ADDENDUM DATED DECEMBER 9, 2014

TO

FINAL OFFICIAL STATEMENT

VILLAGE OF PALATINE

Cook County, Illinois

$7,345,000 General Obligation Refunding Bonds, Series 2014A

$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B

DATED: Date of Delivery. **DUE: Serially on December 1 as Detailed In the Final Official Statement**

THE FINAL OFFICIAL STATEMENT, ORIGINALLY DATED NOVEMBER 17, 2013, RELATED TO THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A AND TAXABLE GENERAL OBLIGATION REFUDNING BONDS, SERIES 2014B (COLLECTIVELY, THE "BONDS"), OF THE VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS (THE "VILLAGE"), IS HEREBY AMENDED TO INCLUDE A NEW DATED DATE FOR THE FINAL OFFICIAL STATEMENT OF NOVEMBER 17, 2014.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE FINAL OFFICIAL STATEMENT OF THE VILLAGE NOW DATED NOVEMBER 17, 2014.

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

New Issue

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

Final Official Statement Dated November 17, 2014

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

VILLAGE OF PALATINE

Cook County, Illinois

$7,345,000 General Obligation Refunding Bonds, Series 2014A
$7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B

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

The $7,345,000 General Obligation Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), and the $7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B (the "Series 2014B Bonds", and together with the Series 2014A Bonds, the "Bonds") are being issued by the Village of Palatine, Cook County, Illinois (the "Village"). Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2015. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each series and maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on December 1 as detailed herein.

OPTIONAL REDEMPTION

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

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

PURPOSE, LEGALITY AND SECURITY

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

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

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

Established 1954

Speer Financial, Inc.

INDEPENDENT PUBLIC FINANCE CONSULTANTS

ONE NORTH LASALLE STREET, SUITE 4100 • CHICAGO, ILLINOIS 60602
Telephone: (312) 346-3700; Facsimile: (312) 346-8833
www.speerfinancial.com

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

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

Table of Contents

BOND ISSUE SUMMARY 1
SOCIOECONOMIC INFORMATION 6
Building Permits 8
Housing 8
Income 9
PLAN OF FINANCING 11
REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES 16
Real Property Assessment 16
Equalization 18
Exemptions 18
Tax Levy 21
Property Tax Extension Limitation Law 21
Extensions 21
Collections 21
Truth in Taxation Law 22
FINANCIAL INFORMATION 23
No Consent or Updated Information Requested of the Auditor 24
EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS 29
REGISTRATION, TRANSFER AND EXCHANGE 29
Registration and Record Date 29
Transfers and Exchanges 29
TAX EXEMPTION – THE SERIES 2014A BONDS 30
Summary of Bond Counsel Opinion 30
Bonds Purchased at a Premium or a Discount 30
Exclusion From Gross Income Requirements 31
Risks of Non-Compliance 31
Federal Income Tax Consequences 31
QUALIFIED TAX EXEMPT OBLIGATIONS – THE SERIES 2014A BONDS 32
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS – THE SERIES 2014B BONDS 32
CONTINUING DISCLOSURE 32
OPTIONAL REDEMPTION – THE SERIES 2014A BONDS 34
LITIGATION 34
LEGAL MATTERS 34
FINAL OFFICIAL STATEMENT AUTHORIZATION 35
INVESTMENT RATING 35
DEFEASANCE AND PAYMENT OF BONDS 35
UNDERWRITING 36
Series 2014A Bonds 36
Series 2014B Bonds 36
FINANCIAL ADVISOR 36
CERTIFICATION 37
APPENDIX A - EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS
APPENDIX B - DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
APPENDIX C - PROPOSED FORMS OF OPINIONS OF BOND COUNSEL
APPENDIX D - EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS RELATING TO THE VILLAGE'S PENSION PLANS

BOND ISSUE SUMMARY

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

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

THE SERIES 2014A BONDS

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

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

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

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

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

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

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

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

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

THE SERIES 2014B BONDS

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

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

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

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

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

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

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

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

VILLAGE COUNCIL

Jim Schwantz
Mayor

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

OFFICIALS

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

Robert C. Kenny, Esq.
Village Attorney

THE VILLAGE

Overview

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

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

Organization and Services

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

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

The Village employs 343 full-time and 45 part-time/seasonal employees. This represents a reduction of 32 employees since January 1, 2009. The Palatine Police Department is comprised of 110 sworn officers and 30 civilian personnel. The police officers have a three-year contract that expires December 31, 2016. The Palatine Fire Department operates from five stations and is comprised of 91 sworn fire fighters and 5 civilian personnel. The fire fighters have a three-year contract expiring December 31, 2014. The Village operates a water distribution and sewage collection system, consisting of approximately 200 miles of mains and a storage capacity of 21.5 million gallons. The public works department is staffed by 50 employees of which 39 are unionized and has a three-year contract that expires on December 31, 2015. Lake Michigan water is obtained from the Northwest Water Commission and sewerage treatment is the responsibility of the Metropolitan Water Reclamation District, each a separate unit of government or agency.

Community Life

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

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

Education

Elementary and secondary education is provided by Palatine Community Consolidated School District Number 15 and Palatine Township High School District Number 211. District 15 is the third largest elementary school district in Illinois, serves a population of approximately 112,700 and has an enrollment of approximately 12,200. District 15 has fifteen elementary schools, four junior high schools, and one alternative school. Township High School District 211 is the largest high school district in Illinois with approximately 12,800 students in its five high schools, two of which are located in the Village.

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

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

Transportation

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

SOCIOECONOMIC INFORMATION

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

Major Village Employers*(1)*

Name	Product/Service	Approximate Employment
Community Unit School District 15	School District	2,200(2)
Township High School District 211	School District	2,057(2)
United Parcel Service	Product and Document Delivery	1,000
United States Postal Service	Product and Document Delivery	1,000
William Rainey Harper College	Community College	980
The Intec Group, Inc.	Plastic Insert & Injection Molding	425
Village of Palatine	Municipality	355
Schneider Electric, North America Operating Div.	Electrical Circuit Breakers & Panel Boards Company Headquarters	355
Weber-Stephen Products Co.	Barbecue Grills & Accessories Company Headquarters	200
Arlington Plating Co.	Metal Plating, Polishing & Buffing	110

Notes: (1) Source: 2014 Illinois Manufacturers Directory, 2014 Illinois Services Directory and a selective telephone survey.
(2) Includes employees at facilities outside the Village.

Major Area Employers*(1)*

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

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

The following tables show employment by industry and by occupation for the Village, Cook County (the "County") and the State of Illinois (the "State") as reported by the U.S. Census Bureau 2008-2012 American Community Survey 5-year estimated values.

Employment By Industry*(1)*

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

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

Employment By Occupation*(1)*

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

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

Annual Average Unemployment Rates*(1)*

Calendar Year	The Village	Cook County	State of Illinois
2003	5.5%	7.4%	6.7%
2004	4.9%	6.7%	6.2%
2005	4.5%	6.4%	5.8%
2006	3.3%	4.8%	4.6%
2007	3.8%	5.2%	5.0%
2008	4.9%	6.5%	6.5%
2009	8.3%	10.3%	10.1%
2010	8.5%	10.5%	10.5%
2011	7.9%	10.4%	9.8%
2012	6.6%	9.3%	8.9%
2013	7.1%	9.6%	9.2%
2014(2)	5.2%	7.6%	7.2%

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

Building Permits

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

Village Building Permits*(1)*

Calendar	Single-Family		Multi-Family		All Other	Total
Year	Units	Value	Units	Value	Value(2)	Value
2003	113	$23,300,509	118	$17,029,345	$40,319,655	$ 80,649,509
2004	55	15,768,970	36	20,011,375	93,141,740	128,922,085
2005	80	18,546,230	29	17,732,285	58,587,850	94,866,365
2006	63	17,345,680	15	11,365,480	60,464,985	89,176,145
2007	26	10,777,526	66	13,511,410	34,929,093	59,218,029
2008	18	7,429,494	3	1,644,545	49,449,471	58,523,510
2009	9	3,727,067	3	817,241	25,480,723	30,025,031
2010	18	7,395,441	0	0	56,169,566	63,565,007
2011	24	9,267,046	7	1,644,545	29,073,097	39,984,688
2012	20	6,524,575	3	342,000	21,821,461	28,688,036
2013	39	14,752,712	8	710,000	29,558,842	45,021,554

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

Housing

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

Specified Owner-Occupied Units*(1)*

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

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

Mortgage Status*(1)*

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

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

Income

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

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

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

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

Ranking of Median Family Income*(1)*

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

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

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

Family Income*(1)*

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

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

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

Household Income*(1)*

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

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

Retail Activity

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

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

State Fiscal Year Ending June 30	State Sales Tax Distributions(2)	Home Rule Sales Tax Distributions	Total	Annual Percent Change + (-)
2005	$7,506,043	$4,375,663	$11,881,706	23.03%(3)
2006	8,001,451	4,687,599	12,689,050	6.79%
2007	7,951,481	4,570,553	12,522,034	(1.32%)
2008	8,307,192	4,836,382	13,143,574	4.96%
2009	7,724,639	4,519,643	12,244,282	(6.84%)
2010	7,005,809	3,938,998	10,989,807	(10.25%)
2011	7,245,268	4,138,020	11,383,288	3.58%
2012	8,197,117	4,292,394	12,489,511	9.72%
2013	7,931,726	4,152,875	12,084,601	(3.24%)
2014	8,205,897	4,319,283	12,525,180	3.64%
Growth from 2005 to 2014				5.41%

Notes: (1) Source: Illinois Department of Revenue.
(2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the Village, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
(3) The 2005 percentage is based on a 2004 sales tax of $9,657,703.

PLAN OF FINANCING

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

Outstanding General Obligation Bonds, Series 2008

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

Outstanding General Obligation Bonds, Series 2004D

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

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

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

Outstanding General Obligation Bonds, Series 2009B

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

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

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

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

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

DEBT INFORMATION

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

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

Calendar Year	Series 1989	Series 2004	Series 2007	Series 2008	Series 2009A	Series 2009B	Series 2009C	Series 2009D	Series 2009E	Series 2009F	Series 2009G	Series 2010A
2014	$ 317,473	$ 535,000	$ 1,160,000	$ 175,000	$ 50,000	$ 450,000	$ 0	$ 395,000	$ 0	$ 0	$ 300,000	$ 510,000
2015	523,137	580,000	1,305,000	185,000	50,000	475,000	0	410,000	0	0	675,000	530,000
2016	302,180	575,000	1,360,000	195,000	50,000	505,000	0	425,000	0	0	0	550,000
2017	0	620,000	1,485,000	205,000	55,000	535,000	0	440,000	750,000	0	0	565,000
2018	0	635,000	1,195,000	215,000	55,000	565,000	0	455,000	1,150,000	0	0	590,000
2019	0	650,000	1,255,000	225,000	60,000	600,000	500,000	0	1,250,000	0	0	615,000
2020	0	690,000	1,315,000	235,000	60,000	635,000	520,000	0	1,250,000	0	0	650,000
2021	0	0	1,390,000	250,000	60,000	675,000	550,000	0	2,000,000	0	0	675,000
2022	0	0	1,345,000	260,000	65,000	715,000	575,000	0	2,100,000	0	0	705,000
2023	0	0	700,000	275,000	70,000	760,000	600,000	0	0	500,000	0	0
2024	0	0	740,000	290,000	70,000	805,000	625,000	0	0	500,000	0	0
2025	0	0	780,000	305,000	75,000	855,000	665,000	0	0	500,000	0	0
2026	0	0	820,000	320,000	80,000	0	700,000	0	0	0	0	0
2027	0	0	0	340,000	80,000	0	725,000	0	0	0	0	0
2028	0	0	0	355,000	85,000	0	775,000	0	0	0	0	0
2029	0	0	0	0	90,000	0	800,000	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0
Total........	$1,142,790	$4,285,000	$14,850,000	$3,830,000	$1,055,000	$7,575,000	$7,035,000	$2,125,000	$8,500,000	$1,500,000	$975,000	$5,390,000

Calendar Year	Series 2010B	Series 2010C	Series 2010D	Series 2011A	Series 2011B	Series 2012	The Bonds	Less: Series 2014A Refunded Bonds	Less: Series 2014B Refunded Bonds	Total Outstanding Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2014	$2,195,000	$ 0	$145,000	$ 475,000	$180,000	$ 505,000	$ 0	$ 0	$ 0	$ 7,392,473	$ 7,392,473	7.08%
2015	2,300,000	0	380,000	25,000	180,000	510,000	1,190,000	(580,000)	(475,000)	8,738,137	16,130,610	15.45%
2016	500,000	0	0	825,000	175,000	515,000	1,390,000	(770,000)	(505,000)	6,597,180	22,727,790	21.77%
2017	1,790,000	0	0	875,000	175,000	525,000	1,440,000	(825,000)	(535,000)	8,635,000	31,362,790	30.04%
2018	0	0	0	900,000	0	540,000	1,475,000	(850,000)	(565,000)	6,925,000	38,287,790	36.67%
2019	0	0	0	900,000	0	555,000	1,505,000	(875,000)	(600,000)	7,240,000	45,527,790	43.61%
2020	0	0	0	900,000	0	570,000	1,565,000	(925,000)	(635,000)	7,465,000	52,992,790	50.76%
2021	0	0	0	1,000,000	0	595,000	945,000	(250,000)	(675,000)	7,890,000	60,882,790	58.32%
2022	0	0	0	1,000,000	0	615,000	975,000	(260,000)	(715,000)	8,095,000	68,977,790	66.07%
2023	0	0	0	100,000	0	0	1,015,000	(275,000)	(760,000)	3,745,000	72,722,790	69.66%
2024	0	725,000	0	0	0	0	1,050,000	(290,000)	(805,000)	4,515,000	77,237,790	73.98%
2025	0	735,000	0	0	0	0	1,090,000	(305,000)	(855,000)	4,700,000	81,937,790	78.48%
2026	0	1,275,000	0	0	0	0	310,000	(320,000)	0	3,185,000	85,122,790	81.53%
2027	0	1,325,000	0	0	0	0	325,000	(340,000)	0	2,455,000	87,577,790	83.88%
2028	0	1,340,000	0	0	0	0	335,000	(355,000)	0	2,535,000	90,112,790	86.31%
2029	0	1,400,000	0	0	0	0		0	0	2,290,000	92,402,790	88.51%
2030	0	2,200,000	0	0	0	0		0	0	2,200,000	94,602,790	90.61%
2031	0	2,300,000	0	0	0	0		0	0	2,300,000	96,902,790	92.82%
2032	0	2,400,000	0	0	0	0		0	0	2,400,000	99,302,790	95.12%
2033	0	2,500,000	0	0	0	0		0	0	2,500,000	101,802,790	97.51%
2034	0	2,600,000	0	0	0	0	0	0	0	2,600,000	104,402,790	100.00%
Total..........	$6,785,000	$18,800,000	$525,000	$7,000,000	$710,000	$4,930,000	$14,610,000	$(7,220,000)	$(7,125,000)	$104,402,790		

Note:.... (1) Source: the Village.

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

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

Notes: (1) Source: Cook County Clerk.
(2) Excludes general obligation alternate revenue source bonds.
(3) Overlapping debt percentages based on 2013 EAV, the most current available.

Statement of Bonded Indebtedness*(1)*

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

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

PROPERTY ASSESSMENT AND TAX INFORMATION

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

Equalized Assessed Valuation*(1)*

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

Notes: (1) Source: Cook County Clerk.
(2) Percentage change based on a levy year 2008 EAV of $2,328,895,469.

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

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

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

Tax Extensions and Collections*(1)*

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

Note: (1) Source: Cook County Clerk.

Principal Taxpayers*(1)*

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

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Real Property Assessment

The County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including that in the Village, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The Village is located in the North Tri and was reassessed for the 2013 tax levy year.

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

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

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

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

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

Equalization

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

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

Tax Levy Year	Equalization Factor
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056
2013	2.6621

Exemptions

Public Act 95-644, effective October 17, 2007, made changes to and added a number of property tax exemptions taken by residential property owners. Public Act 98-0007, effective April 23, 2013, (together with Public Act 95-644, (the "Acts")) increased certain exemptions. The changes made by the Acts are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes ("Residential Property") may be reduced up to a maximum reduction of $5,000 for assessment years 2004 through assessment year 2007. The maximum reduction is $5,500 for assessment year 2008, and $6,000 for assessment years 2009 through 2011. For assessment years 2012 and thereafter, the maximum reduction is $7,000.

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

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

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

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

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

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

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by $2,500 in counties with 3,000,000 inhabitants or more. For assessment years 2004 through 2005, the maximum reduction is $3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is $3,500 in all counties. For assessment years 2008 through 2011, the maximum reduction is $4,000 for all counties. For assessment year 2012, the maximum reduction is $5,000 in counties with 3,000,000 or more inhabitants. For the assessment years 2013 and thereafter, the maximum reduction is $5,000 in all counties. Furthermore, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

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

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

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

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

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

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

Tax Levy

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

Property Tax Extension Limitation Law

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

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

Extensions

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

Collections

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

Tax Levy Year	Second Installment Penalty Date
2004	November 2, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013
2013	August 1, 2014

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

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

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

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

Truth in Taxation Law

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

FINANCIAL INFORMATION

Budget Policies

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

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

Investment Policy

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

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

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

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

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

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

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

Financial Reports

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

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section and in **APPENDIX A** are from the audited financial statements of the Village, including the audited financial statements for the fiscal year ended December 31, 2013 (the "2013 Audit"), which was approved by formal action of the Village Board. The Village has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the Village requested that the Auditor consent to the use of the Excerpted Financial Information in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2013 Audit. The inclusion of the Excerpted Financial Information in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Village since the date of the 2013 Audit. Questions or inquiries relating to financial information of the Village since the date of the 2013 Audit should be directed to the Village.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. The Village is currently operating under a balanced budget for its 2014 fiscal year. To date, revenues and expenditures have been generally within budgeted amounts. See **APPENDIX A** for excerpts of the Village's 2013 fiscal year audit.

Statement of Net Assets/Position
Governmental Activities

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

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

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

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

General Fund
Balance Sheet

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

General Fund
Revenues and Expenditures

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

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

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

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

REGISTRATION, TRANSFER AND EXCHANGE

Registration and Record Date

The registered owner of a Bond will be deemed and regarded as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest theron and for all other purposes whatsoever, and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Village nor the Bond Registrar will be affected by any notice to the contrary.

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

Transfers and Exchanges

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

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

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

TAX EXEMPTION – THE SERIES 2014A BONDS

Summary of Bond Counsel Opinion

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

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

Bonds Purchased at a Premium or a Discount

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

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

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

Exclusion From Gross Income Requirements

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

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

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

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

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

Risks of Non-Compliance

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

Federal Income Tax Consequences

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

QUALIFIED TAX EXEMPT OBLIGATIONS – THE SERIES 2014A BONDS

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

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS – THE SERIES 2014B BONDS

THE SERIES 2014B BONDS WILL BE TREATED AS OBLIGATIONS NOT DESCRIBED IN SECTION 103(A) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, EXCLUDING FROM FEDERAL GROSS INCOME THE INTEREST ON AN OBLIGATION OF A POLITICAL SUBDIVISION OF A STATE. THE HOLDERS OF THE SERIES 2014B BONDS SHOULD TREAT THE INTEREST ON THE SERIES 2014B BONDS AS SUBJECT TO FEDERAL INCOME TAXATION.

CONTINUING DISCLOSURE

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

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

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

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

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

OPTIONAL REDEMPTION – THE SERIES 2014A BONDS

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

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

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

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

LITIGATION

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, whose approving opinion will be delivered with the Bonds. Bond Counsel has reviewed the statements in this Final Official Statement appearing under the heading **"TAX EXEMPTION – THE SERIES 2014A BONDS"** and is of the opinion that the statements contained under such heading are accurate statements or summaries of the matters set forth therein and fairly present the information purported to be shown. Except for the foregoing, however, Bond Counsel has not independently verified the accuracy or completeness of statements and information contained in the Final Official Statement and does not assume any responsibility of the accuracy or completeness of such statements and information.

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

FINAL OFFICIAL STATEMENT AUTHORIZATION

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

INVESTMENT RATING

The Bonds have been rated "AA+/Stable" from Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P"). The Village has supplied certain information and material concerning the Bonds and the Village to S&P, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Standard & Poor's Corporation, 55 Water Street, New York, New York 10041, telephone 212-438-2000.

DEFEASANCE AND PAYMENT OF BONDS

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

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

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

UNDERWRITING

Series 2014A Bonds

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

Series 2014B Bonds

The Series 2014B Bonds were offered for sale by the Village at a public, competitive sale on November 17, 2014. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the " Series 2014B Underwriter"). The Village awarded the contract for sale of the Series 2014B Bonds to the Series 2014B Underwriter at a price of $7,358,940.35. The Series 2014B Underwriter has represented to the Village that the Series 2014B Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in this Final Official Statement.

FINANCIAL ADVISOR

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

CERTIFICATION

We have examined this Final Official Statement dated November 17, 2014, for the $7,345,000 General Obligation Refunding Bonds, Series 2014A, and the $7,265,000 Taxable General Obligation Refunding Bonds, Series 2014B, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **JIM SCHWANTZ**
Mayor
VILLAGE OF PALATINE
Cook County, Illinois

/s/ **REID T. OTTESEN**
Village Manager
VILLAGE OF PALATINE
Cook County, Illinois

APPENDIX A

VILLAGE OF PALATINE, COOK COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 48,396,130	$ 13,381,572	$ 61,777,702
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	21,972,674	-	21,972,674
Accounts	-	1,652,874	1,652,874
Other	695,088	200,321	895,409
Due from other governments	4,574,956	-	4,574,956
Accrued interest	7,590	690	8,280
Prepaid expenses	60,650	-	60,650
Inventories	166,005	-	166,005
Land held for resale	16,867,257	-	16,867,257
Investment in joint venture			
Northwest Water Commission	-	11,841,410	11,841,410
Capital assets not being depreciated	151,415,325	4,858,690	156,274,015
Capital assets being depreciated (net of accumulated depreciation)	47,186,250	45,182,055	92,368,305
Total assets	291,341,925	77,117,612	368,459,537
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	530,410	105,020	635,430
Total deferred outflows of resources	530,410	105,020	635,430
LIABILITIES			
Accounts payable	1,480,187	1,000,685	2,480,872
Accrued payroll	949,423	46,382	995,805
Accrued interest payable	327,330	33,550	360,880
Due to fiduciary funds	35,877	-	35,877
Deposits payable	877,706	145,588	1,023,294
Claims payable	1,610,635	-	1,610,635
Unearned revenues	14,291	142,580	156,871
Noncurrent liabilities			
Due within one year	6,512,347	2,705,582	9,217,929
Due in more than one year	83,829,738	14,088,845	97,918,583
Total liabilities	95,637,534	18,163,212	113,800,746
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	21,814,343	-	21,814,343
Total deferred inflows of resources	21,814,343	-	21,814,343
NET POSITION			
Net investment in capital assets	140,609,666	38,430,520	179,040,186
Restricted for			
Streets and highways	994,753	-	994,753
Debt service	1,865,098	-	1,865,098
Public safety	740,936	-	740,936
Unrestricted	30,210,005	20,628,900	50,838,905
TOTAL NET POSITION	$ 174,420,458	$ 59,059,420	$ 233,479,878

THIS PAGE INTENTIONALLY

LEFT BLANK

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

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

	Governmenal Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Property	31,515,066	-	31,515,066
Home rule sales	4,305,118	-	4,305,118
Telecommunications	2,239,240	-	2,239,240
Electric utility use	1,722,005	-	1,722,005
Other	1,242,698	-	1,242,698
State shared income tax	6,532,135	-	6,532,135
Investment income	300,305	20,064	320,369
Miscellaneous	193,597	-	193,597
Transfers	250,000	(250,000)	-
Total	48,300,164	(229,936)	48,070,228
CHANGE IN NET POSITION	4,368,082	3,790,093	8,158,175
NET POSITION, JANUARY 1 - AS RESTATED	170,052,376	55,269,327	225,321,703
NET POSITION, DECEMBER 31	$ 174,420,458	$ 59,059,420	$ 233,479,878

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 14,703,048	$ 2,852,859	$ 88,214	$ 2,177,269	$ 20,493,004	$ 40,314,394
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	19,344,267	24,266	-	2,604,141	-	21,972,674
Other	670,240	-	-	-	-	670,240
Due from other governments	3,623,068	-	-	-	951,888	4,574,956
Accrued interest	1,105	320	-	95	590	2,110
Due from other funds	18,532	-	43,615	-	-	62,147
Land held for resale	-	8,253,799	8,613,458	-	-	16,867,257
Advance to other funds	5,277,920	-	-	-	-	5,277,920
TOTAL ASSETS	$ 43,638,180	$ 11,131,244	$ 8,745,287	$ 4,781,505	$ 21,445,482	$ 89,741,698

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

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2013

FUND BALANCES OF GOVERNMENTAL FUNDS	$ 59,855,717
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	198,601,575
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(85,594,769)
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	52,945
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net position	(702,160)
Charges on refundings are reported as a deferred outflow of resources on the statement of net position	530,410
Accrued interest on long-term debt is reported as a liability on the statement of net position	(327,330)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(2,145,520)
Less compensated absences payable reported in internal service funds	25,585
The net position of internal service funds is included in the governmental activities in the statement of net position	6,076,586
The net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(1,030,961)
The net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds	(921,620)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 174,420,458

THIS PAGE INTENTIONALLY

LEFT BLANK

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2013

	General	Downtown TIF	Rand Road Corridor TIF	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 26,061,334	$ 4,850,953	$ 2,253,091	$ 2,767,147	$ 5,091,603	$ 41,024,128
Licenses and permits	2,822,149	-	-	-	-	2,822,149
Intergovernmental	18,176,446	125,624	-	497,052	3,303,345	22,102,467
Charges for services	3,380,429	-	-	-	303,041	3,683,470
Fines and forfeits	1,336,226	-	-	-	40,403	1,376,629
Investment income	257,429	8,590	1,602	5,062	27,622	300,305
Miscellaneous	152,334	-	-	-	41,262	193,596
Total revenues	52,186,347	4,985,167	2,254,693	3,269,261	8,807,276	71,502,744
EXPENDITURES						
Current						
General government	5,532,910	-	-	-	-	5,532,910
Public safety	36,975,266	-	-	-	174,694	37,149,960
Public works	6,228,622	-	-	-	-	6,228,622
Economic development	-	2,253,449	360,759	-	3,299,859	5,914,067
Capital outlay	-	4,890,087	71,249	-	5,130,305	10,091,641
Debt service						
Principal retirement	-	3,855,647	950,000	1,541,165	-	6,346,812
Interest	-	1,548,221	880,598	1,956,940	-	4,385,759
Fiscal charges	-	3,597	1,000	3,706	-	8,303
Total expenditures	48,736,798	12,551,001	2,263,606	3,501,811	8,604,858	75,658,074
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,449,549	(7,565,834)	(8,913)	(232,550)	202,418	(4,155,330)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	115,692	115,692
Transfers in	-	-	-	-	5,249,753	5,249,753
Transfers (out)	(1,848,000)	-	(1,000,000)	-	(2,151,753)	(4,999,753)
Total other financing sources (uses)	(1,848,000)	-	(1,000,000)	-	3,213,692	365,692
NET CHANGE IN FUND BALANCE	1,601,549	(7,565,834)	(1,008,913)	(232,550)	3,416,110	(3,789,638)
FUND BALANCE, JANUARY 1 - AS RESTATED	20,557,121	13,378,480	9,746,096	2,424,978	17,538,680	63,645,355
FUND BALANCE, DECEMBER 31	$ 22,158,670	$ 5,812,646	$ 8,737,183	$ 2,192,428	$ 20,954,790	$ 59,855,717

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(3,789,638)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities		4,410,160
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Depreciation		(2,466,155)
The repayment of principal on long-term debt is reported as an expenditure in governmental funds but as a reduction of principal outstanding in the statement of activities		
Principal repayment		6,346,812
The amortization of discount on long-term debt is reported as an expense on the statement of activities		(5,480)
The amortization of premium on long-term debt is reported as revenue on the statement of activities		167,135
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities		(135,855)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities		33,440
The change in compensated absences payable is shown as an expense on the statement of activities		(205,845)
The change in net position of certain activities of internal service funds is reported in governmental funds on the statement of activities		305,759
The change in net OPEB obligation is not a current financial resource and, therefore, is not reported in the governmental funds		(162,405)
The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds		(129,846)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	4,368,082

THIS PAGE INTENTIONALLY

LEFT BLANK

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2013

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	$ 6,518,966	$ 3,266,518	$ 1,463,470	$ 2,132,618	$ 13,381,572	$ 8,081,736
Receivables (net, where applicable, of allowances for uncollectibles)						
Accounts	1,159,672	444,278	-	48,924	1,652,874	-
Other	-	44,200	-	156,121	200,321	24,848
Accrued interest	335	195	85	75	690	5,480
Prepaid expenses	-	-	-	-	-	60,650
Inventories	-	-	-	-	-	166,005
Total current assets	7,678,973	3,755,191	1,463,555	2,337,738	15,235,457	8,338,719
NONCURRENT ASSETS						
Capital assets						
Land	740,200	-	4,118,490	-	4,858,690	-
Buildings and improvements	6,739,405	597,545	15,881,480	-	23,218,430	-
Systems and improvements	17,577,895	59,064,820	-	-	76,642,715	-
Machinery and equipment	2,164,615	286,080	-	-	2,450,695	-
Accumulated depreciation	(14,255,485)	(34,150,570)	(8,723,730)	-	(57,129,785)	-
Total capital assets	12,966,630	25,797,875	11,276,240	-	50,040,745	-
Other assets						
Investment in joint venture						
Northwest Water Commission	11,841,410	-	-	-	11,841,410	-
Total noncurrent assets	24,808,040	25,797,875	11,276,240	-	61,882,155	-
Total assets	32,487,013	29,553,066	12,739,795	2,337,738	77,117,612	8,338,719

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

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2013

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

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 9,847,305	$ 3,442,406	$ 683,780	$ 4,546,567	$ 18,520,058	$ 1,869,989
Receipts from interfund services transactions	-	-	-	-	-	8,200,620
Payments to suppliers	(5,233,454)	(646,454)	(476,679)	(4,671,937)	(11,028,524)	(8,638,054)
Payments to employees	(1,572,279)	(650,130)	-	-	(2,222,409)	(789,765)
Net cash from operating activities	3,041,572	2,145,822	207,101	(125,370)	5,269,125	642,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (out)	(100,000)	(50,000)	-	(100,000)	(250,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(545,065)	(1,002,855)	-	-	(1,547,920)	-
Principal payments on long-term debt	(554,380)	(794,455)	-	-	(1,348,835)	-
Interest and fiscal charges paid on long-term debt	(59,388)	(388,082)	-	-	(447,470)	-
Net cash from capital and related financing activities	(1,158,833)	(2,185,392)	-	-	(3,344,225)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	9,326	17,309	1,258	7,331	35,224	36,683
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,792,065	(72,261)	208,359	(218,039)	1,710,124	679,473
CASH AND CASH EQUIVALENTS, JANUARY 1	4,726,901	3,338,779	1,255,111	2,350,657	11,671,448	7,402,263
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 6,518,966	$ 3,266,518	$ 1,463,470	$ 2,132,618	$ 13,381,572	$ 8,081,736

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2013

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

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2013

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

VILLAGE OF PALATINE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

Police Pension Employees Retirement System (PPERS)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System (FPERS)

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

Joint Ventures

Northwest Water Commission (NWWC)

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

Solid Waste Agency of Northern Cook County (SWANCC)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary funds:

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

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

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

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

Additionally, the Village reports the following proprietary fund:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

f. Interfund Receivables/Payables

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

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

g. Inventories

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

h. Deferred Charge on Refunding

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Prepaid Items/Expenses

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

j. Land Held for Resale

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

k. Capital Assets

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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

l. Compensated Absences

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

m. Rebatable Arbitrage

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

n. Long-Term Obligations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Fund Balance/Net Position

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

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

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

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

p. Interfund Transactions

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Deferred Outflows/Inflows of Resources

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

2. DEPOSITS AND INVESTMENTS

a. Village Deposits and Investments

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Deposits and Investments (Continued)

Deposits with Financial Institutions

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

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

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at the date of this report are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of the date of this report:

		Investment Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 5,139,445	$ 501,550	$ 735,513	$ 1,548,900	$ 2,353,482
U.S. agency obligations	1,475,891	-	764,278	217,994	493,619
Corporate bonds	12,077,710	551,941	5,518,670	5,693,854	313,245
Municipal bonds	804,543	90,483	177,557	294,566	241,937
TOTAL	$ 19,497,589	$ 1,143,974	$ 7,196,018	$ 7,755,314	$ 3,402,283

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments (Continued)

Investments (Continued)

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

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency and corporate bonds rated as investment grade. The U.S. agency obligations and municipal bonds, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aa1 to Baa3.

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at the date of this report are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of the date of this report:

		Investment Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 10,618,054	$ 190,148	$ 5,211,253	$ 5,216,653	$ -
U.S. agency obligations	2,418,362	661,369	1,742,498	14,495	-
Corporate bonds	9,608,204	257,633	6,868,848	2,237,371	244,352
TOTAL	$ 22,644,620	$ 1,109,150	$ 13,822,599	$ 7,468,519	$ 244,352

2. DEPOSITS AND INVESTMENTS (Continued)

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

Investments (Continued)

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

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency and corporate bonds rated as investment grade. The U.S. agency obligations, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aaa to Baa2.

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

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

3. RECEIVABLES

a. Taxes

Property taxes for 2013 attach as an enforceable lien on January 1, 2013, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1 and August 1 each year and are payable in two installments, on or about March 1 and September 1. The County collects such taxes and remits them periodically.

The Village has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2013 tax levy has been recorded as unavailable revenue on the financial statements.

b. Other Receivables

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

GOVERNMENTAL ACTIVITIES	
Hotel occupancy tax	$ 9,700
Ambulance service and fees	108,840
Cable franchise fees	210,170
Food and beverage tax	116,335
Red light violations	63,500
Electric utility tax	161,695
Billed receivables	24,848
Total governmental activities	695,088
BUSINESS-TYPE ACTIVITIES	
Disposal fees	156,121
Sewer loan program	44,200
Total business-type activities	200,321
TOTAL OTHER RECEIVABLES	$ 895,409

3. RECEIVABLES (Continued)

c. Due from Other Governments

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

GOVERNMENTAL ACTIVITIES	
State sales tax	$ 1,890,210
Home rule sales tax	749,520
Grants	223,370
State income tax	766,288
Court fines	59,960
Other state sources	157,993
Motor fuel tax allotments	171,555
Telecommunications tax	556,060
Total government activities	4,574,956
BUSINESS-TYPE ACTIVITIES	-
TOTAL DUE FROM OTHER GOVERNMENTS	$ 4,574,956

4. CAPITAL ASSETS

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

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

4. CAPITAL ASSETS (Continued)

	Beginning Balance*	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Less accumulated depreciation for				
Buildings and improvements	$ 8,577,565	$ 1,150,780	$ -	$ 9,728,345
Machinery and equipment	4,941,430	730,985	360,330	5,312,085
Streets	13,568,990	552,390	46,650	14,074,730
Bridges	758,635	32,000	-	790,635
Total accumulated depreciation	27,846,620	2,466,155	406,980	29,905,795
Total capital assets being depreciated, net	47,273,745	(87,495)	-	47,186,250
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 196,657,570	$ 1,944,005	$ -	$ 198,601,575
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 2,906,140	$ 1,952,550	$ -	$ 4,858,690
Total capital assets not being depreciated	2,906,140	1,952,550	-	4,858,690
Capital assets being depreciated				
Equipment	2,243,090	207,605	-	2,450,695
Buildings and improvements	7,336,950	-	-	7,336,950
Water system	17,248,270	337,460	7,835	17,577,895
Sewer system	57,836,620	1,228,200	-	59,064,820
Parking improvements	15,881,480	-	-	15,881,480
Total capital assets being depreciated	100,546,410	1,773,265	7,835	102,311,840
Less accumulated depreciation for				
Equipment	977,040	209,975	-	1,187,015
Buildings and improvements	3,707,965	177,170	-	3,885,135
Water system	9,064,705	369,305	7,835	9,426,175
Sewer system	32,732,885	1,174,845	-	33,907,730
Parking improvements	7,939,650	784,080	-	8,723,730
Total accumulated depreciation	54,422,245	2,715,375	7,835	57,129,785
Total capital assets being depreciated, net	46,124,165	(942,110)	-	45,182,055
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 49,030,305	$ 1,010,440	$ -	$ 50,040,745

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

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

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

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

5. LONG-TERM DEBT

a. General Obligation Bonds

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

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

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

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

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

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

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

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

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

b. Tax Increment Financing Revenue Bonds and Notes

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

5. LONG-TERM DEBT (Continued)

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

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

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

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

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

c. Legal Debt Margin

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

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

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

5. LONG-TERM DEBT (Continued)

d. Noncommitment Debt

Special Service Area Bonds outstanding as of the date of this report totaled $5,835,000. These bonds are not an obligation of the Village and are secured solely by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for the repayment, but is only acting as agent for the property owners in levying and collecting the tax and forwarding the collections to the bondholders.

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

Year Ending December 31,	Principal	Interest
2014	$ 60,000	$ 522,450
2015	70,000	516,600
2016	75,000	510,075
2017	80,000	503,100
2018	90,000	495,450
2019	95,000	487,125
2020	105,000	478,125
2021	115,000	468,225
2022	125,000	457,425
2023	135,000	445,725
2024	500,000	417,150
2025	750,000	360,900
2026	1,110,000	277,200
2027	1,210,000	172,800
2028	1,315,000	59,175
TOTAL	$ 5,835,000	$ 6,171,525

e. Tax Increment Financing Redevelopment Note Disclosures

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

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

5. LONG-TERM DEBT (Continued)

f. Changes in Long-Term Liabilities

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

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

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

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is self-insured for medical benefits and has established a risk financing fund, Health Insurance Fund, for all medical risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the fund provides coverage up to a maximum of $110,000 per individual's claims paid and a maximum of 125% of the expected aggregate claims paid. The Village purchases commercial insurance for claims in excess of the coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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

	Medical Benefits	Workers' Compensation	General Liability	Totals
UNPAID CLAIMS,				
DECEMBER 31, 2011	$ 277,500	$ 186,606	$ 25,878	$ 489,984
Claims incurred – 2012	4,394,927	1,042,842	589,582	6,027,351
Claims payments – 2012	4,333,927	565,408	242,040	5,141,375
UNPAID CLAIMS,				
DECEMBER 31, 2012	$ 338,500	$ 664,040	$ 373,420	$ 1,375,960
Claims incurred – 2013	3,438,875	895,580	279,480	4,613,935
Claims payments – 2013	3,525,875	437,405	415,980	4,379,260
UNPAID CLAIMS,				
DECEMBER 31, 2013	$ 251,500	$ 1,122,215	$ 236,920	$ 1,610,635

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

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

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

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

The Village's estimated payment for operations and maintenance costs for 2014 is $1,375,345. This is based on an estimated tipping fee of $56.95 per ton for 24,150 tons.

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

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

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

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

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

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

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC)

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

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

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

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

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

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

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

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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

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

Receivable Fund	Payable Fund	Amount
Major governmental	Nonmajor governmental	
General	Special Police Grant	$ 18,532
Nonmajor governmental	Nonmajor governmental	
Rand Corridor TIF	Rand-Lake Cook TIF	43,615
Fiduciary	Major governmental	
Police Pension	General	17,786
Firefighters' Pension	General	18,091
TOTAL		$ 98,024

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

- $18,532 payable by the Special Police Grant Fund to the General Fund and the $43,615 payable by the Rand-Lake Cook TIF Fund to the Rand Corridor TIF Fund are for short-term cash loans at year end. The amounts will be repaid within one year.
- $35,877 payable by the General Fund to the Pension Funds is for taxes received after year end.

b. Advances From/To Other Funds

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

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

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

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Transfers

During the year, the following transfers were made:

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

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

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

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

c. Membership

At the date of this report, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

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

Fiscal Year Year December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 284,669	$ 135,226	47.50%	$ 723,860
2012	279,920	135,226	48.30%	868,556
2013	390,341	227,937	58.40%	1,030,961

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the December 31, 2013 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

11. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund (IMRF)

All employees (other than those covered by the PPERS or FPERS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 2013 were 13.47% of covered payroll.

Police Pension Employees Retirement System (PPERS)

Police sworn personnel are covered by the PPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2014, the PPERS membership consisted of:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

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

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

Employees are required by ILCS to contribute 9.91% of their base salary to the PPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the PPERS. For the year ended December 31, 2013, the Village's contribution was 29.35% of covered payroll.

Firefighters' Pension Employees Retirement System (FPERS)

Fire sworn personnel are covered by the FPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2014, the FPERS membership consisted of:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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

Covered employees are required to contribute 9.455% of their base salary to the FPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the FPERS. For the year ended December 31, 2013, the Village's contribution was 35.18% of covered payroll.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

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

Administrative Costs

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

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

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

e. Trend Information

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

	For Fiscal Year	IMRF	PPERS	FPERS
Annual pension cost (APC)	2011	$ 1,410,209	$ 2,800,759	$ 2,704,868
	2012	1,311,221	3,004,711	2,986,904
	2013	1,366,121	2,955,862	3,101,888
Actual contribution	2011	$ 1,410,209	$ 3,450,128	$ 2,600,219
	2012	1,311,221	3,016,974	2,876,372
	2013	1,366,121	2,969,877	2,958,027
Percentage of APC contributed	2011	100.00%	123.19%	96.13%
	2012	100.00%	100.41%	96.30%
	2013	100.00%	100.47%	95.36%
NPO (asset)	2011	$ -	$ 334,408	$ 359,097
	2012	-	322,145	469,629
	2013	-	308,130	613,490

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	IMRF	PPERS	FPERS
Actuarial valuation date	December 31, 2013	December 31, 2013	December 31, 2013
Actuarial accrued liability (AAL)	$ 37,075,514	$ 90,217,352	$ 89,230,996
Actuarial value of plan assets	29,483,559	56,991,085	57,290,015
Unfunded actuarial accrued liability (UAAL)	7,591,955	33,226,267	31,940,981
Funded ratio (actuarial value of plan assets/AAL)	79.52%	63.17%	64.20%
Covered payroll (active plan members)	$ 10,141,956	$ 10,117,378	$ 8,408,325
UAAL as a percentage of covered payroll	74.86%	328.41%	379.87%

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

12. PENSION TRUST FUNDS

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	$ 879	$ 879	$ 1,758
Investments			
U.S. Treasury securities	5,139,445	10,618,054	15,757,499
U.S. agency securities	1,475,891	2,418,362	3,894,253
Corporate and international bonds	12,077,710	9,608,204	21,685,914
Municipal bonds	804,543	-	804,543
Money market mutual funds	472,845	707,220	1,180,065
Equities	36,863,312	33,798,285	70,661,597
Receivables			
Accrued interest	138,674	120,921	259,595
Due from general fund	17,786	18,091	35,877
Total assets	56,991,085	57,290,016	114,281,101
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	-	-	-
NET POSITION	$ 56,991,085	$ 57,290,016	$ 114,281,101

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 2,969,877	$ 2,958,027	$ 5,927,904
Employee	996,348	793,686	1,790,034
Miscellaneous	81	-	81
Total contributions	3,966,306	3,751,713	7,718,019
Investment income			
Net appreciation in fair value of investments	4,979,713	6,258,879	11,238,592
Interest income	1,298,100	1,002,811	2,300,911
Less investment expense	(288,494)	(195,046)	(483,540)
Net investment income	5,989,319	7,066,644	13,055,963
Total additions	9,955,625	10,818,357	20,773,982
DEDUCTIONS			
Administrative	16,896	10,962	27,858
Pension benefits and refunds	2,643,186	3,660,825	6,304,011
Total deductions	2,660,082	3,671,787	6,331,869
CHANGE IN NET POSITION	7,295,543	7,146,570	14,442,113
NET POSITION			
January 1	49,695,542	50,143,446	99,838,988
December 31	$ 56,991,085	$ 57,290,016	$ 114,281,101

13. PRIOR PERIOD ADJUSTMENTS

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

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

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 18,211,574	$ 27,169,988	67.03%	$ 8,958,414	$ 10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%
2012	25,147,488	33,813,736	74.37%	8,666,248	9,925,976	87.31%
2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,956	74.86%

Schedule of Employer Contributions

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

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 40,507,394	$ 50,689,201	79.91%	$ 10,181,807	$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%
2012	49,695,524	84,402,484	58.88%	34,706,960	9,823,321	353.31%
2013	56,991,085	90,217,352	63.17%	33,226,267	10,117,378	328.41%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	$ 1,792,538	$ 1,677,795	106.84%
2009	1,839,264	1,697,492	108.35%
2010	2,685,585	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%
2012	3,016,974	2,996,776	100.67%
2013	2,969,877	2,948,599	100.72%

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' PENSION FUND

December 31, 2013

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ -	$ 2,461,467	0.00%	$ 2,461,467	$ 21,727,560	11.33%
2009	-	2,159,444	0.00%	2,159,444	22,550,270	9.58%
2010	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2011 [1]	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2012	-	5,329,063	0.00%	5,329,063	25,423,925	20.96%
2013 [1]	-	5,329,063	0.00%	5,329,063	27,369,373	19.47%

[1] Results from prior year.

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

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

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

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

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

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

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

APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX C
PROPOSED FORM OF OPINIONS OF BOND COUNSEL
[TO BE DATED CLOSING DATE]

December 9, 2014

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

Dear Members:

We have examined a record of proceedings relating to the issuance of $7,345,000 principal amount of General Obligation Refunding Bonds, Series 2014A (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on November 17, 2014 and entitled: "Ordinance Authorizing the Issuance of General Obligation Refunding Bonds, Series 2014A and Taxable General Obligation Refunding Bonds, Series 2014B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated December 9, 2014 and bear interest from their date payable on June 1, 2015 and semiannually thereafter on each June 1 and December 1.

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

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

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

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

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

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

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

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

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

Very truly yours,

December 9, 2014

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

Dear Members:

We have examined a record of proceedings relating to the issuance of $7,265,000 principal amount of Taxable General Obligation Refunding Bonds, Series 2014B (the "Bonds") of the Village of Palatine, a municipal corporation and a home rule unit of the State of Illinois situate in the County of Cook. The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and the Code of Ordinances of Palatine and by virtue of an ordinance adopted by the Mayor and Village Council of the Village on November 17, 2014 and entitled: "Ordinance Authorizing the Issuance of General Obligation Refunding Bonds, Series 2014A and Taxable General Obligation Refunding Bonds, Series 2014B, of the Village of Palatine, Illinois" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated December 9, 2014 and bear interest from their date payable on June 1, 2015 and semiannually thereafter on each June 1 and December 1.

The Bonds mature (without option of prior redemption) on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2015	$550,000	2.000%
2016	570,000	2.000
2017	585,000	2.000
2018	605,000	2.000
2019	630,000	3.000
2020	655,000	3.000
2021	680,000	3.000
2022	705,000	3.000
2023	735,000	3.000
2024	760,000	3.125
2025	790,000	3.300

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

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

Very truly yours,

APPENDIX D

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at the date of this report are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of the date of this report:

		Investment Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 5,139,445	$ 501,550	$ 735,513	$ 1,548,900	$ 2,353,482
U.S. agency obligations	1,475,891	-	764,278	217,994	493,619
Corporate bonds	12,077,710	551,941	5,518,670	5,693,854	313,245
Municipal bonds	804,543	90,483	177,557	294,566	241,937
TOTAL	$ 19,497,589	$ 1,143,974	$ 7,196,018	$ 7,755,314	$ 3,402,283

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Deposits and Investments (Continued)

Investments (Continued)

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

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency and corporate bonds rated as investment grade. The U.S. agency obligations and municipal bonds, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aa1 to Baa3.

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Deposits and Investments

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

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

Deposits with Financial Institutions

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

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at the date of this report are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of the date of this report:

		Investment Maturities in Years			
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	$ 10,618,054	$ 190,148	$ 5,211,253	$ 5,216,653	$ -
U.S. agency obligations	2,418,362	661,369	1,742,498	14,495	-
Corporate bonds	9,608,204	257,633	6,868,848	2,237,371	244,352
TOTAL	$ 22,644,620	$ 1,109,150	$ 13,822,599	$ 7,468,519	$ 244,352

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

2. DEPOSITS AND INVESTMENTS (Continued)

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

Investments (Continued)

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

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing U.S. Treasury obligations and other obligations which are rated in the top three classes by a national rating agency and corporate bonds rated as investment grade. The U.S. agency obligations, for those rated, range in rating from Aaa to Aa2 and the corporate bonds range from Aaa to Baa2.

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

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Transfers

During the year, the following transfers were made:

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

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

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

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

c. Membership

At the date of this report, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

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

Fiscal Year Year December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 284,669	$ 135,226	47.50%	$ 723,860
2012	279,920	135,226	48.30%	868,556
2013	390,341	227,937	58.40%	1,030,961

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the December 31, 2013 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included 4.0% investment rate of return and an 8.0% initial healthcare cost trend rate with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

11. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund (IMRF)

All employees (other than those covered by the PPERS or FPERS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (IMRF) (Continued)

Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contributions for 2013 were 13.47% of covered payroll.

Police Pension Employees Retirement System (PPERS)

Police sworn personnel are covered by the PPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2014, the PPERS membership consisted of:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Employees Retirement System (PPERS) (Continued)

Employees are required by ILCS to contribute 9.91% of their base salary to the PPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the PPERS. For the year ended December 31, 2013, the Village's contribution was 29.35% of covered payroll.

Firefighters' Pension Employees Retirement System (FPERS)

Fire sworn personnel are covered by the FPERS. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At January 1, 2014, the FPERS membership consisted of:

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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

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

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

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

Covered employees are required to contribute 9.455% of their base salary to the FPERS. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past services costs for the FPERS. For the year ended December 31, 2013, the Village's contribution was 35.18% of covered payroll.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

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

Administrative Costs

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

d. Net Pension Obligation

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

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

e. Trend Information

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

	For Fiscal Year	IMRF	PPERS	FPERS
Annual pension cost (APC)	2011	$ 1,410,209	$ 2,800,759	$ 2,704,868
	2012	1,311,221	3,004,711	2,986,904
	2013	1,366,121	2,955,862	3,101,888
Actual contribution	2011	$ 1,410,209	$ 3,450,128	$ 2,600,219
	2012	1,311,221	3,016,974	2,876,372
	2013	1,366,121	2,969,877	2,958,027
Percentage of APC contributed	2011	100.00%	123.19%	96.13%
	2012	100.00%	100.41%	96.30%
	2013	100.00%	100.47%	95.36%
NPO (asset)	2011	$ -	$ 334,408	$ 359,097
	2012	-	322,145	469,629
	2013	-	308,130	613,490

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

f. Funded Status and Funding Progress

	IMRF	PPERS	FPERS
Actuarial valuation date	December 31, 2013	December 31, 2013	December 31, 2013
Actuarial accrued liability (AAL)	$ 37,075,514	$ 90,217,352	$ 89,230,996
Actuarial value of plan assets	29,483,559	56,991,085	57,290,015
Unfunded actuarial accrued liability (UAAL)	7,591,955	33,226,267	31,940,981
Funded ratio (actuarial value of plan assets/AAL)	79.52%	63.17%	64.20%
Covered payroll (active plan members)	$ 10,141,956	$ 10,117,378	$ 8,408,325
UAAL as a percentage of covered payroll	74.86%	328.41%	379.87%

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

12. PENSION TRUST FUNDS

a. Schedule of Net Position

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	$ 879	$ 879	$ 1,758
Investments			
U.S. Treasury securities	5,139,445	10,618,054	15,757,499
U.S. agency securities	1,475,891	2,418,362	3,894,253
Corporate and international bonds	12,077,710	9,608,204	21,685,914
Municipal bonds	804,543	-	804,543
Money market mutual funds	472,845	707,220	1,180,065
Equities	36,863,312	33,798,285	70,661,597
Receivables			
Accrued interest	138,674	120,921	259,595
Due from general fund	17,786	18,091	35,877
Total assets	56,991,085	57,290,016	114,281,101
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	-	-	-
NET POSITION	$ 56,991,085	$ 57,290,016	$ 114,281,101

12. PENSION TRUST FUNDS (Continued)

b. Schedule of Changes in Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	$ 2,969,877	$ 2,958,027	$ 5,927,904
Employee	996,348	793,686	1,790,034
Miscellaneous	81	-	81
Total contributions	3,966,306	3,751,713	7,718,019
Investment income			
Net appreciation in fair value of investments	4,979,713	6,258,879	11,238,592
Interest income	1,298,100	1,002,811	2,300,911
Less investment expense	(288,494)	(195,046)	(483,540)
Net investment income	5,989,319	7,066,644	13,055,963
Total additions	9,955,625	10,818,357	20,773,982
DEDUCTIONS			
Administrative	16,896	10,962	27,858
Pension benefits and refunds	2,643,186	3,660,825	6,304,011
Total deductions	2,660,082	3,671,787	6,331,869
CHANGE IN NET POSITION	7,295,543	7,146,570	14,442,113
NET POSITION			
January 1	49,695,542	50,143,446	99,838,988
December 31	$ 56,991,085	$ 57,290,016	$ 114,281,101

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

13. PRIOR PERIOD ADJUSTMENTS

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

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

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 18,211,574	$ 27,169,988	67.03%	$ 8,958,414	$ 10,488,890	85.41%
2009	20,060,235	29,996,610	66.88%	9,936,375	10,759,385	92.35%
2010	21,197,915	31,737,799	66.79%	10,539,884	10,913,712	96.57%
2011	23,396,632	32,533,315	71.92%	9,136,683	10,078,945	90.65%
2012	25,147,488	33,813,736	74.37%	8,666,248	9,925,976	87.31%
2013	29,483,559	37,075,514	79.52%	7,591,955	10,141,956	74.86%

Schedule of Employer Contributions

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

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION FUND

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 40,507,394	$ 50,689,201	79.91%	$ 10,181,807	$ 8,476,021	120.12%
2009	41,164,283	60,412,593	68.14%	19,248,310	8,915,082	215.91%
2010	41,716,450	65,273,187	63.91%	23,556,737	9,332,860	252.41%
2011	44,633,853	77,719,305	57.43%	33,085,452	9,749,554	339.35%
2012	49,695,524	84,402,484	58.88%	34,706,960	9,823,321	353.31%
2013	56,991,085	90,217,352	63.17%	33,226,267	10,117,378	328.41%

Schedule of Employer Contributions

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	$ 1,792,538	$ 1,677,795	106.84%
2009	1,839,264	1,697,492	108.35%
2010	2,685,585	2,685,568	100.00%
2011	3,450,128	2,775,424	124.31%
2012	3,016,974	2,996,776	100.67%
2013	2,969,877	2,948,599	100.72%

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' PENSION FUND

December 31, 2013

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

VILLAGE OF PALATINE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ -	$ 2,461,467	0.00%	$ 2,461,467	$ 21,727,560	11.33%
2009	-	2,159,444	0.00%	2,159,444	22,550,270	9.58%
2010	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2011 [1]	-	3,316,449	0.00%	3,316,449	23,495,020	14.12%
2012	-	5,329,063	0.00%	5,329,063	25,423,925	20.96%
2013 [1]	-	5,329,063	0.00%	5,329,063	27,369,373	19.47%

[1] Results from prior year.

Schedule of Employer Contributions

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

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

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

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

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

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

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

THIS PAGE INTENTIONALLY

LEFT BLANK