%	$ 1,562,202
April 30, 2011	846,153	585,079	68.4%	261,074
April 30, 2012	848,391	637,736	75.2%	210,655

The net OPEB obligation as of April 30, 2012 was calculated as follows:

Annual required contribution	$ 819,305
Interest on net OPEB obligation	152,686
Adjustment to annual required contribution	(123,600)
Annual OPEB cost	848,391
Contributions made	637,736
Increase in net OPEB obligation	210,655
Net OPEB obligation, beginning of year	3,393,007
NET OPEB OBLIGATION, END OF YEAR	$ 3,603,662

Funded Status and Funding Progress: The funded status and funding progress of the plan as of April 30, 2010 (most recent data available) was as follows:

Actuarial accrued liability (AAL)	$ 13,623,926
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,623,926
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 39,685,602
UAAL as a percentage of covered payroll	34.33%

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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 April 30, 2010 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 4.5% and an initial healthcare cost trend rate of 9.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 3.0% 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 April 30, 2012 was 30 years.

14. EMPLOYEE RETIREMENT SYSTEMS

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

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions

Illinois Municipal Retirement Fund

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the calendar year ended 2011 was 11.94% of covered payroll. The Village's contribution rate for fiscal year 2012 is 13.13% 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 ILCS (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund.

At April 30, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	74
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	5
Current employees	
Vested	86
Nonvested	25
TOTAL	190

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

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

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 Police Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2012, the Village's contribution was 11.94% of covered payroll.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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 ILCS (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the Firefighters' Pension Plan as a pension trust fund. At April 30, 2011, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	92
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	-
Current employees	
Vested	73
Nonvested	32
TOTAL	197

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

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 Firefighters' Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan. For the year ended April 30, 2012, the Village's contribution was 25.46% 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 when due. Benefits and refunds are recognized when due and payable.

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.

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Administrative Costs

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

c. Significant Investments

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

d. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2010	April 30, 2011	April 30, 2011
Actuarial cost method	Entry-age Normal	Projected Unit Credit	Projected Unit Credit
Asset valuation method	5 Year Smoothed Market	3 Year Smoothed Market	3 Year Smoothed Market
Amortization method	Level Percentage of Projected Payroll - Open Basis	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis
Amortization period	30 Years	29 Years	29 Years

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Annual Pension Costs (Continued)

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.00% Compounded Annually	7.00% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40% to 10.00%	Not Available	Not Available
d) Postretirement benefit increases	3.00%	3.00% Compounded Annually	3.00% Compounded Annually

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.

		Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2010	$ 2,698,054	$ 2,883,591	$ 3,528,720
	2011	2,542,838	3,691,523	4,175,702
	2012	3,565,249	4,313,030	4,549,364
Actual contributions	2010	$ 2,698,054	$ 2,442,000	$ 3,244,000
	2011	2,542,838	3,378,900	3,948,000
	2012	2,754,797	4,038,031	4,470,608
Percentage of APC contributed	2010	100.00%	84.69%	91.93%
	2011	100.00%	91.53%	94.55%
	2012	77.27%	91.84%	98.27%
NPO (asset)	2010	$ -	$ 1,029,177	$ (1,587,356)
	2011	-	1,341,800	(1,359,654)
	2012	797,032	1,616,799	(1,280,898)

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Annual Pension Costs (Continued)

The NPO (asset) as of April 30, 2012 has been calculated as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual required contribution	$ 3,551,829	$ 4,288,185	$ 4,574,540
Interest on net pension obligation	-	93,926	(95,176)
Adjustment to annual required contribution	-	(69,081)	70,000
Annual pension cost	3,551,829	4,313,030	4,549,364
Contributions made	2,754,797	4,038,031	4,470,608
Increase in net pension obligation	797,032	274,999	78,756
Net pension obligation, beginning of year	-	1,341,800	(1,359,654)
NET PENSION OBLIGATION (ASSET), END OF YEAR	$ 797,032	$ 1,616,799	$ (1,280,898)

e. Funded Status and Funding Progress

The funded status and funding progress of the plans as of April 30, 2012 were as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2011	April 30, 2011	April 30, 2011
Actuarial accrued liability (AAL)	$ 72,973,641	$ 114,638,854	$ 108,856,813
Actuarial value of plan assets	49,241,073	78,078,416	64,457,391
Unfunded actuarial accrued liability (UAAL)	23,732,568	36,560,438	44,399,422
Funded ratio (actuarial value of plan assets/AAL)	67.48%	68.11%	59.21%
Covered payroll (active plan members)	$ 22,580,121	$ 9,828,699	$ 8,989,722
UAAL as a percentage of covered payroll	105.10%	371.98%	493.89%

The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as disclosed in Note 14.d.

15. PENSION TRUST FUNDS

a. Schedule of Net Assets as of April 30, 2012

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	$ 1,538,993	$ 1,113,550	$ 2,652,543
Investments			
U.S. Government and agency obligations	42,214,330	15,931,372	58,145,702
Equity securities	11,486,980	8,118,917	19,605,897
Illinois funds	3,987,100	3,278,283	7,265,383
Mutual funds	24,276,346	28,488,912	52,765,258
Corporate bonds	-	11,462,711	11,462,711
Municipal bonds	-	2,362,441	2,362,441
Receivables			
Accrued interest	189,615	327,788	517,403
Other	4,307	5,084	9,391
Total assets	83,697,671	71,089,058	154,786,729
LIABILITIES			
Accounts payable	50	-	50
Due to other funds	2,128,962	2,359,599	4,488,561
Total liabilities	2,129,012	2,359,599	4,488,611
NET ASSETS	$ 81,568,659	$ 68,729,459	$ 150,298,118

b. Schedule of Changes in Net Assets for the year ended April 30, 2012

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 4,038,031	$ 4,470,608	$ 8,508,639
Participants	935,415	874,164	1,809,579
Other	273,118	1,701	274,819
Total contributions	5,246,564	5,346,473	10,593,037

15. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Assets for the year ended April 30, 2012 (Continued)

	Police Pension	Firefighters' Pension	Total
ADDITIONS (Continued)			
Investment income			
Net appreciation in fair value of investments	$ 99,350	$ 651,408	$ 750,758
Interest income	2,338,342	1,870,477	4,208,819
Subtotal	2,437,692	2,521,885	4,959,577
Less investment expense	(202,832)	(153,547)	(356,379)
Net investment income	2,234,860	2,368,338	4,603,198
Total additions	7,481,424	7,714,811	15,196,235
DEDUCTIONS			
Administrative	64,086	35,282	99,368
Pension benefits and refunds	4,185,829	4,899,304	9,085,133
Total deductions	4,249,915	4,934,586	9,184,501
NET INCREASE	3,231,509	2,780,225	6,011,734
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
May 1	78,337,150	65,949,234	144,286,384
April 30	$ 81,568,659	$ 68,729,459	$ 150,298,118

16. NET ASSETS

Net Assets - Arts, Entertainment and Events Fund

The following amount represents the Village Board's plans to set aside assets for future major repairs and improvements at April 30, 2012 - $375,000.

17. COMPONENT UNIT - ARLINGTON HEIGHTS MEMORIAL LIBRARY

a. Summary of Significant Accounting Policies

The financial statements of the Library 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 Library's accounting policies are described below.

1. Reporting Entity

The Library operates and maintains the public library within the Village. The Library is a legally separate entity whose board is elected by the voters of the Village. The Library may not issue bonded debt without the Village's approval. The Library board has exclusive control of the expenditure of all monies collected for the Library and deposited to the credit of the Library Fund. As required by generally accepted accounting principles, these financial statements present the Library and any existing component units. Currently, the Library does not have any component units and has been determined to be a component unit of the Village.

2. Fund Accounting

The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The financial position and changes in financial position of the Library's funds are reported in the basic financial statements of the Village as a component unit.

Funds are classified as governmental funds.

The General Fund is used to account for all general activities of the Library not accounted for in some other fund.

17. COMPONENT UNIT - ARLINGTON HEIGHTS MEMORIAL LIBRARY (Continued)

a. Summary of Significant Accounting Policies (Continued)

3. 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 Library. Governmental activities are normally supported by taxes, fees and intergovernmental revenues.

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.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

4. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. The Library recognizes property taxes when they become both measurable and available in the year intended to finance. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

17. COMPONENT UNIT - ARLINGTON HEIGHTS MEMORIAL LIBRARY (Continued)

a. Summary of Significant Accounting Policies (Continued)

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

Those revenues susceptible to accrual are property taxes and interest revenue. Fine revenue is not susceptible to accrual because generally it is not measurable until received in cash.

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

5. Cash and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments with a maturity less than one year are stated at cost or amortized cost; any greater than one year when purchased are stated at fair value.

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets, except for books for which the amount is $25, are defined by the Library as assets with an initial, individual cost of more than $3,000 and an estimated useful life in excess of one year. 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 or service capacity of the asset or materially extend asset lives are not capitalized.

17. COMPONENT UNIT - ARLINGTON HEIGHTS MEMORIAL LIBRARY (Continued)

a. Summary of Significant Accounting Policies (Continued)

6. 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, if any, 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 and improvements	40
Equipment, furniture and fixtures	5-10

7. Compensated Absences

Vested or accumulated vacation and sick leave are reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation and sick leave of governmental activities are recorded as an expense and liability as the benefits accrue to employees.

8. Fund Balances/Net Assets

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

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

17. COMPONENT UNIT - ARLINGTON HEIGHTS MEMORIAL LIBRARY (Continued)

a. Summary of Significant Accounting Policies (Continued)

8. Fund Balances/Net Assets (Continued)

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the Library's restricted net assets resulted from enabling legislation adopted by the Library. Invested in capital assets, net of related debt is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

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VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 51,284,657	$ 61,519,586	83.36%	$ 10,234,929	$ 21,757,400	47.04%
2007	54,180,908	63,494,645	85.33%	9,313,737	22,771,008	40.90%
2008	45,813,365	69,004,236	66.39%	23,190,871	24,048,850	96.43%
2009	49,309,278	71,648,428	68.82%	22,339,150	24,788,996	90.12%
2010	50,606,529	72,376,162	69.92%	21,769,633	22,717,051	95.83%
2011	49,241,073	72,973,641	67.48%	23,732,568	22,580,121	105.10%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 64,638,743	$ 76,392,176	84.61%	$ 11,753,433	$ 8,152,792	144.16%
2007	70,167,689	80,956,261	86.67%	10,788,572	8,277,378	130.34%
2008	74,937,672	85,788,269	87.35%	10,850,597	8,718,245	124.46%
2009	74,802,592	92,005,341	81.30%	17,202,749	9,436,305	182.30%
2010	75,274,881	102,820,670	73.17%	27,545,789	9,515,150	289.50%
2011	78,078,416	114,638,854	68.11%	36,560,438	9,828,699	371.98%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 51,351,704	$ 71,995,480	71.33%	$ 20,643,776	$ 7,410,161	278.59%
2007	54,865,596	76,970,458	71.28%	22,104,862	8,071,755	273.85%
2008	58,541,413	80,785,619	72.47%	22,244,206	8,410,031	264.50%
2009	58,792,172	86,426,401	68.03%	27,634,229	8,891,600	310.79%
2010	60,749,266	95,558,209	63.57%	34,808,943	9,139,243	380.87%
2011	64,457,391	108,856,813	59.21%	44,399,422	8,989,722	493.89%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	$ -	$ 20,783,027	0.00%	$ 20,783,027	$ 39,349,404	52.82%
2010	-	13,623,926	0.00%	13,623,926	39,965,963	34.33%
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

N/A - Information not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS
ARLINGTON HEIGHTS MEMORIAL LIBRARY

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	$ -	$ 2,386,457	0.00%	$ 2,386,457	$ 6,288,263	37.95%
2010	-	1,564,397	0.00%	1,564,397	4,556,987	34.33%
2011	-	N/A	N/A	N/A	N/A	N/A
2012	-	N/A	N/A	N/A	N/A	N/A

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available. The amounts above are allocated based on the Library's portion of the total village net other postemployment benefits obligation.

N/A - Information not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,942,014	$ 2,942,014	100.00%
2008	3,008,511	3,008,511	100.00%
2009	2,981,957	2,981,957	100.00%
2010	2,698,054	2,698,054	100.00%
2011	2,542,838	2,542,838	100.00%
2012	2,754,797	3,551,829	77.56%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,256,000	$ 2,730,049	82.64%
2008	2,285,000	2,244,687	101.80%
2009	2,307,800	2,235,266	103.24%
2010	2,442,000	2,875,430	84.93%
2011	3,378,900	3,679,006	91.84%
2012	4,038,031	4,288,185	94.17%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,663,000	$ 2,239,939	118.89%
2008	2,856,000	2,977,176	95.93%
2009	3,109,350	3,098,424	100.35%
2010	3,244,000	3,554,720	91.26%
2011	3,948,000	4,175,702	94.55%
2012	4,470,608	4,574,540	97.73%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Year Ended April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	$ 187,921	$ 1,757,652	10.69%
2010	204,833	1,767,035	11.59%
2011	585,079	819,305	71.41%
2012	637,736	848,391	75.17%

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ARLINGTON HEIGHTS MEMORIAL LIBRARY

April 30, 2012

Year Ended April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	$ 21,578	$ 201,826	10.69%
2010	23,520	201,826	11.65%
2011	67,183	94,079	71.41%
2012	73,299	94,079	77.91%

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available. The amounts above are allocated based on the Library's portion of the total village postemployment benefit obligation.

APPENDIX B

DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the President and Board of Trustees of the Village of Arlington Heights, Cook County, Illinois (the *"Village"*), passed preliminary to the issue by the Village of its fully registered General Obligation Refunding Bonds, Series 2013 (the *"Bonds"*) to the amount of $_________, dated the date hereof, of the denomination of $5,000 or authorized integral multiples thereof, and due serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2013		
2014		
2015		
2016		
2017		
2018		
2019		

Each Bond bears interest from the later of the dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on December 1, 2013.

The Bonds have been issued for the purpose of refunding a portion of the Village's General Obligation Bonds, Series 2006.

From such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Bond prescribed and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding obligations of the Village, and all taxable property in the Village is subject to the levy of taxes to pay the same 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, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the Village's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Village covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the Bonds and the yield on certain investments by Dunbar, Breitweiser & Company, LLP, Bloomington, Illinois, Certified Public Accountants.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the Village with respect to certain material facts within the Village's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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APPENDIX D

VILLAGE OF ARLINGTON HEIGHTS
COOK COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2012 AUDITED FINANCIAL STATEMENTS
RELATING TO THE VILLAGE'S PENSION PLANS

13. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At April 30, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	217
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	491
TOTAL	708
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.

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	$ 1,767,035	$ 204,833	11.6%	$ 1,562,202
April 30, 2011	846,153	585,079	68.4%	261,074
April 30, 2012	848,391	637,736	75.2%	210,655

The net OPEB obligation as of April 30, 2012 was calculated as follows:

Annual required contribution	$ 819,305
Interest on net OPEB obligation	152,686
Adjustment to annual required contribution	(123,600)
Annual OPEB cost	848,391
Contributions made	637,736
Increase in net OPEB obligation	210,655
Net OPEB obligation, beginning of year	3,393,007
NET OPEB OBLIGATION, END OF YEAR	$ 3,603,662

Funded Status and Funding Progress: The funded status and funding progress of the plan as of April 30, 2010 (most recent data available) was as follows:

Actuarial accrued liability (AAL)	$ 13,623,926
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,623,926
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 39,685,602
UAAL as a percentage of covered payroll	34.33%

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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 April 30, 2010 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 4.5% and an initial healthcare cost trend rate of 9.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 3.0% 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 April 30, 2012 was 30 years.

14. EMPLOYEE RETIREMENT SYSTEMS

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions

Illinois Municipal Retirement Fund

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the calendar year ended 2011 was 11.94% of covered payroll. The Village's contribution rate for fiscal year 2012 is 13.13% 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 ILCS (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund.

At April 30, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	74
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	5
Current employees	
Vested	86
Nonvested	25
TOTAL	190

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

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

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 Police Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2012, the Village's contribution was 11.94% of covered payroll.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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 ILCS (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the Firefighters' Pension Plan as a pension trust fund. At April 30, 2011, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	92
Terminated employees entitled to benefits but not yet receiving them	-
Inactive members	-
Current employees	
Vested	73
Nonvested	32
TOTAL	197

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

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

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 Firefighters' Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan. For the year ended April 30, 2012, the Village's contribution was 25.46% 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 when due. Benefits and refunds are recognized when due and payable.

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.

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Administrative Costs

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

c. Significant Investments

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

d. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2010	April 30, 2011	April 30, 2011
Actuarial cost method	Entry-age Normal	Projected Unit Credit	Projected Unit Credit
Asset valuation method	5 Year Smoothed Market	3 Year Smoothed Market	3 Year Smoothed Market
Amortization method	Level Percentage of Projected Payroll - Open Basis	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis
Amortization period	30 Years	29 Years	29 Years

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Annual Pension Costs (Continued)

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.00% Compounded Annually	7.00% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40% to 10.00%	Not Available	Not Available
d) Postretirement benefit increases	3.00%	3.00% Compounded Annually	3.00% Compounded Annually

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.

		Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2010	$ 2,698,054	$ 2,883,591	$ 3,528,720
	2011	2,542,838	3,691,523	4,175,702
	2012	3,565,249	4,313,030	4,549,364
Actual contributions	2010	$ 2,698,054	$ 2,442,000	$ 3,244,000
	2011	2,542,838	3,378,900	3,948,000
	2012	2,754,797	4,038,031	4,470,608
Percentage of APC contributed	2010	100.00%	84.69%	91.93%
	2011	100.00%	91.53%	94.55%
	2012	77.27%	91.84%	98.27%
NPO (asset)	2010	$ -	$ 1,029,177	$ (1,587,356)
	2011	-	1,341,800	(1,359,654)
	2012	797,032	1,616,799	(1,280,898)

14. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Annual Pension Costs (Continued)

The NPO (asset) as of April 30, 2012 has been calculated as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual required contribution	$ 3,551,829	$ 4,288,185	$ 4,574,540
Interest on net pension obligation	-	93,926	(95,176)
Adjustment to annual required contribution	-	(69,081)	70,000
Annual pension cost	3,551,829	4,313,030	4,549,364
Contributions made	2,754,797	4,038,031	4,470,608
Increase in net pension obligation	797,032	274,999	78,756
Net pension obligation, beginning of year	-	1,341,800	(1,359,654)
NET PENSION OBLIGATION (ASSET), END OF YEAR	$ 797,032	$ 1,616,799	$ (1,280,898)

e. Funded Status and Funding Progress

The funded status and funding progress of the plans as of April 30, 2012 were as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2011	April 30, 2011	April 30, 2011
Actuarial accrued liability (AAL)	$ 72,973,641	$ 114,638,854	$ 108,856,813
Actuarial value of plan assets	49,241,073	78,078,416	64,457,391
Unfunded actuarial accrued liability (UAAL)	23,732,568	36,560,438	44,399,422
Funded ratio (actuarial value of plan assets/AAL)	67.48%	68.11%	59.21%
Covered payroll (active plan members)	$ 22,580,121	$ 9,828,699	$ 8,989,722
UAAL as a percentage of covered payroll	105.10%	371.98%	493.89%

The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as disclosed in Note 14.d.

15. PENSION TRUST FUNDS

a. Schedule of Net Assets as of April 30, 2012

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	$ 1,538,993	$ 1,113,550	$ 2,652,543
Investments			
U.S. Government and agency obligations	42,214,330	15,931,372	58,145,702
Equity securities	11,486,980	8,118,917	19,605,897
Illinois funds	3,987,100	3,278,283	7,265,383
Mutual funds	24,276,346	28,488,912	52,765,258
Corporate bonds	-	11,462,711	11,462,711
Municipal bonds	-	2,362,441	2,362,441
Receivables			
Accrued interest	189,615	327,788	517,403
Other	4,307	5,084	9,391
Total assets	83,697,671	71,089,058	154,786,729
LIABILITIES			
Accounts payable	50	-	50
Due to other funds	2,128,962	2,359,599	4,488,561
Total liabilities	2,129,012	2,359,599	4,488,611
NET ASSETS	$ 81,568,659	$ 68,729,459	$ 150,298,118

b. Schedule of Changes in Net Assets for the year ended April 30, 2012

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 4,038,031	$ 4,470,608	$ 8,508,639
Participants	935,415	874,164	1,809,579
Other	273,118	1,701	274,819
Total contributions	5,246,564	5,346,473	10,593,037

15. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Assets for the year ended April 30, 2012 (Continued)

	Police Pension	Firefighters' Pension	Total
ADDITIONS (Continued)			
Investment income			
Net appreciation in fair value of investments	$ 99,350	$ 651,408	$ 750,758
Interest income	2,338,342	1,870,477	4,208,819
Subtotal	2,437,692	2,521,885	4,959,577
Less investment expense	(202,832)	(153,547)	(356,379)
Net investment income	2,234,860	2,368,338	4,603,198
Total additions	7,481,424	7,714,811	15,196,235
DEDUCTIONS			
Administrative	64,086	35,282	99,368
Pension benefits and refunds	4,185,829	4,899,304	9,085,133
Total deductions	4,249,915	4,934,586	9,184,501
NET INCREASE	3,231,509	2,780,225	6,011,734
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
May 1	78,337,150	65,949,234	144,286,384
April 30	$ 81,568,659	$ 68,729,459	$ 150,298,118

16. NET ASSETS

Net Assets - Arts, Entertainment and Events Fund

The following amount represents the Village Board's plans to set aside assets for future major repairs and improvements at April 30, 2012 - $375,000.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 51,284,657	$ 61,519,586	83.36%	$ 10,234,929	$ 21,757,400	47.04%
2007	54,180,908	63,494,645	85.33%	9,313,737	22,771,008	40.90%
2008	45,813,365	69,004,236	66.39%	23,190,871	24,048,850	96.43%
2009	49,309,278	71,648,428	68.82%	22,339,150	24,788,996	90.12%
2010	50,606,529	72,376,162	69.92%	21,769,633	22,717,051	95.83%
2011	49,241,073	72,973,641	67.48%	23,732,568	22,580,121	105.10%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 64,638,743	$ 76,392,176	84.61%	$ 11,753,433	$ 8,152,792	144.16%
2007	70,167,689	80,956,261	86.67%	10,788,572	8,277,378	130.34%
2008	74,937,672	85,788,269	87.35%	10,850,597	8,718,245	124.46%
2009	74,802,592	92,005,341	81.30%	17,202,749	9,436,305	182.30%
2010	75,274,881	102,820,670	73.17%	27,545,789	9,515,150	289.50%
2011	78,078,416	114,638,854	68.11%	36,560,438	9,828,699	371.98%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	$ 51,351,704	$ 71,995,480	71.33%	$ 20,643,776	$ 7,410,161	278.59%
2007	54,865,596	76,970,458	71.28%	22,104,862	8,071,755	273.85%
2008	58,541,413	80,785,619	72.47%	22,244,206	8,410,031	264.50%
2009	58,792,172	86,426,401	68.03%	27,634,229	8,891,600	310.79%
2010	60,749,266	95,558,209	63.57%	34,808,943	9,139,243	380.87%
2011	64,457,391	108,856,813	59.21%	44,399,422	8,989,722	493.89%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	$ -	$ 20,783,027	0.00%	$ 20,783,027	$ 39,349,404	52.82%
2010	-	13,623,926	0.00%	13,623,926	39,965,963	34.33%
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

N/A - Information not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS
ARLINGTON HEIGHTS MEMORIAL LIBRARY

April 30, 2012

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	$ -	$ 2,386,457	0.00%	$ 2,386,457	$ 6,288,263	37.95%
2010	-	1,564,397	0.00%	1,564,397	4,556,987	34.33%
2011	-	N/A	N/A	N/A	N/A	N/A
2012	-	N/A	N/A	N/A	N/A	N/A

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available. The amounts above are allocated based on the Library's portion of the total village net other postemployment benefits obligation.

N/A - Information not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,942,014	$ 2,942,014	100.00%
2008	3,008,511	3,008,511	100.00%
2009	2,981,957	2,981,957	100.00%
2010	2,698,054	2,698,054	100.00%
2011	2,542,838	2,542,838	100.00%
2012	2,754,797	3,551,829	77.56%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,256,000	$ 2,730,049	82.64%
2008	2,285,000	2,244,687	101.80%
2009	2,307,800	2,235,266	103.24%
2010	2,442,000	2,875,430	84.93%
2011	3,378,900	3,679,006	91.84%
2012	4,038,031	4,288,185	94.17%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Fiscal Year	Employer Actual Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	$ 2,663,000	$ 2,239,939	118.89%
2008	2,856,000	2,977,176	95.93%
2009	3,109,350	3,098,424	100.35%
2010	3,244,000	3,554,720	91.26%
2011	3,948,000	4,175,702	94.55%
2012	4,470,608	4,574,540	97.73%

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2012

Year Ended April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	$ 187,921	$ 1,757,652	10.69%
2010	204,833	1,767,035	11.59%
2011	585,079	819,305	71.41%
2012	637,736	848,391	75.17%

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS

OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ARLINGTON HEIGHTS MEMORIAL LIBRARY

April 30, 2012

Year Ended April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	$ 21,578	$ 201,826	10.69%
2010	23,520	201,826	11.65%
2011	67,183	94,079	71.41%
2012	73,299	94,079	77.91%

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available. The amounts above are allocated based on the Library's portion of the total village postemployment benefit obligation.

OFFICIAL BID FORM

(OPEN SPEER AUCTION INTERNET SALE)

Village of Arlington Heights
33 South Arlington Heights Road
Arlington Heights, Illinois 60005

August 5, 2013
Speer Financial, Inc.

Members of the Village Board:

For the $8,580,000* General Obligation Refunding Bonds, Series 2013 of the Village of Arlington Heights, Cook County, Illinois, as described in the annexed Official Notice of Sale, which is expressly made a part of this bid, we will pay you $______________________ (no less than $8,519,000). The Bonds bearing interest as follows (each rate a multiple of 1/8 or 1/100 of 1%). **The discount is subject to adjustment allowing the same $__________ gross spread per $1,000 bond as bid herein.**

MATURITIES* – DECEMBER 1

$170,000 ... 2014 ________%	$2,275,000 ... 2016 ________%	$1,805,000 ... 2018 ________%
170,000 ... 2015 ________%	2,125,000 ... 2017 ________%	2,035,000 ... 2019 ________%

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

Maturities: _______ *Term Maturity* _______ *Maturities:* __________ *Term Maturity* _________
Maturities: _______ *Term Maturity* _______

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

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

Form of Deposit
Check One:

Certified/Cashier's Check [ ]
Financial Surety Bond [ ]
Wire Transfer [ ]

Amount: $171,600

Account Manager Information

Name ________________________________

Address ______________________________

By __________________________________

City ________________ State/Zip _________

Direct Phone (_______)__________________

FAX Number (_______)__________________

E-Mail Address _________________________

Bidders Option Insurance

We have purchased insurance from:

Name of Insurer
(Please fill in)

____

Premium: ____________

Maturities: (Check One)

[__] _____________Years

[__] All

The foregoing bid was accepted and the Bonds sold by ordinance of the Village on August 5, 2013, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Notice of Sale.

VILLAGE OF ARLINGTON HEIGHTS, COOK COUNTY, ILLINOIS

____
Mayor

**Subject to change.*

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

	Bid	Post Sale Revision
Gross Interest	$	
Less Premium/Plus Discount	$	
True Interest Cost	$	
True Interest Rate	%	
TOTAL BOND YEARS	39,453.33	
AVERAGE LIFE	4.598 Years	

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OFFICIAL NOTICE OF SALE

$8,580,000*
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois
General Obligation Refunding Bonds, Series 2013

The Village of Arlington Heights, Cook County, Illinois (the "Village"), will receive electronic bids on the SpeerAuction ("*SpeerAuction")* website address "www.SpeerAuction.com" for its $8,580,000* General Obligation Refunding Bonds, Series 2013 (the "Bonds"), on an all or none basis between 10:00 A.M. and 10:15 A.M., C.D.T., Monday, August 5, 2013. To bid, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the Village's sale (as described below). Award will be made or all bids rejected at a meeting of the Village on that date. The Village reserves the right to change the date or time for receipt of bids. Any such change shall be made not less than twenty-four (24) hours prior to the revised date and time for receipt of the bids for the Bonds and shall be communicated by publishing the changes in the Amendments Page of the SpeerAuction webpage and through *Thompson Municipal News*.

The Bonds will constitute valid and legally binding 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, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

Bidding Details

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

(1) All bids must be submitted on the SpeerAuction website at www.SpeerAuction.com. **No telephone, telefax or personal delivery bids will be accepted.** The use of SpeerAuction shall be at the bidder's risk and expense and the Village shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bid. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.

(2) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.

(3) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by SpeerAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.

(4) The last valid bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.

(5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader", "Cover", "3rd" etc.)

(6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

Rules of SpeerAuction

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

Rules

(1) A bidder ("Bidder") submitting a winning bid ("Winning Bid") is irrevocably obligated to purchase the Bonds at the rates and prices of the winning bid, if acceptable to the Village, as set forth in the related Official Notice of Sale. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the Village.

(2) Neither the Village, Speer Financial, Inc., nor Grant Street Group (the "Auction Administrator") is responsible for technical difficulties that result in loss of Bidder's internet connection with SpeerAuction, slowness in transmission of bids, or other technical problems.

(3) If for any reason a Bidder is disconnected from the Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon such Bidder, unless the Village exercises its right to reject bids, as set forth herein.

(4) Bids which generate error messages are not accepted until the error is corrected and bid is received prior to the deadline.

(5) Bidders accept and agree to abide by all terms and conditions specified in the Official Notice of Sale (including amendments, if any) related to the auction.

**Subject to change.*

(6) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in the Official Notice of Sale, amendments, or Preliminary Official Statement as they appear on SpeerAuction.

(7) Only Bidders who request and receive admission to an auction may submit bids. SpeerAuction and the Auction Administrator reserve the right to deny access to SpeerAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.

(8) Neither the Village, Speer Financial, Inc., nor the Auction Administrator is responsible for protecting the confidentiality of a Bidder's SpeerAuction password.

(9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost, the first confirmed bid received by SpeerAuction prevails. Any change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.

(10) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Page they must report them to SpeerAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by SpeerAuction, Bonds are definitively awarded to the winning bidder only upon official award by the Village. If, for any reason, the Village fails to: (i) award Bonds to the winner reported by SpeerAuction, or (ii) deliver Bonds to winning bidder at settlement, neither the Village, Speer Financial, Inc., nor the Auction Administrator will be liable for damages.

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

The Bonds will be in fully registered form in the denominations of $5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Bonds will be paid. Individual purchases will be in book-entry only form. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such bond is registered at the close of business on the fifteenth day of the month next preceding an interest payment date. The principal of the Bonds shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. Semiannual interest is due June 1 and December 1 of each year commencing December 1, 2013, and is payable by The Bank of New York Mellon Trust Company, N.A., Chicago, Illionis (the "Bond Registrar"). The Bonds are dated date of delivery.

If the winning bidder is not a direct participant of DTC and does not have clearing privileges with DTC, the Bonds will be issued as Registered Bonds in the name of the purchaser. At the request of such winning bidder, the Village will assist in the timely conversion of the Registered Bonds into book-entry bonds with DTC as described herein.

MATURITIES*– DECEMBER 1

$170,000 ... 2014	$2,275,000 ... 2016	$1,805,000 ... 2018
170,000 ... 2015	2,125,000 ... 2017	2,035,000 ... 2019

Any consecutive maturities may be aggregated into term bonds at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

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

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed two percent (2%). All bids must be for all of the Bonds, must be for not less than $8,519,000.

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

**Subject to change.*

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

The discount, if any, is subject to pro rata adjustment if the maturity amounts of the Bonds are changed, allowing the same dollar amount of profit per $1,000 bond as submitted on the Official Bid Form. The dollar amount of profit must be written on the Official Bid Form for any adjustment to be allowed, and is subject to verification.

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

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-32. The winning bidder will be required to pay the standard MSRB charge for Bonds purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per bond.

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

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

Amalgamated Bank of Chicago
Corporate Trust
One West Monroe
Chicago, IL 60603
ABA # 071003405
Credit To: 3281 Speer Bidding Escrow
RE: Village of Arlington Heights, Cook County, Illinois bid for
$8,580,000* General Obligation Refunding Bonds, Series 2013

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

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

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

**Subject to change.*

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

The winning bidder shall provide a certificate, in form as drafted by or acceptable to Bond Counsel, to evidence the issue price of each maturity of the Bonds, form of which certificate is available upon request.

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

Bonds will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about August 21, 2013. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the Village except failure of performance by the purchaser, the Village may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the Bonds will cease.

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

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

The Village will, at its expense, deliver the Bonds to the purchaser in New York, New York, through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the Village will also furnish to the purchaser the following documents, each dated as of the date of delivery of the Bonds: (1) the unqualified opinion of Chapman and Cutler LLP, Chicago, Illinois, that the Bonds are lawful and enforceable obligations of the Village in accordance with their terms and are payable from ad valorem taxes levied against all taxable property of the Village, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; (2) the opinion of said attorneys that the interest on the Bonds is exempt from federal income taxes as and to the extent set forth in the Official Statement for the Bonds; and (3) a no litigation certificate by the Village.

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

The Village has authorized the printing and distribution of an Official Statement containing pertinent information relative to the Village and the Bonds. Copies of such Official Statement or additional information may be obtained from Mr. Thomas Kuehne, Finance Director, Village of Arlington Heights, 33 South Arlington Heights Road, Arlington Heights, Illinois 60005 or an electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Debt Auction Center/Official Statement Sales Calendar" from the Independent Public Finance Consultants to the Village, Speer Financial, Inc., Suite 4100, One North LaSalle Street, Chicago, Illinois 60602, telephone (312) 346-3700.

/s/ **THOMAS W. HAYES**
Village President
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois

/s/ **REBECCA A. HUME**
Village Clerk
VILLAGE OF ARLINGTON HEIGHTS
Cook County, Illinois

**Subject to change.*