

*Village of Palatine, Illinois*



*Comprehensive Annual Financial Report*  
*Fiscal Year Ended*  
*December 31, 2005*

VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
December 31, 2005

Prepared by the Finance Department

Paul D. Mehring, CPA  
Director of Finance and Operations

Susan D. Conn  
Assistant Finance Director

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS

---

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Principal Officials .....	i
Organization Chart.....	ii
Certificate of Achievement for Excellence in Financial Reporting.....	iii
Letter of Transmittal .....	iv-vii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT .....	1-2
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis.....	MD&A1-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities .....	4-5
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances.....	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities .....	9

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS (Continued)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Statement of Net Assets.....	10-11
Statement of Revenues, Expenses and Changes in Net Assets .....	12-13
Statement of Cash Flows .....	14-15

Fiduciary Funds

Statement of Fiduciary Net Assets .....	16
Statement of Changes in Fiduciary Net Assets .....	17

Notes to Financial Statements .....	18-59
-------------------------------------	-------

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund .....	60
Downtown TIF Fund .....	61
Schedule of Funding Progress	
Illinois Municipal Retirement Fund .....	62
Police Pension Fund .....	63
Firefighters' Pension Fund .....	64
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund .....	65
Police Pension Fund .....	66
Firefighters' Pension Fund .....	67
Notes to Required Supplementary Information.....	68



VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet .....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	70

Nonmajor Special Revenue Funds

Combining Balance Sheet .....	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Block Grant Fund.....	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Motor Fuel Tax Fund .....	74
Schedule of Expenditures - Budget and Actual - Motor Fuel Tax Fund.....	75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Rand Road Corridor TIF Fund.....	76

Nonmajor Capital Projects Funds

Combining Balance Sheet .....	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	78
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Improvement Fund .....	79
Schedule of Expenditures - Budget and Actual - Capital Improvement Fund.....	80
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Equipment Acquisition Fund .....	81
Schedule of Expenditures - Budget and Actual - Capital Equipment Acquisition Fund .....	82
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Flood Control Fund.....	83

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES (Continued)

INTERNAL SERVICE FUNDS

Combining Statement of Net Assets .....	84
Combining Statement of Revenues, Expenses and Changes in Net Assets .....	85
Combining Statement of Cash Flows .....	86
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual Central Equipment Fund .....	87
Self Insurance Fund .....	88

FIDUCIARY FUNDS

Combining Balance Sheet .....	89
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds .....	90
Schedule of Changes in Plan Net Assets - Budget and Actual Police Pension Fund .....	91
Firefighters' Pension Fund .....	92
Schedule of Changes in Assets and Liabilities - Special Service Areas Fund .....	93

SUPPLEMENTAL SECTION

Schedule of Revenues - Budget and Actual - General Fund .....	94-95
Schedule of Expenditures - Budget and Actual - General Fund .....	96-97
Schedule of Expenditures - Budget and Actual - Downtown TIF Fund .....	98
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Obligation Bond Fund .....	99
Schedule of Expenditures - Budget and Actual - General Obligation Bond Fund .....	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Tax Increment Revenue Refunding Bond Series of 1998 Fund...	101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Reserved - Restricted Accounts - Tax Increment Revenue Refunding Bond Series of 1998 Fund .....	102

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES (Continued)

SUPPLEMENTAL SECTION (Continued)

Enterprise Funds

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual - Waterworks Fund.....	103
Schedule of Operating Revenues - Budget and Actual - Waterworks Fund .....	104
Schedule of Operating Expenses - Budget and Actual - Waterworks Fund .....	105
Schedule of Capital Assets and Accumulated Depreciation - Waterworks Fund .....	106
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual - Sewerage Fund.....	107
Schedule of Operating Revenues - Budget and Actual - Sewerage Fund.....	108
Schedule of Operating Expenses - Budget and Actual - Sewerage Fund .....	109
Schedule of Capital Assets and Accumulated Depreciation - Sewerage Fund .....	110
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual - Motor Vehicle Parking System Fund.....	111
Schedule of Operating Expenses - Budget and Actual - Motor Vehicle Parking System Fund .....	112
Schedule of Capital Assets and Accumulated Depreciation - Motor Vehicle Parking System Fund .....	113
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual - Refuse Collection Fund .....	114

Long-Term Debt Requirements

General Obligation Bond Series of 1989.....	115
General Obligation Bond Series of 1999.....	116
General Obligation Bond Series of 1999A.....	117
General Obligation Bond Series of 2000.....	118
General Obligation Bond Series of 2000B .....	119
General Obligation Bond Series of 2001 .....	120
General Obligation Bond Taxable Series of 2001 .....	121
General Obligation Bond Series of 2002.....	122
General Obligation Refunding Bond Taxable Series of 2003 .....	123
General Obligation Refunding Bond Series of 2003 .....	124
General Obligation Tax Increment Bond Series of 2003 .....	125
General Obligation Bond Series of 2004.....	126

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES (Continued)

SUPPLEMENTAL SECTION (Continued)

Long-Term Debt Requirements (Continued)

General Obligation Bond Taxable Series of 2004A .....	127
General Obligation Bond Taxable Series of 2004B .....	128
General Obligation Bond Equipment Series of 2004 .....	129
General Obligation Refunding Bond Series of 2004C .....	130
General Obligation Refunding Bond Series of 2004D .....	131
General Obligation Refunding Bond Series of 2005 .....	132
Tax Increment Revenue Refunding Bond Series of 1998 .....	133
Limited Obligation Subordinated Redevelopment Note Series 1998A.....	134
Limited Obligation Subordinated Redevelopment Note Series 2000A.....	135

STATISTICAL SECTION

Government-Wide Information

Government-Wide Revenues .....	136
Government-Wide Expenses by Function.....	137

Fund Information

General Governmental Revenues by Source - Last Ten Fiscal Years.....	138
General Governmental Expenditures by Function - Last Ten Fiscal Years .....	139
Property Tax Assessed Valuations, Rates, and Extensions - Last Ten Levy Years .....	140-141
Property Tax Collections - Last Ten Levy Years .....	142
Assessed and Estimated Actual Value of Taxable Property - Last Ten Levy Years .....	143
Property Tax Rates - Direct and Overlapping Governments Last Ten Levy Years .....	144
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita - Last Ten Fiscal Years .....	145
Schedule of Direct and Overlapping Bonded Debt .....	146
Schedule of Legal Debt Margin .....	147
Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Governmental Expenditures - Last Ten Fiscal Years.....	148
Demographic Statistics - Last Ten Fiscal Years .....	149
Property Value and Construction - Last Ten Fiscal Years .....	150
Principal Taxpayers.....	151
Miscellaneous Statistics .....	152

VILLAGE OF PALATINE, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

STATISTICAL SECTION (Continued)

Additional Disclosures Required by SEC Rule 15c2-12

Statement of Indebtedness.....	153
Retirement Schedule of Outstanding Village General Obligation Debt .....	154
Bonded Debt Ratios and Per Capita Debt -	
Last Ten General Obligation Bond Sales.....	155
Detailed Overlapping Bonded Indebtedness Payable from Property Taxes.....	156
Equalized Assessed Valuation for Taxing Purposes .....	157
Tax Rates Per \$100 Equalized Assessed Valuation.....	158
Tax Extensions and Collections (Village Purposes Only) .....	159
Tax Base Distribution by Property Classification.....	160
Ten Largest Taxpayers .....	161
General Fund	
Summary Statement of Revenues, Expenditures and Changes in	
Fund Balance (Fiscal Years Ending December 31, 2000 - 2004)	
and 2005 Budget.....	162
Balance Sheet (December 31, 2000 - 2004).....	163
Combined Statement - All Funds Fund Balances December 31, 2000 - 2004	
and Summary 2004 Revenues, Excess Revenues and Fund Balances .....	164
Cash and Investments.....	165
Capital Assets.....	166

VILLAGE OF PALATINE

PRINCIPAL OFFICIALS

December 31, 2005

---

MAYOR

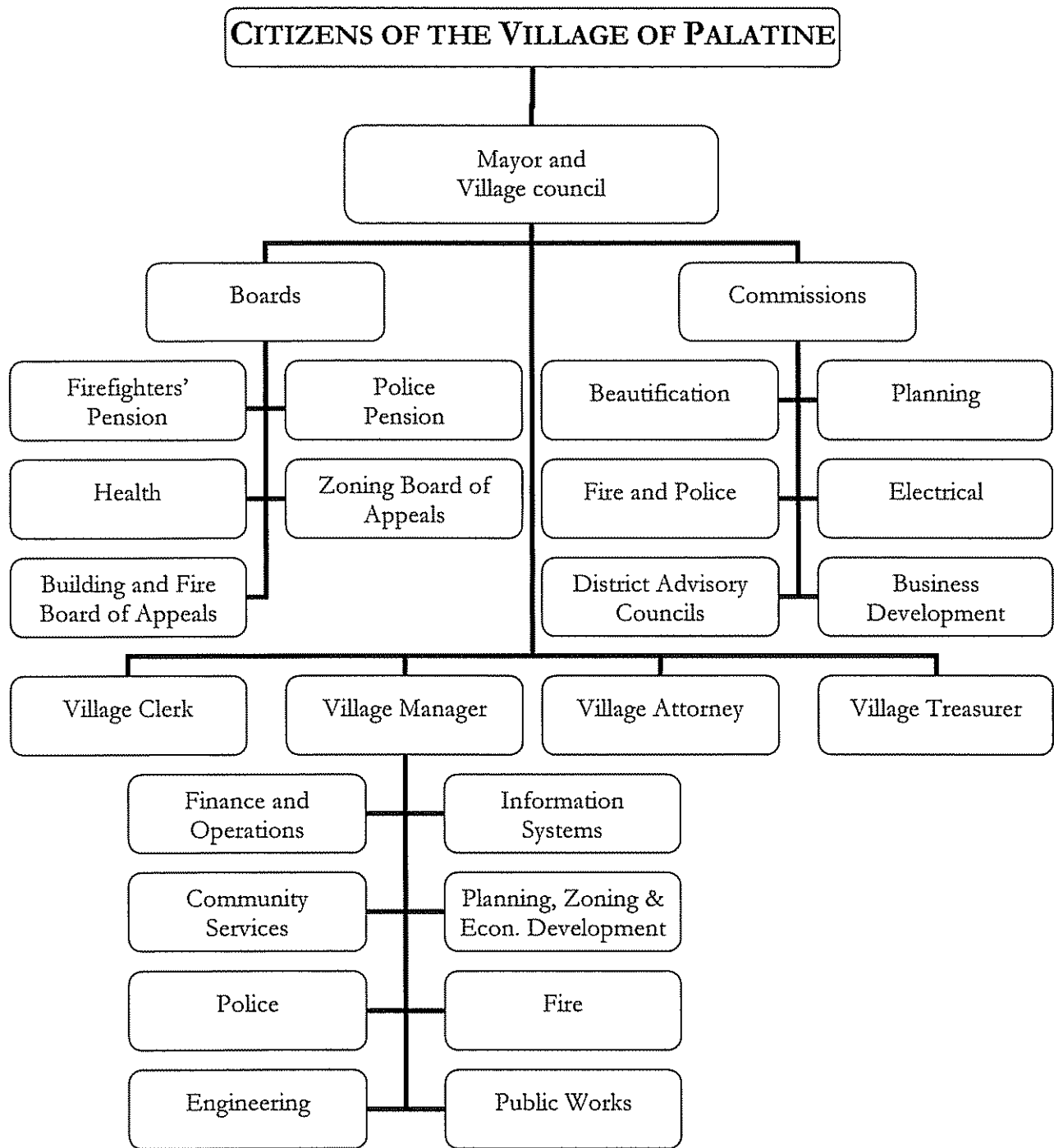
Rita L. Mullins

VILLAGE COUNCIL

Michael Jezierski	District 1
James V. Wilson	District 2
Daniel A. Varroney	District 3
Gregory J. Solberg	District 4
Jack Wagner	District 5
Brad Helms	District 6

ADMINISTRATIVE

Reid T. Ottesen	Village Manager
Margaret Duer	Village Clerk
Thomas D. Coy	Village Treasurer
Robert C. Kenny	Village Attorney
Paul D. Mehring	Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Palatine,  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director





# VILLAGE OF PALATINE

200 E. Wood Street · Palatine, IL 60067-5339  
Telephone (847) 358-7500 · Fax (847) 359-9040  
[www.palatine.il.us](http://www.palatine.il.us)

June 26, 2006

Mayor Rita L. Mullins  
Members of the Village Council  
Village Manager, Reid Ottesen  
Citizens of the Village of Palatine, Illinois

MEMBER:  
Northwest Municipal Conference  
Illinois Municipal League  
National League of Cities  
U.S. Conference of Mayors

State law requires that all general-purpose governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Palatine, Illinois for the calendar year ended December 31, 2005.

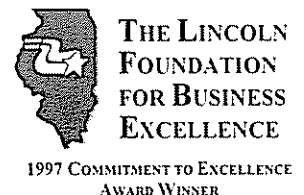
This report consists of management's representations concerning the finances of the Village. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village's financial statements have been audited by Sikich LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village for the calendar year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village's financial statements for the calendar year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Village was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Village's separately issued Single Audit Report.



Incorporated in 1866  
Council - Manager Government Since 1956



GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Village's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The Village of Palatine, incorporated on March 19, 1866, is located approximately 30 miles northwest of the City of Chicago in Cook County. The Village has a land area of 15 square miles and a population of 65,920. The Village is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The Village operates under the Council/Manager form of government. It is a home-rule community as defined by the Illinois Constitution. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. The council members are elected by district and the mayor is elected at large.

The Village provides a full range of municipal services as contemplated by statute or charter. These services include public safety, highways and streets, health services, refuse collection, public improvements, planning and zoning, engineering and inspection, water and sewer utility services, and general administrative services. Separately governed taxing bodies provide other public services such as library services, education, and parks and recreation.

The Village of Palatine has adopted sections 5/8-2-9.1, through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes providing for an annual municipal budget in lieu of the passage of an annual appropriation ordinance. The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit requests for appropriation to the Village Manager each year. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Mayor and Village Council for review. The Mayor and Council are required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the Village's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The Village Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 60 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 69.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Village operates.

#### **Local economy**

There are a number of factors that influence the economy of a specific community and various measures are used to gauge the economic outlook. Perhaps four of the most objective measures are the level of retail sales, the employment level of the community, income levels in the community, and building activity. In Illinois,

sales taxes are collected based upon the point-of-sale, and accordingly represent the sales in the community. Total sales tax receipts for calendar year 2005 increased by approximately 5.5% from the prior year.

Palatine's average unemployment rate is some 2% lower than the state average and has consistently been 2% to 4% lower than state and national averages. Palatine's median family income, as of the 2000 census, ranked the Village 59<sup>th</sup> in the State of Illinois and 35.9% higher than the median for the State of Illinois. Currently, the Village is realizing the results of economic growth over the last ten years. This growth has come through both increased residential and commercial/industrial construction and through carefully planned annexations of surrounding unincorporated properties.

In a suburban setting where it is often difficult to distinguish the boundaries of one community from a neighboring community, the economic activity of the "region" is a major influence on the economies of the individual communities. The Village of Palatine is located on the northern edge of the "Golden Corridor" which extends along Interstate 90 from O'Hare Airport to Elgin, a stretch of approximately 25 miles. Over the past twenty years, this particular area has been one of the fastest growing areas in the entire Midwest. Economic development in the area directly Southwest of Palatine is expected to continue at a strong pace. This particular area with some 2,000 acres of prime land available for office and commercial use is expected to be the focal point of continued expansion for many years to come. Additionally, the Village of Deer Park, continues to develop once vacant land immediately north of the Village. Deer Park Towne Center, an upscale shopping mall, and an office building housing Motorola are already developed with future plans including another office building and a theater complex.

The Village actively encourages economic development as demonstrated by the growth during the past ten years. Following is a discussion of some of the major development projects recently completed or planned for the future:

***Deer Grove Center*** – The Village's first tax increment financing (TIF) district provided the economic resources to construct this power shopping center. Shops in this center include a Dominick's Fresh Food grocery store, a Target superstore, Linens N' Things, and many other sales tax producing retailers as well as an Applebee's Restaurant.

***Deer Grove Crossing*** – The Village's second TIF district produced this shopping area which is directly adjacent to the east of the Deer Grove Center. A 130,000 square Foot Home Depot anchors this area. Also included in this shopping center are major tenants such as National Tire and Battery, Starbucks Coffee, and Sprint PCS.

***Northwest Shopping Center*** – This center directly adjacent to the west of the Deer Grove Center, also in the first TIF district, is home to a completely renovated Jewel Food Store as well as new out lot tenants including Caribou Coffee and a Hallmark Store.

***Walgreen's*** – This retailer has a major presence in the Village. Also included in the first TIF district directly west of the Northwest Shopping Center, a new Walgreen's was constructed. Walgreen's also recently completed a new facility at the corner of Northwest Highway and Palatine Roads a gateway location to the downtown business district.

***Gateway Center*** – This development is the first major private investment in the downtown business district. It is a mixed-use development consisting of a five-story office building, a two-story retail building, and a five-floor parking garage that will accommodate 800 daily commuters and 400 workers/shoppers.

***Walmart*** – This retailer located in the Village of Palatine's Rand Road Corridor Tax Increment Financing (TIF) District at the site of an old Builder's Square. This was the first major project in this new TIF District. Completion of construction and the grand opening of the store occurred in August of 2004.

*Foxfire/Caputo's* – Caputo's is a local grocery store chain that located a new facility in the Foxfire Plaza, which is also located in the Rand Road Corridor TIF District. This project was completed the grand opening occurred in the spring of 2005.

### **Long-term financial planning**

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2005, the Village spent over \$3.0 million to maintain and improve its transportation system. The Village uses the PAVER system to track the condition of its streets. This system assigns a rating to a street based on an assessment of its physical condition. The Village uses these ratings to annually develop a prioritized listing of streets in need of repair. Also, a village-wide traffic study was performed in 2000 and updated in 2005 to identify problem areas for the Village to focus on in future years.

Palatine will continue to participate in the strong economic growth of the area through its emergence as an ideal place to live and raise a family. One of Palatine's strongest qualities is the residential character of the Village. With an excellent range of housing, increasing property values, access to transportation, outstanding schools and parks, a power shopping corridor on Dundee Road, and economical municipal services, Palatine will continue to attract residents, employers and customers to the Village. These factors coupled with the commitment by Village officials to address emergent issues should enable the Village to maintain its economic stability for years to come.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the sixth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report, most notably Susan Conn, Eric Burk, and Nicole Winikates. I would also like to thank the staff at Sikich LLP, Certified Public Accountants, for their invaluable assistance in completing this CAFR.

Additionally, I would like to acknowledge the Mayor, Village Council, and Village Manager for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted,



Paul D. Mehring, CPA  
Director  
Finance & Operations



998 Corporate Boulevard • Aurora, IL 60502

Members of American Institute of  
Certified Public Accountants &  
Illinois CPA Society

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic, combining and individual financial statements of the Village of Palatine, Illinois, as of and for the year ended December 31, 2005, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palatine, Illinois, as of December 31, 2005, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Village of Palatine, Illinois, as of December 31, 2005, and the results of operations of such funds and cash flows of individual proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2006 on our consideration of the Village of Palatine, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements and on the combining and individual fund financial statements taken as a whole. The accompanying financial information listed as supplemental data and schedules in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Palatine, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic, combining and individual fund financial statements taken as a whole.

The Management's Discussion and Analysis and the other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The information in the introductory and statistical sections listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

A handwritten signature in black ink that reads "Sibich LLP". The signature is written in a cursive, flowing style.

Aurora, Illinois  
April 14, 2006

## General Purpose External Financial Statements

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005**

---

This Management Discussion and Analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, (3) identify changes in the Village's financial position (its ability to address the subsequent years' challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page iv) and the Village's financial statements (beginning on page 3).

**Financial Highlights**

- The Village's net assets increased by \$20,137,505 (13%) during the fiscal year ending December 31, 2005. The governmental net assets increased by \$12,850,165 due to the first time capitalization of storm sewers and bridges and \$5,937,871 from operations. Business-type activities net assets increased by \$1,349,469.
- The Village's combined Governmental Funds ending fund balance increased \$2,177,387 as of December 31, 2005.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$16,285,665 or 44% of General Fund expenditures.
- During the current year, the Village issued \$965,000 in General Obligation Refunding Bonds Series 2005 to refund \$825,000 of the General Obligation Bond Series 1999A to reduce its debt service by approximately \$29,483.

**USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT**

The MD&A serves as an introduction to the Village's financial statements. The Village's Financial Statements present two kinds of statements, each with a different snapshot of the Village's finances. The Financial Statements' focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the Village's accountability.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements (see pages 3-5) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government.

The Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Village is improving.

The Statement of Activities (see pages 4-5) presents information showing how the Village's net assets changed during the most recent fiscal year and is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the Village's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.



**VILLAGE OF PALATINE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

The Governmental Activities reflect the Village's basic services, including police, fire, public works, highways and streets, community development, and general administration. Property taxes, shared State sales taxes, local utility taxes, shared State income taxes, and home rule sales taxes finance the majority of these activities. The Business-Type Activities reflect private sector-type operations (Refuse Collection Fund, Water Fund, Sewer Fund and the Motor Vehicle Parking System Fund), where the fee for service typically covers all or most of the cost of operation, including depreciation.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on major funds, rather than (the previous model's) fund types. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds*

The Governmental Major Fund presentation (see pages 6-9) is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected. The flow of current financial resources reflects bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligation (bond and others) into the Governmental Activities column (in the Government-Wide Statements).

The Village maintains 12 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, General Obligation Bond Fund, and the Tax Increment Revenue Refunding Bond Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds*

The Village maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in Business-Type Activities in the Government-Wide Financial Statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses internal service funds to account for central services (centralized photocopying and vehicle maintenance) and health insurance program. Both Internal Service Funds serve governmental rather than business-type functions and have been included with Governmental Activities in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Waterworks Fund, Sewerage Fund, and Motor Vehicle Parking System Fund are considered major funds of the Village and are presented in a separate column in the Fund Financial Statements. The Refuse Collection Fund is the Village's only nonmajor enterprise fund. Both Internal Service Funds are combined in a single, aggregate presentation in the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds is presented elsewhere in the report.

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

*Fiduciary Funds*

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension Fund and Firefighters Pension Fund, see pages 16-17). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 18-59 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 60-68 of this report. The combining and individual fund statements for nonmajor governmental, enterprise, and internal service funds are presented on pages 69-93 of this report, immediately following the required supplementary information.

**Infrastructure Assets**

Historically, a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) have neither been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the Governmental column of the Government-Wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of assets management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Village has chosen to depreciate assets over their useful life. If a road project is considered a recurring cost that does not extend the road's original useful life or expand its capacity, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

**GOVERNMENT-WIDE STATEMENT**

In accordance with GASB Statement No. 34, the Village is not required to restate prior periods for the purpose of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of Government-Wide information will be presented.

**Statement of Net Assets**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Palatine, assets exceeded liabilities by \$179,427,649 as of December 31, 2005. Net assets have increased \$20.1 million from the prior year, which indicates that the Village's overall financial position has improved. The following table reflects the condensed Statement of Net Assets for the current and prior years:

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

	<i>Governmental Activities 2005</i>	<i>Business- type Activities 2005</i>	<i>Total 2005</i>	<i>Governmental Activities 2004</i>	<i>Business- type Activities 2004</i>	<i>Total 2004</i>
Current and other assets	\$ 61,767,224	\$ 19,007,180	\$ 80,774,404	\$ 56,022,299	\$ 16,535,619	\$ 72,557,918
Capital assets	182,180,572	36,377,955	218,558,527	170,513,494	37,603,090	208,116,584
<b>Total assets</b>	<b>243,947,796</b>	<b>55,385,135</b>	<b>299,332,931</b>	<b>226,535,793</b>	<b>54,138,709</b>	<b>280,674,502</b>
Long term liabilities	77,950,307	9,582,960	87,533,267	82,983,714	10,149,652	93,133,366
Other liabilities	29,925,394	2,446,621	32,372,015	26,273,481	1,982,972	28,256,453
<b>Total liabilities</b>	<b>107,875,701</b>	<b>12,029,581</b>	<b>119,905,282</b>	<b>109,257,195</b>	<b>12,132,624</b>	<b>121,389,819</b>
Net assets						
Invested in capital assets, net of related debt	100,693,938	26,012,558	126,706,496	101,812,134	37,852,794	139,664,928
Restricted	19,730,260	-	19,730,260	14,477,732	-	14,477,732
Unrestricted	15,647,897	17,342,996	32,990,893	988,732	4,153,291	5,142,023
<b>Total net assets</b>	<b>\$ 136,072,095</b>	<b>\$ 43,355,554</b>	<b>\$ 179,427,649</b>	<b>\$ 117,278,598</b>	<b>\$ 42,006,085</b>	<b>\$ 159,284,683</b>

For more detailed information see the Statement of Net Assets (page 3).

The Village's unrestricted net assets for Governmental Activities, which is the part of net assets that can be used to finance day-to-day operations, were \$15,647,897. This is mainly due to tax increment financing and general obligation debt has been issued to finance projects that did not result in fixed assets of the Village.

The net assets of Business-Type Activities were \$43,355,554. The Village can use the unrestricted net assets of \$17,342,896 to finance the continuing operation of its waterworks and sewerage utilities as well as its refuse collection and commuter parking programs.

### Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

**Net Results of Activities** - which will impact (increase/decrease) current assets and unrestricted net assets.

**Borrowing for Capital** - which will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** - which will reduce current assets and increase capital assets. There is a second impact, an increase in invested capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

**Spending of Nonborrowed Current Assets on New Capital** - which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

**Principal Payment on Debt** - which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

**Reduction of Capital Assets through Depreciation** - which will reduce capital assets and invested in capital assets, net of debt.

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Current Year Impacts**

\$825,000 of outstanding bonds were refunded by the issuance of the \$870,000 General Obligation Refunding Bonds, Series 2005.

**Changes in Net Assets**

The following chart shows the revenue and expenses of the Village's activities:

	<i>Govern- mental Activities 2005</i>	<i>Business- type Activities 2005</i>	<i>Total 2005</i>	<i>Govern- mental Activities 2004</i>	<i>Business- type Activities 2004</i>	<i>Total 2004</i>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 6,795,245	\$ 13,149,842	\$ 19,945,087	\$ 6,919,199	\$ 12,163,338	\$ 19,082,537
Operating grants	2,282,683	-	2,282,683	2,141,380	-	2,141,380
Capital grants	461,311	-	461,311	386,201	-	386,201
General revenues						
Property and replacement taxes	25,279,383	-	25,279,383	22,567,392	-	22,567,392
Other taxes	21,681,267	-	21,681,267	19,888,065	-	19,888,065
Other revenues	1,104,301	72,696	1,176,997	1,486,818	260,439	1,747,257
Total revenues	57,604,190	13,222,538	70,826,728	53,389,055	12,423,777	65,812,832
<b>Expenses</b>						
Governmental activities						
General government	6,932,625	-	6,96,867	7,296,867	-	7,296,867
Public safety	26,321,497	-	26,321,497	25,265,921	-	25,265,921
Public works	9,713,501	-	9,713,501	8,251,434	-	8,251,434
Economic development	3,743,670	-	3,743,670	7,870,270	-	7,870,270
Interest & fiscal charges	3,672,282	-	3,672,282	3,804,206	-	3,804,206
Business-type						
Waterworks	-	5,862,991	5,862,991	-	6,214,408	6,214,408
Sewerage	-	1,716,882	1,716,882	-	1,666,910	1,666,910
Refuse collection	-	4,137,678	4,137,678	-	3,889,091	3,889,091
Motor vehicle parking	-	1,348,318	1,348,318	-	1,283,080	1,283,080
Total expenses	50,473,519	13,065,869	63,539,388	52,488,698	13,053,489	65,542,187
<b>Change in net assets before transfers</b>	7,130,671	156,669	7,287,340	900,357	(629,712)	270,645
Transfers	(1,192,800)	1,192,800	-	762,795	(762,792)	-
<b>Change in net assets</b>	5,937,871	1,349,469	7,287,340	1,663,152	(1,392,507)	270,645
<b>Net assets – beginning, restated</b>	130,134,224	42,006,085	172,140,309	115,615,446	43,398,592	159,014,038
<b>Net assets – ending</b>	\$ 136,072,095	\$ 43,355,554	\$ 179,427,649	\$ 117,278,598	\$ 42,006,085	\$ 159,284,683

**Normal Impacts**

There are eight basic impacts on revenues and expenses as reflected below.

**Revenues:**

**Economic Condition** - which can reflect a declining, stable, or growing economic environment and has a substantial impact on state income, sales, and utility tax revenue as well as public spending habits for building permits, elective user fees, and volumes of consumption.

(See independent auditor's report)

**VILLAGE OF PALATINE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

**Increase/Decrease in Village-Approved Rates** - while certain tax rates are set by statute, the Village Council has significant authority to impose and periodically increase/decrease rates (property taxes, water, sewer, impact fees, building fees, home rule sales tax, prepared food tax, etc.)

**Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring)** - certain recurring revenues (State-shared revenues, etc.) may experience significant changes periodically while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

**Market Impacts on Investment Income** - the Village's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

**Expenses:**

**Introduction of New Programs** - within the functional expense categories (General Government, Public Safety, and Streets and Highways, etc.), individual programs may be added or deleted to meet changing community needs.

**Increase in Authorized Personnel** - changes in service demand may cause the Village Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 80% of the Village's General Fund and 30% Water Fund and Sewer Fund operating costs.

**Salary Increases (annual adjustments and merit)** - the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.

**Inflation** - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

**Current Year Impacts**

***Governmental Activities***

**Revenues:**

For the fiscal year ended December 31, 2005, revenues from Governmental Activities totaled \$57,604,190. During the fiscal year property taxes continue to be the Village's largest revenue source coming in at \$25,172,272 and representing 44% of total Governmental Activity revenue. Sales tax revenues combined with the telecommunications tax, and shared state income tax revenues total \$19,548,252 representing 34% of the total Governmental Activity revenue.

**Expenses**

For the fiscal year ended December 31, 2005, expenses from Governmental Activities totaled \$50,473,519.

For the fiscal year ended December 31, 2005, the Governmental Funds reflect a combined net assets of \$136,072,095.

***Business-Type Activities***

**Revenues**

The fiscal year saw a combined 3% increase in water and sewer rates, but no increases in refuse collection or commuter parking lot fees.

**Expenses**

Operating expenses from all Business-Type Activities increased \$24,592 or 0.22%.

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

***Governmental Funds***

At December 31, 2005, the Governmental Funds (as presented on page 6-9) reported a combined fund balance of \$36,170,963, which is a 6% increase from the beginning of the year (as restated) of \$34,144,728. Of the total fund balance, \$16,285,665 is unreserved indicating availability for continuing Village services. Reserved fund balance of \$19,885,298 includes \$26,470 for inventories, \$128,568 for advances, \$4,835,035 for land held for resale, \$353,229 for maintenance of roadways, \$2,576,332 for economic development, \$1,556,649 for special projects, and \$10,409,015 for debt service.

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The total fund balance of the General Fund increased by \$3,969,315, or 32%, from calendar year 2004. The net change in fund balance for calendar year 2004 was an increase of \$4,464,556. The net change in fund balance for calendar year 2005 was an increase of \$3,969,315, which was a \$495,241 decrease in operations. Revenues increased by \$3,587,802 or 9%, and net financing sources decreased by \$1,984,220 or 292% from the prior year, which had a negative effect on fund balance. Expenditures increased by \$2,098,823 or 6% from the prior year.

***Proprietary Funds***

At December 31, 2005 the Enterprise Funds (as presented on pages 10-15) total net assets increased by \$1,349,469 or 3%. This increase is primarily due to increasing the water and sewer rates.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Table 3: General Fund Budgetary Highlights

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>
Revenues	\$ 39,262,435	\$ 39,450,836	\$ 42,335,019
Expenditures	37,806,165	38,067,643	37,059,234
Excess of revenues over expenditures	1,456,270	1,383,193	5,275,785
Other financing sources (uses)	(306,470)	(1,306,470)	(1,306,470)
Net change in fund balance	\$ 1,149,800	\$ 76,723	\$ 3,969,315

Many local revenues performed well in the fiscal year and include:

	<i>Calendar Year 2004</i>	<i>Calendar Year 2005</i>	<i>Increase/(Decrease)</i>
Municipal sales tax	\$ 7,447,132	\$ 7,861,972	\$ 414,840
Home rule sales tax	4,296,091	4,641,188	345,097
Telecommunications tax	2,011,046	2,125,860	114,814

**VILLAGE OF PALATINE, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

The General Fund expenditure budget was amended during the fiscal year to reflect encumbrance items from the prior year and projects deemed necessary during the year. The revenue budget was amended to recognize grants and donations received that were not budgeted.

General Fund actual revenues were \$3,072,584 more than the original budgeted amount and \$2,884,183 higher than the final budget. Approximately half of this overage was due sales taxes, food & beverage taxes and state income taxes exceeding our estimates due to the general increase in the economy. The other half was mainly due to economic development activity including building permits and fees, plan review fees, and inspection fees.

The Downtown TIF Fund, General Obligation Bond Fund, and Tax Increment Revenue Refunding Bond Fund, are also major governmental funds, and experienced net changes in fund balance of \$(3,510,819), \$185,596, and \$1,948,599, respectively.

**CAPITAL ASSETS**

The Village's investment in capital assets for its Governmental and Business-Type Activities as of December 31, 2005, amounts to \$218,558,527. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a net increase (including additions and deductions) of \$2,257,070. Detailed information regarding the change in capital assets for Governmental and Business-Type Activities is included in the Notes to the Financial Statements on pages 34-36.

The Governmental Activities net capital assets decreased from last year by \$1,031,935. This is attributable to the fact that the net amount of additions and deletions was less than the amount of depreciation expensed this year. The Business-Type Activities net capital assets decreased by \$1,225,135 primarily due to the fact that the net amount of additions and deletions was less than the amount of depreciation expensed this year.

**DEBT OUTSTANDING**

In calendar year 2005, the Village issued the \$870,000 General Obligation Refunding Bonds, Series of 2005 to refund the \$825,000 of the General Obligation Refunding Bond, Series of 1999A.

The Village currently has seventeen general obligation bond series, one tax increment revenue bond series, and two subordinated redevelopment notes outstanding. \$73.3 million of general obligation bonds, \$15.6 million of tax increment revenue bonds, and \$0.48 million of subordinated redevelopment notes are outstanding at December 31, 2005. Many of the General Obligation bonds were issued for improvements in the TIF Redevelopment District located in Downtown Palatine. The issuance of these bonds did not produce a fixed asset for the Village; therefore, the unrestricted net assets for Governmental Activities have been reduced by the amount of these bonds.

The Village, under its home rule authority, does not have a legal debt limit. During calendar year 2005, Moody's Investors Service reaffirmed the Village's AA2 bond rating citing the Village's well-managed financial operations, moderate direct debt burden, and aggressive retirement of its general obligation bonds.

Additional information of the Village's long-term debt can be found in the Notes to the Financial Statements on pages 36-46.

**VILLAGE OF PALATINE, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Village's composition is primarily residential with a smaller commercial component. The property tax revenue derived from the residential, commercial, and industrial properties is exceedingly stable. State revenues, including income, and use taxes were affected by the general downturn in the economy and are rebounding nicely. Investment income was negatively impacted by low interest rates. Sales tax revenues, however, remained fairly stable during the year due to the mix of businesses that generate the revenue. The commercial component includes building material sales, restaurants, and other food and retail businesses.

The Fiscal Year 2006 budget includes an increase in property tax revenues, due to the expected increase in equalized assessed value. Sales taxes are projected to increase due to the assumption that the economy will rebound slightly next year. It also takes into account known economic development activities that will produce sales tax. Building permit revenues and planning and inspections fees are expected to increase due to continued residential development in the Downtown TIF District of the Village. State income tax revenue is expected to continue to moderately increase. A combined 19 cents per 1,000 gallons increase in water and sewer rates was included in the budget, but no increases in refuse collection or commuter parking lot fees have been included.

Budgeted expenditures include increases due to salary adjustments, which are part of employee labor agreements, and health and liability insurance costs. Pension costs are also expected to increase due to the general decline in investment income throughout the country. Expenditures for commodities and other contractual services have been increased slightly by 1.5%. The budget includes economic development projects within the Village's Tax Increment Financing Districts.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Paul D. Mehring, CPA, Director of Finance & Operations, Village of Palatine, 200 E. Wood St., Palatine, IL 60067.



## VILLAGE OF PALATINE, ILLINOIS

## STATEMENT OF NET ASSETS

December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 22,470,388	\$ 6,024,238	\$ 28,494,626
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	18,825,816	-	18,825,816
Accounts	-	1,430,606	1,430,606
Notes	250,000	-	250,000
Other	641,668	135,523	777,191
Prepaid expenses	-	150,450	150,450
Inventories	173,345	70,130	243,475
Due from other governments	5,173,984	-	5,173,984
Due from/to other funds	(35,475)	35,475	-
Advance to Fiduciary Fund	128,568	-	128,568
Land held for resale	4,835,035	-	4,835,035
Investment in joint venture to Northwest Water Commission	-	11,125,480	11,125,480
Restricted assets			
Restricted cash and investments	8,327,359	-	8,327,359
Deferred charges	976,536	35,278	1,011,814
Capital assets not being depreciated	142,449,702	2,470,700	144,920,402
Capital assets being depreciated	39,730,870	33,907,255	73,638,125
<b>Total assets</b>	<b>243,947,796</b>	<b>55,385,135</b>	<b>299,332,931</b>
<b>LIABILITIES</b>			
Accounts payable	1,129,050	956,630	2,085,680
Accrued payroll	737,760	25,255	763,015
Accrued interest payable	633,425	26,750	660,175
Deposits payable	1,615,775	220,693	1,836,468
Claims payable	300,000	-	300,000
Other payables	29,981	-	29,981
Deferred property tax revenue	18,825,816	-	18,825,816
Other deferred revenues	634,823	366,773	1,001,596
Noncurrent liabilities			
Due within one year	6,018,764	850,520	6,869,284
Due in more than one year	77,950,307	9,582,960	87,533,267
<b>Total liabilities</b>	<b>107,875,701</b>	<b>12,029,581</b>	<b>119,905,282</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	100,693,938	26,012,558	126,706,496
Restricted for			
Streets and highways	353,229	-	353,229
Economic development	7,411,367	-	7,411,367
Debt service	10,409,015	-	10,409,015
Special purposes	1,556,649	-	1,556,649
Unrestricted	15,647,897	17,342,996	32,990,893
<b>TOTAL NET ASSETS</b>	<b>\$ 136,072,095</b>	<b>\$ 43,355,554</b>	<b>\$ 179,427,649</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 6,932,625	\$ 4,369,604	\$ -	\$ -
Public safety	26,321,497	2,231,093	287,050	-
Public works	9,713,501	194,548	1,995,633	-
Economic development	3,833,614	-	-	461,311
Interest and fiscal charges	3,672,282	-	-	-
Total governmental activities	50,473,519	6,795,245	2,282,683	461,311
Business-Type Activities				
Waterworks	5,862,991	6,329,850	-	-
Sewerage	1,716,882	2,169,364	-	-
Motor vehicle parking system	1,348,318	607,332	-	-
Refuse collection	4,137,678	4,043,296	-	-
Total business-type activities	13,065,869	13,149,842	-	-
TOTAL PRIMARY GOVERNMENT	\$ 63,539,388	\$ 19,945,087	\$ 2,282,683	\$ 461,311

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
	Governmental Activities	Business-Type Activities	Total
	\$ (2,563,021)	\$ -	\$ (2,563,021)
	(23,803,354)	-	(23,803,354)
	(7,523,320)	-	(7,523,320)
	(3,372,303)	-	(3,372,303)
	(3,672,282)	-	(3,672,282)
	(40,934,280)	-	(40,934,280)
	-	466,859	466,859
	-	452,482	452,482
	-	(740,986)	(740,986)
	-	(94,382)	(94,382)
	-	83,973	83,973
	(40,934,280)	83,973	(40,850,307)
General Revenues			
Taxes			
Property and replacement	25,279,383	-	25,279,383
Sales	12,503,160	-	12,503,160
Use	771,761	-	771,761
Telecommunications	2,125,860	-	2,125,860
Income	4,919,232	-	4,919,232
Hotel/motel	284,961	-	284,961
Food and beverage	1,017,298	-	1,017,298
Other	58,995	-	58,995
Investment income	824,104	101,978	926,082
Miscellaneous	208,006	-	208,006
Loss from joint venture	-	(40,927)	(40,927)
Gain on disposal of capital assets	72,191	11,645	83,836
Transfers	(1,192,800)	1,192,800	-
Total	46,872,151	1,265,496	48,137,647
CHANGE IN NET ASSETS	5,937,871	1,349,469	7,287,340
NET ASSETS, JANUARY 1	117,284,059	42,006,085	159,290,144
Prior period adjustment	12,850,165	-	12,850,165
NET ASSETS, JANUARY 1, RESTATED	130,134,224	42,006,085	172,140,309
NET ASSETS, DECEMBER 31	\$ 136,072,095	\$ 43,355,554	\$ 179,427,649

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2005

	General	Downtown TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 15,123,023	\$ 674,701	\$ 2,073,321	\$ 10,035	\$ 2,935,132	\$ 20,816,212
Restricted cash and investments	-	-	-	8,327,359	-	8,327,359
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	15,645,500	-	3,180,316	-	-	18,825,816
TIF Loan	-	250,000	-	-	-	250,000
Other	541,668	100,000	-	-	-	641,668
Inventories	26,470	-	-	-	-	26,470
Due from other governments	3,433,314	391,846	-	-	1,069,427	4,894,587
Due from other funds	219,252	-	-	-	-	219,252
Advance to Fiduciary Fund	-	-	-	-	128,568	128,568
Land held for resale	-	2,335,035	-	-	2,500,000	4,835,035
<b>TOTAL ASSETS</b>	<b>\$ 34,989,227</b>	<b>\$ 3,751,582</b>	<b>\$ 5,253,637</b>	<b>\$ 8,337,394</b>	<b>\$ 6,633,127</b>	<b>\$ 58,964,967</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 212,728	\$ 1,734	\$ 1,200	\$ 500	\$ 856,226	\$ 1,072,388
Accrued payroll	727,990	-	-	-	-	727,990
Deposits payable	1,615,775	-	-	-	-	1,615,775
Other payables	29,981	-	-	-	-	29,981
Deferred property taxes	15,645,500	-	3,180,316	-	-	18,825,816
Other deferred revenues	445,118	-	-	-	76,936	522,054
<b>Total liabilities</b>	<b>18,677,092</b>	<b>1,734</b>	<b>3,181,516</b>	<b>500</b>	<b>933,162</b>	<b>22,794,004</b>
<b>FUND BALANCES</b>						
Reserved for inventories	26,470	-	-	-	-	26,470
Reserved for advances	-	-	-	-	128,568	128,568
Reserved for land held for resale	-	2,335,035	-	-	2,500,000	4,835,035
Reserved for maintenance of roadways	-	-	-	-	353,229	353,229
Reserved for economic development	-	1,414,813	-	-	1,161,519	2,576,332
Reserved for debt service	-	-	2,072,121	8,336,894	-	10,409,015
Reserved for special projects	-	-	-	-	1,556,649	1,556,649
Unreserved						
Undesignated - General Fund	16,285,665	-	-	-	-	16,285,665
<b>Total fund balances</b>	<b>16,312,135</b>	<b>3,749,848</b>	<b>2,072,121</b>	<b>8,336,894</b>	<b>5,699,965</b>	<b>36,170,963</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,989,227</b>	<b>\$ 3,751,582</b>	<b>\$ 5,253,637</b>	<b>\$ 8,337,394</b>	<b>\$ 6,633,127</b>	<b>\$ 58,964,967</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2005

---

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 36,170,963
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	181,925,133
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(81,320,470)
Issuance costs (deferred charges) are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	310,463
Unamortized discount on long-term are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	62,841
Unamortized premium on long-term are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	(112,769)
Loss on refundings are reported as reduction of long-term debt on the statement of net assets	603,232
Accrued interest on long-term debt is reported as a liability on the statement of net assets	(633,425)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,464,794)
Certain revenues that are deferred in the governmental funds are recognized as revenue in the governmental activities	269,544
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	1,159,442
The net pension obligation is not a current financial resource and is therefore not reported in the governmental funds	<u>(987,340)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 135,982,820</u>

See accompanying notes to financial statements.

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

For the Year Ended December 31, 2005

	General	Downtown TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 30,046,932	\$ 2,078,356	\$ 3,251,094	\$ 3,218,664	\$ 3,387,377	\$ 41,982,423
Licenses and permits	3,121,288	-	-	-	-	3,121,288
Intergovernmental	5,787,330	-	-	-	2,567,788	8,355,118
Charges for services	1,950,734	-	-	-	70,275	2,021,009
Fines and forfeits	741,524	-	-	-	-	741,524
Investment income	348,592	38,397	91,812	252,123	93,180	824,104
Miscellaneous	338,619	-	-	-	147,914	486,533
Total revenues	42,335,019	2,116,753	3,342,906	3,470,787	6,266,534	57,531,999
<b>EXPENDITURES</b>						
Current						
General government	6,708,111	-	-	-	417,583	7,125,694
Public safety	25,640,194	-	-	-	-	25,640,194
Public works	4,710,929	-	-	-	2,506,396	7,217,325
Economic development	-	2,531,064	-	-	453,394	2,984,458
Capital outlay	-	-	-	-	2,796,534	2,796,534
Debt service						
Principal	-	785,720	2,679,350	710,000	-	4,175,070
Interest and fiscal charges	-	1,629,758	1,237,574	812,188	89,944	3,769,464
Bond issuance cost	-	-	9,373	-	-	9,373
Total expenditures	37,059,234	4,946,542	3,926,297	1,522,188	6,263,851	53,718,112
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,275,785	(2,829,789)	(583,391)	1,948,599	2,683	3,813,887
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued at par	-	-	645,200	-	-	645,200
Premium on bonds issued	-	-	17,014	-	-	17,014
Payment to bond escrow agent	-	-	(653,227)	-	-	(653,227)
Proceeds from sale of capital assets	-	-	-	-	72,191	72,191
Loss on disposition of land held for resale	-	(681,030)	-	-	-	(681,030)
Transfers in	93,530	-	760,000	-	705,000	1,558,530
Transfers (out)	(1,400,000)	-	-	-	(1,346,330)	(2,746,330)
Total other financing sources (uses)	(1,306,470)	(681,030)	768,987	-	(569,139)	(1,787,652)
NET CHANGE IN FUND BALANCES	3,969,315	(3,510,819)	185,596	1,948,599	(566,456)	2,026,235
FUND BALANCES, JANUARY 1	12,342,820	7,109,515	1,886,525	6,388,295	6,266,421	33,993,576
Prior period adjustment	-	151,152	-	-	-	151,152
FUND BALANCES, JANUARY 1, RESTATED	12,342,820	7,260,667	1,886,525	6,388,295	6,266,421	34,144,728
FUND BALANCES, DECEMBER 31	\$ 16,312,135	\$ 3,749,848	\$ 2,072,121	\$ 8,336,894	\$ 5,699,965	\$ 36,170,963

See accompanying notes to financial statements.

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, 2005

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,026,235
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	707,175
Some expenses in the statement of activities (c.g. depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,994,549)
Certain revenues that are deferred in the governmental funds are recognized as revenue in the governmental activities	70,430
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(645,200)
The repayment of principal on long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	4,175,070
The loss on refunding is reported as an other financing use in the governmental funds but as a deferred charge in the statement of activities	610,920
The issuance costs on long-term debt are reported as an expenditure in governmental funds but as deferred charges on the statement of net assets	9,373
The premium on long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(17,014)
The accounting loss on refunding is not reported in governmental funds	42,307
The amortization of issuance costs on long-term debt is reported as an expense on the statement of activities	(36,372)
The amortization of discount on long-term debt is reported as an expense on the statement of activities	(7,464)
The amortization of premium on long-term debt is reported as revenue on the statement of activities	13,608
The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities	(56,892)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	7,238
The change in compensated absences payable is shown as an expense on the statement of activities	(7,917)
The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities	836,743
The change in net pension obligation is not a current financial resource and therefore is not reported in the governmental funds	<u>114,905</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,848,596</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

December 31, 2005

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
<b>CURRENT ASSETS</b>							
Cash and investments	\$ 1,018,613	\$ 2,530,037	\$ 1,707,941	\$ 767,647	\$ 6,024,238	\$ 1,654,176	
Receivables (net where applicable, of allowances for uncollectibles)							
Accounts	1,023,998	359,377	-	47,231	1,430,606	-	
Other	2,820	32,828	-	99,875	135,523	-	
Due from other governments	-	-	-	-	-	9,853	
Prepaid expenses	-	-	-	150,450	150,450	-	
Inventories	57,585	8,440	-	4,105	70,130	146,875	
Due from other funds	23,026	12,449	-	-	35,475	16,615	
Total current assets	2,126,042	2,943,131	1,707,941	1,069,308	7,846,422	1,827,519	
<b>CAPITAL ASSETS</b>							
Land	740,200	-	1,730,500	-	2,470,700	-	
Systems and improvements	21,551,965	18,950,845	15,541,755	-	56,044,565	-	
Machinery and equipment	363,155	106,760	-	-	469,915	-	
Accumulated depreciation	(11,237,870)	(8,868,085)	(2,501,270)	-	(22,607,225)	-	
Net capital assets	11,417,450	10,189,520	14,770,985	-	36,377,955	-	
<b>OTHER ASSETS</b>							
Investment in joint venture							
Northwest Water Commission	11,125,480	-	-	-	11,125,480	-	
Unamortized bond issue costs	30,511	4,767	-	-	35,278	-	
Total noncurrent assets	22,573,441	10,194,287	14,770,985	-	47,538,713	-	
Total assets	24,699,483	13,137,418	16,478,926	1,069,308	55,385,135	1,827,519	



	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 421,267	\$ 70,309	\$ 37,954	\$ 427,200	\$ 956,730	\$ 56,662	
Accrued payroll	18,295	6,960	-	-	25,255	9,770	
Accrued interest payable	22,350	4,400	-	-	26,750	-	
Deposits payable	220,693	-	-	-	220,693	-	
Claims payable	-	-	-	-	-	300,000	
Deferred revenues	-	235,863	-	130,910	366,773	-	
Due to other funds	-	-	-	-	-	271,342	
Compensated absences payable	7,825	1,555	-	-	9,380	30,303	
General obligation bonds payable	762,960	78,180	-	-	841,140	-	
Total current liabilities	1,453,390	397,267	37,954	558,110	2,446,721	668,077	
<b>LONG-TERM LIABILITIES</b>							
Compensated absences payable	31,193	6,147	-	-	37,340	-	
General obligation bonds payable	8,619,028	905,129	-	-	9,524,157	-	
Unamortized bond premium	20,332	1,031	-	-	21,363	-	
Total long-term liabilities	8,670,553	912,307	-	-	9,582,860	-	
Total liabilities	10,123,943	1,309,574	37,954	558,110	12,029,581	668,077	
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	2,035,462	9,206,211	14,770,985	-	26,012,658	-	
Unrestricted	12,540,078	2,621,633	1,669,987	511,198	17,342,896	1,159,442	
<b>TOTAL NET ASSETS</b>	\$ 14,575,540	\$ 11,827,844	\$ 16,440,972	\$ 511,198	\$ 43,355,554	\$ 1,159,442	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2005

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Charges for services	\$ 6,299,737	\$ 2,169,364	\$ 591,544	\$ 4,043,296	\$ 13,103,941	\$ 6,304,877
Miscellaneous	30,113	-	15,788	-	45,901	124,795
Total operating revenues	6,329,850	2,169,364	607,332	4,043,296	13,149,842	6,429,672
OPERATING EXPENSES						
EXCLUDING DEPRECIATION						
Costs of sales and services	4,920,219	1,245,336	359,756	4,137,678	10,662,989	5,625,378
Administration	-	-	221,472	-	221,472	-
Total operating expenses excluding depreciation	4,920,219	1,245,336	581,228	4,137,678	10,884,461	5,625,378
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	1,409,631	924,028	26,104	(94,382)	2,265,381	804,294
DEPRECIATION AND AMORTIZATION	417,495	407,327	767,090	-	1,591,912	-
OPERATING INCOME (LOSS)	992,136	516,701	(740,986)	(94,382)	673,469	804,294
NONOPERATING REVENUES (EXPENSES)						
Investment income	176	42,986	36,886	21,930	101,978	37,449
Interest expense	(525,277)	(64,219)	-	-	(589,496)	-
Gain on sale of capital assets	11,645	-	-	-	11,645	-
Income from joint venture	(40,927)	-	-	-	(40,927)	-
Total nonoperating revenues (expenses)	(554,383)	(21,233)	36,886	21,930	(516,800)	37,449

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle		Refuse Collection	Total	Internal Service
			Parking System				
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 437,753	\$ 495,468	\$ (704,100)	\$	(72,452)	\$ 156,669	\$ 841,743
TRANSFERS							
Transfers in	1,000,000	952,800	-	-	-	1,952,800	-
Transfers (out)	-	(760,000)	-	-	-	(760,000)	(5,000)
Total transfers	1,000,000	192,800	-	-	-	1,192,800	(5,000)
CHANGE IN NET ASSETS	1,437,753	688,268	(704,100)	(72,452)		1,349,469	836,743
NET ASSETS, JANUARY 1	13,137,787	11,139,576	17,145,072	583,650		42,006,085	322,699
NET ASSETS, DECEMBER 31	\$ 14,575,540	\$ 11,827,844	\$ 16,440,972	\$ 511,198	\$ 43,355,554	\$ 1,159,442	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2005

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 6,184,284	\$ 2,139,723	\$ 607,332	\$ 4,083,411	\$ 13,014,750	\$ 747,832	
Receipts from interfund services transactions	-	-	-	-	-	5,703,539	
Payments to suppliers	(3,920,504)	(694,776)	(553,310)	(4,277,376)	(9,445,966)	(5,350,036)	
Payments to employees	(805,770)	(248,770)	-	-	(1,054,540)	(426,600)	
Net cash from operating activities	1,458,010	1,196,177	54,022	(193,965)	2,514,244	674,735	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Income (loss) from joint venture	3,223	-	-	-	3,223	-	
Transfers in	1,000,000	192,800	777,915	-	1,970,715	-	
Due from other funds	-	-	-	-	-	252,468	
Due to other funds	(72,145)	(12,449)	-	-	(84,594)	(79,355)	
Net cash from noncapital financing activities	931,078	180,351	777,915	-	1,889,344	173,113	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital assets purchased	(366,190)	(587)	-	-	(366,777)	-	
Proceeds from sale of capital assets	11,645	-	-	-	11,645	-	
Principal payments on long-term debt	(931,550)	(83,180)	-	-	(1,014,730)	-	
Interest paid on long-term debt	(297,805)	(56,150)	-	-	(353,955)	-	
Bond issue costs paid	(25,710)	(4,525)	-	-	(30,235)	-	
Proceeds from issuance of long-term debt	234,828	13,533	-	-	248,361	-	
Net cash from capital and related financing activities	(1,374,782)	(130,909)	-	-	(1,505,691)	-	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest received	176	42,986	36,886	21,930	101,978	37,449	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,014,482	1,288,605	868,823	(172,035)	2,999,875	885,297	
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	4,131	1,241,432	839,118	939,682	3,024,363	768,879	
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 1,018,613	\$ 2,530,037	\$ 1,707,941	\$ 767,647	\$ 6,024,238	\$ 1,654,176	

RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH FLOWS FROM  
OPERATING ACTIVITIES

Operating income (loss) \$ 804,294  
Adjustments to reconcile operating income (loss)  
to net cash from operating activities  
Depreciation -  
(Increase) decrease in  
Accounts receivables (152,578)  
Other receivables 13,706  
Prepaid expenses (32,960)  
Inventories (7,090)  
Increase (decrease) in  
Accounts payable 165,337  
Accrued payroll (1,305)  
Deposits payable 17,979  
Claims payable -  
Deferred revenues (150,000)  
Compensated absences payable 5,366

NET CASH FROM OPERATING ACTIVITIES

NON-CASH TRANSACTIONS

Contributions of capital assets by developers

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
\$ 992,136 \$ 516,701 \$ (740,986) \$ (94,382) \$ 673,469 \$ 804,294						
417,495 407,327 767,090 - 1,591,912 -						
(146,439) (37,624) - 31,485 (152,578) -						
873 7,983 - 4,850 13,706 21,699						
- - - (32,960) (32,960) -						
(4,045) (900) - (2,145) (7,090) 2,330						
179,914 62,098 27,918 (104,593) 165,337 (9,389)						
(2,525) 1,220 - - (1,305) 435						
17,979 - - - 17,979 -						
- - - - - (150,000)						
- 235,863 - 3,780 239,643 -						
2,622 3,509 - - 6,131 5,366						
\$ 1,458,010 \$ 1,196,177 \$ 54,022 \$ (193,965) \$ 2,514,244 \$ 674,735						
\$ 11,645 \$ - \$ - \$ - \$ 11,645 \$ -						

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

December 31, 2005

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 9,108,506	\$ 18,795
Investments		
U.S. Treasury securities	23,049,813	-
U.S. Agency securities	4,956,366	-
Insurance contracts	1,063,078	-
Mutual funds	27,723,021	-
Receivables		
Property taxes	-	51,853
Accrued interest	76,250	-
Other	273	213,362
	<hr/>	
Total assets	65,977,307	284,010
	<hr/>	
LIABILITIES		
Deferred property taxes	-	51,853
Due to bondholders	-	103,589
Advances from other funds	-	128,568
	<hr/>	
Total liabilities	-	284,010
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 65,977,307	\$ -
	<hr/>	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS

For the Year Ended December 31, 2005

ADDITIONS

Contributions

Employer	\$ 2,093,468
Employee	<u>1,376,857</u>

Total contributions	<u>3,470,325</u>
---------------------	------------------

Investment income

Net appreciation in fair value of investments	2,291,127
Interest	<u>1,025,401</u>

Total investment income	3,316,528
-------------------------	-----------

Less investment expense	<u>(170,378)</u>
-------------------------	------------------

Net investment income	<u>3,146,150</u>
-----------------------	------------------

Total additions	<u>6,616,475</u>
-----------------	------------------

DEDUCTIONS

Administration	24,091
Benefits and refunds	
Benefits	2,777,404
Refunds of contributions	<u>28,247</u>

Total deductions	<u>2,829,742</u>
------------------	------------------

NET INCREASE	3,786,733
--------------	-----------

NET ASSETS HELD IN TRUST  
FOR PENSION BENEFITS

January 1	<u>62,190,574</u>
-----------	-------------------

December 31	<u><u>\$ 65,977,307</u></u>
-------------	-----------------------------

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

---

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 generally accepted accounting principles, these financial statements present the Village (the primary government). Management has determined that there are no component units that are required to be included in the financial statements of the Village.

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

Police Pension Employees Retirement System

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



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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

Joint Ventures

Northwest Water Commission (NWWC)

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

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

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

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

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

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

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

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. 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.

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

The General Obligation Bond Fund accounts for the accumulation of resources and payment of the principal and interest of the Village's General Obligation Bonded Debt.

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

The 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.

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Additionally, the Village reports the following proprietary fund:

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

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

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

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

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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

e. Cash and Investments

Cash and Cash Equivalents

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

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments (Continued)

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 to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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

g. Inventories

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

h. Restricted Assets

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

i. Deferred Charges

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

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Prepaid Items/Expenses

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

k. Land Held for Resale

Land held for resale is valued at the lower of cost or market. Reported land held for resale is equally offset by a fund balance reserve, which indicates that it does not constitute available spendable resources. The land held consists of numerous parcels within the Downtown TIF District that the Village owns and is holding until sold. It is anticipated that these parcels will be sold in 2006.

l. Capital Assets

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

<u>Asset Class</u>	<u>Capitalization Threshold</u>
Building improvements, land improvements	\$ 200,000
Infrastructure	250,000
Vehicles, machinery and equipment	50,000

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

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

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

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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements	10-20
Machinery, equipment and vehicles	3-10
Infrastructure	40

m. Compensated Absences

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

n. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2005, the Village has accrued no potential arbitrage liability. Any amounts accrued would be included in accounts payable on the face of the financial statements.

o. Long-Term Obligations

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

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



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

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

q. Interfund Transactions

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

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

2. DEPOSITS AND INVESTMENTS

a. Village Investments

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and the 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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

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

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

Deposits with Financial Institutions

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

The following table presents the investments and maturities of the Village's debt securities as of December 31, 2005:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
Money Market Mutual Funds	\$ 10,925,871	\$ 10,925,871	\$ -	\$ -	\$ -
Illinois Funds	24,884,010	24,884,010	-	-	-
<b>TOTAL</b>	<b>\$ 35,809,881</b>	<b>\$ 35,809,881</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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.

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

Deposits with Financial Institutions (Continued)

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 Fund's 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 basis with the underlying investments held in a custodial account with the trust department of an approved financial institution. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. At December 31, 2005, the Village had greater than 5% of its overall portfolio invested in Money Market Mutual Funds and Illinois Funds. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

b. Police Pension Fund Investments

The Police Pension Fund's investment policy authorizes the Police Pension Fund to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, interest bearing obligations of the U.S. Treasury and U.S. Agencies, interest bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. Agencies, separate accounts managed by life insurance companies, Mutual Funds, common and preferred stock and the 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).

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

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

Deposits with Financial Institutions

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

The Police Pension Fund policy does not require collateralization. However, all deposits at December 31, 2005 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2005:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 9,501,160	\$ 1,006,020	\$ 3,483,400	\$ 2,929,220	\$ 2,082,520
Mutual Funds	14,192,146	14,192,146	-	-	-
Insurance Contracts	1,063,078	1,063,078	-	-	-
Illinois Funds	5,541,879	5,541,879	-	-	-
<b>TOTAL</b>	<b>\$ 30,298,263</b>	<b>\$ 21,803,123</b>	<b>\$ 3,483,400</b>	<b>\$ 2,929,220</b>	<b>\$ 2,082,520</b>

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Fund Investments (Continued)

Investments (Continued)

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

Concentration of credit risk is the risk that the Police Pension Fund has a high percentage of their investments invested in one type of investment. The Police Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25-35% and 0-5% ranges respectively. Fixed income securities should comprise 60-75% of investments. Cash holdings should be 0-1%. All investments fall within their acceptable ranges at December 31, 2005. At December 31, 2005, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury Obligations, Mutual Funds, and Illinois Funds which is in accordance with the Police Pension Fund's investment policy.

c. Firefighters' Pension Fund Investments

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund 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 Firefighters' Pension Fund's deposits may not be returned to it.

The Firefighters' Pension Fund policy does not require collateralization. However, all deposits at December 31, 2005 are covered by Federal Depository Insurance.

Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of December 31, 2005:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 13,548,653	\$ 2,915,000	\$ 7,905,733	\$ 2,727,920	\$ -
U.S. Agency obligations	4,956,366	5,622	3,769,997	1,083,884	96,863
Equity securities	15,800,761	15,800,761	-	-	-
Illinois Funds	1,281,266	1,281,266	-	-	-
TOTAL	\$ 35,587,046	\$ 20,002,649	\$ 11,675,730	\$ 3,811,804	\$ 96,863

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

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

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

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

---

2. DEPOSITS AND INVESTMENTS (Continued)

c. Firefighters' Pension Fund Investments (Continued)

Investments (Continued)

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy requires diversification of investment to avoid unreasonable risk. Investments in domestic and non-U.S. equity securities should be in the 25-35% and 0-5% ranges respectively. Fixed income securities should comprise 60-75% of investments. Cash holdings should be 0-1%. All investments fall within their acceptable ranges at December 31, 2005. At December 31, 2005, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Agency Obligations, U.S. Treasury Obligations, and Equity Securities which is in accordance with the Firefighters' Pension Fund's investment policy.

3. RECEIVABLES

a. Taxes

Property taxes for 2005 attach as an enforceable lien on January 1, 2005, 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, 2006 and August 1, 2006 and are payable in two installments, on or about March 1, 2006 and September 1, 2006. 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 2005 tax levy has been recorded as deferred revenue on the financial statements.

b. Other Receivables

At December 31, 2005, the Village had other receivable as follows:

GOVERNMENTAL ACTIVITIES	
Escrow deposit	\$ 100,000
Hotel occupancy tax	16,131
Insurance dividend declared	269,544
Ambulance service and fees	76,324
Rental income	6,411
Cable franchise fees	75,690
Food and beverage tax	95,885
Employee computer loan	1,683
Total governmental activities	<u>641,668</u>

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

3. RECEIVABLES (Continued)

b. Other Receivables (Continued)

BUSINESS-TYPE ACTIVITIES

Disposal fees	\$ 99,875
Sewer loan program	32,828
	<u>2,820</u>

Total business-type activities	<u>135,523</u>
--------------------------------	----------------

TOTAL OTHER RECEIVABLES	<u>\$ 777,191</u>
-------------------------	-------------------

c. Due from Other Governments

At December 31, 2005, the Village had amounts due from other governments as follows:

State sales tax	\$ 2,656,956
Local sales tax	218,702
Grants	251,219
Court fines	72,999
Auto rental tax	3,568
Property tax protest	426,823
Motor fuel tax allotments	308,669
Telecommunications tax	543,470
Insurance deposit	269,544
Consulting reimbursement	143,396
State highway maintenance	25,520
Fire protection services	243,265
Park District reimbursements	<u>9,853</u>

TOTAL DUE FROM OTHER GOVERNMENTS	<u>\$ 5,173,984</u>
----------------------------------	---------------------

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,967,075	\$ -	\$ -	\$ 2,967,075
Land right of way	139,482,627	-	-	139,482,627
Total capital assets not being depreciated	<u>142,449,702</u>	<u>-</u>	<u>-</u>	<u>142,449,702</u>



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

4. CAPITAL ASSETS (Continued)

	Restated Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Capital assets being depreciated				
Buildings and improvements	\$ 13,163,705	\$ -	\$ -	\$ 13,163,705
Machinery and equipment	6,094,835	628,964	197,885	6,525,914
Storm sewer	28,393,200	333,650	-	28,726,850
Streets	23,681,430	-	-	23,681,430
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	72,929,905	962,614	197,885	73,694,634
Less accumulated depreciation for				
Buildings and improvements	4,319,735	380,380	-	4,700,115
Machinery and equipment	3,886,260	468,730	197,885	4,157,105
Storm sewer	13,807,220	631,730	-	14,438,950
Streets	9,651,290	481,704	-	10,132,994
Bridges	502,595	32,005	-	534,600
Total accumulated depreciation	32,167,100	1,994,549	197,885	33,963,764
Total capital assets being depreciated, net	40,762,805	(1,031,935)	-	39,730,870
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$183,212,507	\$ (1,031,935)	\$ -	\$182,180,572
	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,470,700	\$ -	\$ -	\$ 2,470,700
Total capital assets not being depreciated	2,470,700	-	-	2,470,700
Capital assets being depreciated				
Equipment	469,915	-	-	469,915
Water system	21,187,370	364,595	-	21,551,965
Sewer system	18,950,845	-	-	18,950,845
Parking improvements	15,541,755	-	-	15,541,755
Total capital assets being depreciated	56,149,885	364,595	-	56,514,480
Less accumulated depreciation for				
Equipment	214,940	56,260	-	271,200
Water system	10,653,595	367,670	-	11,021,265
Sewer system	8,414,780	398,710	-	8,813,490
Parking improvements	1,734,180	767,090	-	2,501,270
Total accumulated depreciation	21,017,495	1,589,730	-	22,607,225
Total capital assets being depreciated, net	35,132,390	(1,225,135)	-	33,907,255
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 37,603,090	\$ (1,225,135)	\$ -	\$ 36,377,955

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

4. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES

General government	\$ 158,730
Public safety	332,560
Public works	<u>1,503,259</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,994,549</u>
--	---------------------

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding at December 31, 2005 are as follows:

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
General Obligation Bond Series of 1989 Capital Appreciation Bonds (dated December 1, 1989; maturing January 1, 2016; original issue \$1,142,790; interest rate 7.10%; principal payable on January 1, 2014, 2015, 2016).	Water (1)	\$ 3,127,906	\$ 228,242	\$ -	\$ 3,356,148	\$ -
	Sewer (1)	128,380	7,059	-	135,439	-
General Obligation Bond, Series 1999 (dated January 1, 1999; maturing December 1, 2015; original issue \$6,915,000; interest rates 3.75% - 4.10%; principal payable annually on December 1).	Water	1,211,390	-	183,470	1,027,920	192,890
	Sewer	256,870	-	20,620	236,250	21,500
	Debt Service	3,371,740	-	530,910	2,840,830	555,610
General Obligation Bond, Series 1999A (dated December 1, 1999; maturing December 1, 2013; original issue \$3,085,000; interest rate 5.15%; principal payable annually on December 1, 2012 - 2013).	Water	314,510	-	205,750	108,760	-
	Sewer	40,030	-	8,330	31,700	-
	Debt Service	905,460	-	610,920	294,540	-

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
General Obligation Bond, Series 2000 (dated January 1, 2000; maturing December 1, 2011; original issue \$21,065,000; interest rates 4.75% to 5.10%; principal payable annually on December 1).	Water	\$ 3,262,440	\$ -	\$ 398,750	\$ 2,863,690	\$ 417,500
	Sewer	151,320	-	18,600	132,720	19,500
	Debt Service	9,631,240	-	1,177,650	8,453,590	1,233,000
General Obligation Bond, Series 2000B (dated December 1, 2000; maturing December 1, 2015; original issue \$1,965,000; interest rates 4.625% to 5.250%; principal payable annually on December 1).	Water	390,410	-	24,750	365,660	27,520
	Sewer	227,940	-	14,740	213,200	15,750
	Debt Service	946,650	-	60,510	886,140	66,730
General Obligation Bond, Series 2001 (dated December 1, 2001; maturing December 1, 2016; original issue \$14,565,000; interest rates 4.50% to 5.00%; principal payable annually on December 1, 2009 - 2016).	Downtown TIF	14,565,000	-	-	14,565,000	-
General Obligation Bond, Taxable Series 2001 (dated July 1, 2001; maturing December 1, 2009; original issue \$3,205,000; interest rate 5.60%; principal payable annually on December 1, 2005 - 2009).	Downtown TIF	3,205,000	-	325,000	2,880,000	425,000
General Obligation Bond, Series 2002 (dated July 1, 2002; maturing December 1, 2022; original issue \$10,000,000; interest rates 4.05% to 5.50%; principal payable annually on December 1).	Debt Service	9,325,000	-	355,000	8,970,000	370,000

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
Taxable General Obligation Refunding Bond Series of 2003 (dated January 1, 2003; maturing December 1, 2012; original issue \$2,975,000; interest rate 2.85% to 4.90%; principal payable annually on December 1, 2005 - 2012).	Downtown TIF	\$ 2,975,000	\$ -	\$ 320,000	\$ 2,655,000	\$ 335,000
General Obligation Refunding Bond, Series 2003 (dated October 1, 2003; maturing December 1, 2013; original issue \$4,625,000; interest rates 2.00% to 3.30%; principal payable annually on December 1).	Water	1,101,220	-	118,830	982,390	125,050
	Sewer	220,460	-	20,890	199,570	21,430
	Debt Service	3,078,320	-	335,280	2,743,040	353,520
General Obligation Tax Increment Bond Series of 2003 (dated October 30, 2003; maturing December 1, 2013; original issue \$990,000; interest rate 3.41%; principal payable semi- annually on June 1 and December 1).	Downtown TIF	990,000	-	95,720	894,280	99,011
General Obligation Bond, Series 2004 (dated March 1, 2004; maturing December 1, 2017; original issue \$1,900,000; interest rates 2.500% to 3.875%; principal payable annually on December 1).	Downtown TIF	1,900,000	-	-	1,900,000	150,000
General Obligation Bond, Taxable Series 2004A (dated March 1, 2004; maturing December 1, 2022; original issue \$7,500,000; interest rates 4.125% to 5.200%; principal payable annually on December 1).	Downtown TIF	7,500,000	-	-	7,500,000	300,000

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements/ Refundings	Balances December 31	Current Portion
General Obligation Bond, Taxable Series 2004B (dated March 1, 2004; maturing December 1, 2008; original issue \$3,025,000; interest rates 2.375% to 3.250%; principal payable annually on December 1).	Rand Road TIF	\$ 3,025,000	\$ -	\$ -	\$ 3,025,000	\$ 500,000
\$440,000 Equipment Bond Series 2004 (dated March 1, 2004; maturing December 1, 2009; original issue \$440,000, interest rate 2.500%; principal payable annually on December 1).	Debt Service	440,000	-	85,000	355,000	85,000
General Obligation Refunding Bond, Series 2004C (dated December 30, 2004; maturing December 1, 2012; original issue \$2,250,000; interest rates 2.500% to 4.000%; principal payable annually on December 1).	Water	463,750	-	-	463,750	-
	Sewer	23,400	-	-	23,400	-
	Debt Service	1,762,850	-	130,000	1,632,850	130,000
General Obligation Refunding Bond, Series 2004D (dated December 30, 2004; maturing December 1, 2020; original issue \$5,080,000; interest rates 3.000% to 4.000%; principal payable annually on December 1).	Downtown TIF	5,080,000	-	45,000	5,035,000	30,000
General Obligation Refunding Bond, Series 2005 (dated December 30, 2004; maturing December 1, 2012; original issue \$2,250,000; interest rates 2.500% to 4.000%; principal payable annually on December 1).	Water	-	213,770	-	213,770	-
	Sewer	-	11,030	-	11,030	-
	Debt Service	-	645,200	5,000	640,200	5,000
		\$79,621,286	\$ 1,105,301	\$ 5,090,720	\$75,635,867	\$ 5,479,011

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

5. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

- (1) These bonds are capital appreciation bonds. The amount shown in the "Issuances" column includes \$235,301 of increase in the accreted value of the bonds during the fiscal year ended December 31, 2005. The carrying value of the accreted bonds is \$2,348,797 at December 31, 2005.

b. Tax Increment Financing Revenue Bonds and Notes

The Village also issues bonds where the Village pledges incremental property tax income derived from a separately-created tax increment financing district. These bonds and notes are not obligations of the Village and are secured only by the incremental property tax revenues generated by the district. Tax increment financing bonds and notes currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions/ Refundings	Balances December 31	Current Portion
TIF Revenue Refunding Bond Series of 1998 (dated June 30, 1998; maturing January 1, 2017; original issue \$24,290,000; interest rate 3.95% to 6.00%; principal payable annually on January 1).	Special Tax Allocation	\$16,280,000	\$ -	\$ 710,000	\$ 15,570,000	\$ 1,000,000
Subordinated Redevelopment Note Series 1998A (dated November 23, 1998; maturing July 31, 2014; original issue \$380,000; interest rate 7.0%; principal payable on July 31, 2014).	Special Tax Allocation	380,000	-	-	380,000	-
Subordinated Redevelopment Note Series 2000A (dated August 14, 2000; maturing July 24, 2018; original issue \$100,000; interest rate 7.0%; principal payable on July 24, 2018).	Special Tax Allocation	100,000	-	-	100,000	-
		<u>\$16,760,000</u>	<u>\$ -</u>	<u>\$ 710,000</u>	<u>\$ 16,050,000</u>	<u>\$ 1,000,000</u>

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

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

The Village is a home rule municipality. Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes governs computation of the legal debt margin.

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

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

d. Debt Service to Maturity Schedules

The annual requirements to amortize to maturity serial debt outstanding as of December 31, 2005 are as follows:

Fiscal Year Ending December 31,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 4,636,291	\$ 2,830,818	\$ 7,467,109	\$ 842,720	\$ 320,960	\$ 1,163,680
2007	5,671,936	2,646,453	8,318,389	835,480	286,970	1,122,450
2008	5,761,009	2,423,527	8,184,536	764,930	248,670	1,013,600
2009	4,959,782	2,181,209	7,140,991	804,800	214,900	1,019,700
2010	5,014,480	1,959,717	6,974,197	833,870	179,730	1,013,600
2011	5,249,019	1,737,824	6,986,843	878,230	141,770	1,020,000
2012	5,853,811	1,515,063	7,368,874	892,470	86,330	978,800
2013	4,892,582	1,264,184	6,156,766	522,870	47,730	570,600
2014	4,140,940	1,051,554	5,192,494	486,533	1,403,667	1,890,200
2015	5,330,720	868,863	6,199,583	852,417	2,486,783	3,339,200
2016	3,655,000	627,026	4,282,026	302,180	1,552,820	1,855,000
2017	1,870,000	457,576	2,327,576	-	-	-
2018	1,760,000	377,320	2,137,320	-	-	-
2019	1,835,000	300,103	2,135,103	-	-	-
2020	1,940,000	218,053	2,158,053	-	-	-
2021	1,315,000	130,703	1,445,703	-	-	-
2022	1,385,000	67,210	1,452,210	-	-	-
TOTAL	\$ 65,270,570	\$ 20,657,203	\$ 85,927,773	\$ 8,016,500	\$ 6,970,330	\$ 14,986,830

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

5. LONG-TERM DEBT (Continued)

d. Debt Service to Maturity Schedules (Continued)

Fiscal Year Ending December 31,	Revenue Bond			Redevelopment Notes		
	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,000,000	\$ 764,920	\$ 1,764,920	\$ -	\$ -	\$ -
2007	1,020,000	704,320	1,724,320	-	-	-
2008	1,080,000	648,610	1,728,610	-	-	-
2009	1,360,000	589,500	1,949,500	-	-	-
2010	1,430,000	519,750	1,949,750	-	-	-
2011	1,505,000	446,375	1,951,375	-	-	-
2012	1,830,000	363,000	2,193,000	-	-	-
2013	1,925,000	269,125	2,194,125	-	-	-
2014	2,020,000	170,500	2,190,500	380,000	424,270	804,270
2015	2,400,000	60,000	2,460,000	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	100,000	128,605	228,605
TOTAL	\$ 15,570,000	\$ 4,536,100	\$ 20,106,100	\$ 480,000	\$ 552,875	\$ 1,032,875

The annual requirements to amortize to maturity capital appreciation bonds outstanding as of December 31, 2005 are as follows:

Fiscal Year	Principal	Interest Accretion
2006	\$ -	\$ 252,156
2007	-	270,377
2008	-	289,914
2009	-	310,864
2010	-	333,327
2011	-	357,413
2012	-	383,240
2013	-	410,933
2014	1,695,000	156,299
2015	2,995,000	161,847
2016	1,855,000	127,181
TOTAL	\$ 6,545,000	\$ 3,053,551



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

5. LONG-TERM DEBT (Continued)

e. Advance Refunding

On July 30, 1998, the Village issued \$24,290,000 Tax Increment Revenue Refunding of Series of 1998. Proceeds of \$13,528,308 were utilized to redeem the \$10,845,000 Limited Obligation Redevelopment Bond Series of 1995, and the \$675,000 Subordinated Limited Obligation Redevelopment Bond Series of 1996A. Proceeds of \$5,711,110 were used to purchase investments that were placed in an irrevocable trust with American National Bank and Trust Company of Chicago to provide for all future debt service payments on the \$4,980,000 Limited Obligation Tax Increment Revenue Bond Series of 1997. As a result, the Series 1997 Bonds are considered to be defeased and the liability has been removed from the Village's financial statements. The future requirement of the Limited Obligation Tax Increment Revenue Bond Series of 1997 to be paid from escrow is \$4,290,000.

On December 30, 2004, the Village issued \$2,250,000 General Obligation Refunding Bond Series 2004C and \$5,080,000 General Obligation Refunding Bonds Series 2004D to refund \$355,000 of the General Obligation Bond Series of 1997, \$2,125,000 of the General Obligation Bond Series of 1999A and \$4,650,000 of the General Obligation Bond Series of 2000A. Conditions for defeasance have been met and assets were placed in escrow through an irrevocable transfer and the liability has been removed from the financial statements.

On January 1, 2005, the Village issued \$870,000 General Obligation Refunding Bond Series 2005 to refund \$825,000 of the General Obligation Bond Series of 1999A due on December 13, 2013. Through the refunding, the Village reduced its debt service by \$29,483 and had an economic gain of \$29,960. Conditions for defeasance have been met and assets were placed in escrow through an irrevocable transfer and the liability has been removed from the financial statements.

Defeased bonds outstanding at December 31, 2005 will be redeemed as follows:

Fiscal Year Ending December 31,	General Obligation Bond Series 1997	General Obligation Bond Series 1999A	General Obligation Bond Series 2000A	Total
2006	\$ 120,000	\$ -	\$ -	\$ 120,000
2007	125,000	-	-	125,000
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	2,125,000	-	2,125,000
2013	-	825,000	475,000	1,300,000

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

5. LONG-TERM DEBT (Continued)

e. Advance Refunding (Continued)

Fiscal Year Ending December 31,	General Obligation Bond Series 1997	General Obligation Bond Series 1999A	General Obligation Bond Series 2000A	Total
2014	\$ -	\$ -	\$ 500,000	\$ 500,000
2015	-	-	550,000	550,000
2016	-	-	550,000	550,000
2017	-	-	600,000	600,000
2018	-	-	625,000	625,000
2019	-	-	650,000	650,000
2020	-	-	700,000	700,000
TOTAL	\$ 245,000	\$ 2,950,000	\$ 4,650,000	\$ 7,845,000

f. Non-commitment Debt

Special service area bonds outstanding as of December 31, 2005 of this report totaled \$130,000. These bonds are not an obligation of the Village and are secured by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for repayment, but is only acting as agent for the property owners in levying and collecting the tax, and forwarding the collections to bondholders.

g. Tax Increment Financing Bond Ordinance Disclosures

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

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

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

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

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

5. LONG-TERM DEBT (Continued)

g. Tax Increment Financing Bond Ordinance Disclosures (Continued)

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

h. Tax Increment Financing Redevelopment Note Disclosures

The Series 1998A and 2000 Redevelopment Notes were issued in conjunction with the Dundee Road Redevelopment Projects. The ordinances authorizing the issuance of these notes provided that these instruments were subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. As such, there are no established principal and interest payment schedules for either of these notes. However, simple interest does accrue on these notes until such time as they are redeemed. These notes are reflected in the annual debt service requirements at the full principal and interest amount payable at their maturity.

i. Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended December 31, 2005:

	January 1	Additions	Refundings/ Reductions	December 31	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$68,701,260	\$ 645,200	\$ 4,075,990	\$ 65,270,470	\$ 4,637,871
TIF revenue bonds	16,280,000	-	710,000	15,570,000	1,000,000
Tax increment financing notes	480,000	-	-	480,000	-
Obligations under capital leases	-	255,439	89,275	166,164	81,083
Net pension obligation	1,102,245	-	114,905	987,340	-
Compensated absences*	1,487,180	1,495,097	1,487,180	1,495,097	299,810
Total long-term debt	88,050,685	2,395,736	6,477,350	83,969,071	6,018,764
Less deferred amounts					
Unamortized bond discount	(70,305)	-	(7,464)	(62,841)	-
Unamortized bond premium	109,363	17,014	13,608	112,769	-
Unamortized loss on refunding	(617,817)	(42,307)	(56,892)	(603,232)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$87,471,926</b>	<b>\$ 2,370,443</b>	<b>\$ 6,426,602</b>	<b>\$ 83,415,767</b>	<b>\$ 6,018,764</b>

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

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

5. LONG-TERM DEBT (Continued)

	January 1, Restated	Additions	Refundings/ Reductions	December 31	Current Portion
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds					
Water	\$ 9,871,626	\$ 442,012	\$ 931,550	\$ 9,382,088	\$ 762,960
Sewer	1,048,400	18,089	83,180	983,309	78,180
Compensated absences					
Water	36,396	39,018	36,396	39,018	7,825
Sewer	4,193	7,702	4,193	7,702	1,555
Total long-term debt	10,960,615	506,821	1,055,319	10,412,117	850,520
Less deferred amounts:					
Unamortized bond premium	18,651	5,928	3,216	21,363	-
Unamortized loss on refunding	(20,849)	-	(20,849)	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 10,958,417</b>	<b>\$ 512,749</b>	<b>\$ 1,037,686</b>	<b>\$ 10,433,480</b>	<b>\$ 850,520</b>

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

All funds of the Village participate and make payments to the Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the Fund 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:

	2005	2004
CLAIMS PAYABLE, BEGINNING OF YEAR	\$ 450,000	\$ 450,000
Add claims incurred	3,523,399	3,964,658
Less claims paid	(3,673,399)	(3,964,658)
CLAIMS PAYABLE, END OF YEAR	\$ 300,000	\$ 450,000

6. RISK MANAGEMENT (Continued)

Intergovernmental Risk Management Agency (IRMA)

The Village participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is a public entity risk pool whose members are Illinois municipalities. IRMA manages and funds first party property losses, third party liability claims, workers' compensation claims and public officials' liability claims of its member municipalities. The Village's payments to IRMA are displayed on the financial statements as expenditures/expenses in the appropriate funds.

Risk of loss is transferred, except that each member assumes the first \$1,000 of each occurrence, and IRMA has self-insurance retentions at various amounts above that level.

Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers, a Risk Manager and a Treasurer. The Village does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined in advance of each membership year based on the individual member's eligible revenue as defined in the bylaws of IRMA, and assessment factors based on past member experience and the funding need for the membership year. The Board of Directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. The Village is not aware of any additional amounts owed to IRMA for the current period or prior policy year at December 31, 2005.

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.

7. CONTINGENT LIABILITIES (Continued)

c. Municipal Infrastructure Maintenance Fee

Effective January 1, 1998, the Village imposed a municipal telecommunications infrastructure maintenance fee (IMF) on persons in the business of transmitting, supplying, or furnishing telecommunications and all associated services (e.g., telecommunications retailers) in Illinois for the "use of public right-of-ways". The fee was authorized by state statute (35 ILCS 635). In March 2001, a wireless telecommunications provider brought action against an Illinois government challenging the constitutionality of the municipal telecommunications infrastructure maintenance fee. The Illinois Supreme Court (Court) found the IMF to be unconstitutional as applied to wireless carriers. The Court's decision held upon appeal. The municipal IMF fee was eliminated effective December 31, 2002. Potential damages to the Village under this case precedent could aggregate the total of amounts remitted to the Village for IMF by all carriers during the period from January 1, 1998 through December 31, 2002. The Village has not estimated its liability under potential IMF lawsuits as of December 31, 2005.

d. Northwest Water Commission (NWWC)

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

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

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

The Village's estimated payment for operations and maintenance costs for 2006 is \$1,658,000. This is based on an estimated tipping fee of \$53.50 per ton for 30,100 tons.

The Village's estimated payment of fixed costs for 2006 is \$111,000. This amount has been estimated using the Village's current allocation percentage of 11.04%. In future years this allocation percentage will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

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

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

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

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 \$1,827,277 to SWANCC in 2005. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2005.

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC)

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

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

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

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

NWWC has entered into water supply agreements with the four member municipalities for a term of forty 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 under which the City has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2020.

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

In accordance with the joint venture agreement, the Village remitted \$2,334,751 to NWWC for 2005. The Village's equity interest in NWWC was \$11,125,480 at December 31, 2005. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.



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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Individual fund interfund receivables/payables are as follows:

	Due From	Due To
General		
Central Equipment	\$ 151,271	\$ -
Insurance	67,981	-
Total General	219,252	-
Waterworks		
Insurance	23,026	-
Total Waterworks	23,026	-
Sewerage		
Insurance	12,449	-
Total Sewerage	12,449	-
Central Equipment		
General	-	151,271
Insurance	16,615	-
Total Central Equipment	16,615	151,271
Insurance		
General	-	67,981
Waterworks	-	23,026
Sewerage	-	12,449
Central Equipment	-	16,615
Total Insurance	-	120,071
TOTAL	\$ 271,342	\$ 271,342

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

- \$151,271 due from the General Fund to the Central Equipment Fund. This balance consists of cash overdrafts of \$151,271 due from the General Fund and to the Central Equipment Fund. Repayment is expected within one year.
- \$67,981 is due from the General Fund to the Insurance Fund for insurance premiums. Repayment is expected within one year.
- \$23,026 is due from the Central Equipment Fund to the Insurance Fund for insurance premiums. Repayment is expected within one year.

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

a. Due From/To Other Funds (Continued)

- \$12,449 is due from the Sewerage Fund to the Insurance Fund for insurance premiums. Repayment is expected within one year.
- \$16,615 is due from the Sewerage Fund to the Insurance Fund for insurance premiums. Repayment is expected within one year.

b. Advances From/To Other Funds

Advances from/to other funds at December 31, 2005 consisted of the following:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Corporate Projects	Fiduciary Special Service Area	\$ 128,568
TOTAL		\$ 128,568

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

- \$128,568 advance to other funds from a Nonmajor Governmental Fund. This balance relates to the construction of storm sewer improvements. Repayment is not expected within one year.

c. Interfund Transfers

Interfund transfers between funds for the year ended December 31, 2005 were as follows:

	Transfers In	Transfers Out
General		
Nonmajor Governmental	\$ 88,530	\$ 400,000
Major Enterprise		
Waterworks	-	1,000,000
Internal Service	5,000	-
Total General	93,530	1,400,000
Debt Service		
Major Enterprise		
Sewerage	760,000	-
Total Debt Service	760,000	-

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Governmental		
General	\$ 400,000	\$ 88,530
Nonmajor Governmental	305,000	305,000
Major Enterprise		
Sewerage	-	952,800
	<u>705,000</u>	<u>1,346,330</u>
Waterworks		
General	<u>1,000,000</u>	-
Sewerage		
Debt Service	-	760,000
Nonmajor Enterprise	952,800	-
Total Sewerage	<u>952,800</u>	<u>760,000</u>
Internal Service	<u>-</u>	<u>5,000</u>
TOTAL	<u>\$ 3,511,330</u>	<u>\$ 3,511,330</u>

The purpose of significant transfers is as follows:

- \$400,000 transferred to a Nonmajor Governmental Fund from the General Fund for capital equipment acquisition. This transfer will not be repaid.
  - \$760,000 transferred from the Sewerage Fund to the Debt Service Fund for the payment of flood control bond debt service from flood control fees. This transfer will not be repaid.
- d. The Central Equipment Fund, an internal service fund, has deficit net assets of \$62,211. Future contributions from other funds will reduce this.

10. OTHER POST-RETIREMENT BENEFITS

In addition to providing pension benefits described, the Village provides post-employment health care benefits, in accordance with the personnel policy manual, to all employees who retire from any of the Village's retirement systems. Currently, 26 retirees meet those eligibility requirements. The post-employment health care benefits are financed on a pay-as-you-go basis. The retirees pay 100 percent of the cost of the health care premiums. Accordingly, the Village did not recognize any expenditure for post-employment health care benefits during the fiscal year.

11. EMPLOYEE RETIREMENT SYSTEMS

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

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighter's plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution rate for the calendar year ended 2005 was 10.36% of covered payroll.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2005, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	39
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	5
Nonvested	102
	<hr/>
TOTAL	146
	<hr/>

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

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended December 31, 2005, the Village's contribution was 15.94% of covered payroll.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by 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 December 31, 2005, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	30
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	19
Nonvested	76
	<hr/>
TOTAL	<u>125</u>

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

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2005, the Village's contribution was 13.69% of covered payroll.

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

---

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Significant Investments

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

The costs of administering the Plans are financed through employer and employee contributions.

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2003	January 1, 2005	January 1, 2005
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	3 Year Smoothed Market	3 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Dollar	Level Dollar
Amortization period	32 Years, Closed	32 Years, Closed	32 Years, Closed
Significant actuarial assumptions			
a) Inflation rate	4.00%	3.00%	3.00%
b) Rate of return on investments	7.50% Compounded Annually	8.00% Compounded Annually	8.00% Compounded Annually
c) Projected salary increases	.40 to 11.60%	5.50%	5.50%
d) Post-retirement benefit increases	3.00%	3.00%	3.00%

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs (Continued)

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

	For Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2003	\$ 617,532	\$ 924,486	\$ 757,102
	2004	718,926	1,058,147	820,725
	2005	881,725	1,044,080	934,483
Actual contribution	2003	\$ 617,532	\$ 778,499	\$ 749,608
	2004	718,926	935,472	808,875
	2005	881,725	1,177,460	916,008
Percentage of APC contributed	2003	100.00%	84.21%	99.01%
	2004	100.00	88.41	98.56
	2005	100.00	112.77	98.02
NPO (asset)	2003	\$ -	\$ 620,064	\$ 347,656
	2004	-	742,739	359,506
	2005	-	609,359	377,981

The NPO has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual required contribution	\$ 1,044,267	\$ 934,767
Interest on net pension obligation	59,419	28,760
Adjustment to annual required contributions	(59,606)	(29,044)
Annual pension cost	1,044,080	934,483
Contributions made	1,177,460	916,008
Increase (decrease) in net pension obligation	(133,380)	18,475
Net pension obligation beginning of year	742,739	359,506
NET PENSION OBLIGATION END OF YEAR	\$ 609,359	\$ 377,981



12. RESTATEMENTS

The Village has restated the balance of governmental capital assets as of January 1, 2005 to report infrastructure in accordance with GASB-S34. The restatement resulted in a net increase in governmental capital assets as of January 1, 2005 of \$12,669,013.

The Village has restated beginning fund balance for the Downtown TIF to correct prior year errors in recording of intergovernmental revenues by \$151,152.

## Required Supplementary Information

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>				
Taxes	\$ 28,876,725	\$ 28,876,725	\$ 30,046,932	\$ 1,170,207
Licenses and permits	2,778,000	2,778,000	3,121,288	343,288
Intergovernmental	4,910,810	5,072,571	5,787,330	714,759
Charges for services	1,640,000	1,648,485	1,950,734	302,249
Fines and forfeits	737,750	737,750	741,524	3,774
Investment income	50,000	50,000	348,592	298,592
Miscellaneous	269,150	287,305	338,619	51,314
Total revenues	39,262,435	39,450,836	42,335,019	2,884,183
<b>EXPENDITURES</b>				
General government	7,431,105	7,557,865	6,708,111	(849,754)
Public safety	25,734,440	25,866,083	25,640,194	(225,889)
Public works	4,640,620	4,643,695	4,710,929	67,234
Total expenditures	37,806,165	38,067,643	37,059,234	(1,008,409)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,456,270</b>	<b>1,383,193</b>	<b>5,275,785</b>	<b>3,892,592</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Flood Control Fund	88,530	88,530	88,530	-
Central Equipment Fund	5,000	5,000	5,000	-
Transfers (out)				
Capital Equipment Fund	(400,000)	(400,000)	(400,000)	-
Proprietary - Water Fund	-	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	(306,470)	(1,306,470)	(1,306,470)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,149,800</b>	<b>\$ 76,723</b>	<b>3,969,315</b>	<b>\$ 3,892,592</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>12,342,820</b>	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 16,312,135</b>	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DOWNTOWN TIF FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Incremental property taxes	\$ 2,109,460	\$ 2,109,460	\$ 2,078,356	\$ (31,104)
Investment income	-	-	38,397	38,397
Total revenues	2,109,460	2,109,460	2,116,753	7,293
EXPENDITURES				
Economic Development				
Administration	59,000	59,000	34,805	(24,195)
Project expenditures	5,341,000	7,357,080	2,496,259	(4,860,821)
Debt service				
Principal payments	740,720	785,720	785,720	-
Interest and fiscal charges	1,687,035	1,630,466	1,629,758	(708)
Total expenditures	7,827,755	9,832,266	4,946,542	(4,885,724)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,718,295)	(7,722,806)	(2,829,789)	4,893,017
OTHER FINANCING SOURCES (USES)				
Loss on disposition of land held for resale	-	-	(681,030)	(681,030)
Total other financing sources (uses)	-	-	(681,030)	(681,030)
NET CHANGE IN FUND BALANCE	\$ (5,718,295)	\$ (7,722,806)	(3,510,819)	\$ 4,211,987
FUND BALANCE, JANUARY 1			7,109,515	
Prior period adjustment			151,152	
FUND BALANCE, JANUARY 1, RESTATED			7,260,667	
FUND BALANCE, DECEMBER 31			\$ 3,749,848	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2005

---

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (OAAL) (2) - (1)	(5) Covered Payroll	UAAL (OAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 16,023,103	\$ 14,744,477	108.67%	\$(1,278,626)	\$ 7,163,908	(17.85%)
2001	17,434,322	16,297,924	106.97%	(1,136,398)	7,648,141	(14.86%)
2002	17,313,068	17,528,281	98.77%	215,213	8,255,992	2.61%
2003	17,264,405	19,777,709	87.29%	2,513,304	8,746,912	28.73%
2004	14,851,060	18,949,505	78.37%	4,098,445	8,160,340	50.22%
2005	16,534,465	20,897,881	79.12%	4,363,416	8,510,862	51.27%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF FUNDING PROGRESS  
POLICE PENSION FUND

December 31, 2005

---

Actuarial Valuation Date January 1	(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)
2000	\$ 24,792,223	\$28,782,499	86.14%	\$ 3,990,276	\$ 5,865,333	68.03%
2001	27,023,183	31,510,130	85.76%	4,486,947	6,305,827	71.16%
2002	28,627,745	34,279,135	83.51%	5,651,390	6,792,997	83.19%
2003	30,040,260	37,170,819	80.82%	7,130,559	7,029,415	101.44%
2004	32,583,811	39,667,110	82.14%	7,083,299	7,230,372	97.97%
2005	35,125,250	43,228,479	81.25%	8,103,229	7,384,968	109.73%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
FIREFIGHTERS' PENSION FUND

December 31, 2005

---

Actuarial Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (OAAL) (2) - (1)	(5) Covered Payroll	UAAL (OAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$27,225,257	\$ 26,115,131	104.25%	\$(1,110,126)	\$ 4,975,130	(22.31%)
2001	29,990,530	30,955,446	96.88%	964,916	5,625,702	17.15%
2002	32,220,114	33,441,415	96.35%	1,221,301	6,116,973	19.97%
2003	35,143,321	36,834,891	95.41%	1,691,570	6,480,426	26.10%
2004	36,885,462	40,807,524	90.39%	3,922,062	6,501,891	60.32%
2005	40,150,008	43,894,062	91.47%	3,744,054	6,826,186	54.85%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2005

---

<u>Calendar Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 545,173	\$ 545,173	100.00%
2001	540,724	540,724	100.00%
2002	556,454	556,454	100.00%
2003	617,532	617,532	100.00%
2004	718,926	718,926	100.00%
2005	881,725	881,725	100.00%

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND

December 31, 2005

---

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 550,535	\$ 623,809	88.25%
2001	614,713	739,075	83.17%
2002	740,195	788,100	93.92%
2003	778,499	924,486	84.21%
2004	935,472	1,057,997	88.42%
2005	1,177,460	1,044,267	112.75%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIREFIGHTERS' PENSION FUND

December 31, 2005

---

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 569,219	\$ 740,472	76.87%
2001	729,756	461,087	158.27%
2002	551,461	684,051	80.62%
2003	749,608	796,865	94.07%
2004	808,875	820,813	98.55%
2005	916,008	934,767	97.99%

(See independent auditor's report.)

# VILLAGE OF PALATINE, ILLINOIS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2005

---

### STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### a. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. 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.

All 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 hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

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

Encumbrances represent commitments related to unperformed 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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### b. Excess of Expenditures/Expenses Over Budget

The following funds had an excess of actual expenditures/expenses exclusive of depreciation over budget for the year ended December 31, 2005:

	Excess
Motor Fuel Tax	\$ 297,579
Capital Equipment Acquisition	257,549
Central Equipment	167,835
Refuse Collection	79,198
Firefighters' Pension	370,841
Police Pension	116,079

## Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2005

	Special Revenue	Capital Project	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and investments	\$ 1,666,707	\$ 1,268,425	\$ 2,935,132
Due from other governments	344,957	724,470	1,069,427
Advance to Fiduciary Fund	-	128,568	128,568
Land held for resale	2,500,000	-	2,500,000
<b>TOTAL ASSETS</b>	<b>\$ 4,511,664</b>	<b>\$ 2,121,463</b>	<b>\$ 6,633,127</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 496,916	\$ 359,310	\$ 856,226
Other deferred revenue	-	76,936	76,936
<b>Total liabilities</b>	<b>496,916</b>	<b>436,246</b>	<b>933,162</b>
<b>FUND BALANCES</b>			
Reserved for advances	-	128,568	128,568
Reserved for land held for resale	2,500,000	-	2,500,000
Reserved for maintenance of roadways	353,229	-	353,229
Reserved for economic development	1,161,519	-	1,161,519
Reserved for special projects	-	1,556,649	1,556,649
<b>Total fund balances</b>	<b>4,014,748</b>	<b>1,685,217</b>	<b>5,699,965</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,511,664</b>	<b>\$ 2,121,463</b>	<b>\$ 6,633,127</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 2005

	Special Revenue	Capital Project	Total Nonmajor Governmental
REVENUES			
Taxes	\$ 1,261,517	\$ 2,125,860	\$ 3,387,377
Intergovernmental	2,456,944	110,844	2,567,788
Charges for services	-	70,275	70,275
Investment income	21,673	71,507	93,180
Miscellaneous	-	147,914	147,914
Total revenues	3,740,134	2,526,400	6,266,534
EXPENDITURES			
Current			
General government	100,200	317,383	417,583
Public works	2,506,396	-	2,506,396
Economic development	453,394	-	453,394
Capital outlay	-	2,796,534	2,796,534
Debt service			
Interest and fiscal charges	89,944	-	89,944
Total expenditures	3,149,934	3,113,917	6,263,851
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	590,200	(587,517)	2,683
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	72,191	72,191
Transfers in	-	705,000	705,000
Transfers (out)	-	(1,346,330)	(1,346,330)
Total other financing sources (uses)	-	(569,139)	(569,139)
NET CHANGE IN FUND BALANCES	590,200	(1,156,656)	(566,456)
FUND BALANCES, JANUARY 1	3,424,548	2,841,873	6,266,421
FUND BALANCES, DECEMBER 31	\$ 4,014,748	\$ 1,685,217	\$ 5,699,965

See accompanying notes to financial statements.

## Nonmajor Special Revenue Funds

**Community Development Block Grant Fund** - to account for the expenditure of Community Development Block Grant funds received from the Federal government.

**Motor Fuel Tax Fund** - to account for the operation of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided by the Village's share of state motor fuel taxes.

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

VILLAGE OF PALATINE, ILLINOIS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2005

	Community Development Block Grant	Motor Fuel Tax	Rand Road Corridor TIF	Total
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 540,165	\$ 1,126,542	\$ 1,666,707
Due from other governments	1,311	308,669	34,977	344,957
Land held for resale	-	-	2,500,000	2,500,000
<b>TOTAL ASSETS</b>	<b>\$ 1,311</b>	<b>\$ 848,834</b>	<b>\$ 3,661,519</b>	<b>\$ 4,511,664</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,311	\$ 495,605	\$ -	\$ 496,916
<b>Total liabilities</b>	<b>1,311</b>	<b>495,605</b>	<b>-</b>	<b>496,916</b>
<b>FUND BALANCES</b>				
Reserved for land held for resale	-	-	2,500,000	2,500,000
Reserved for maintenance of roadways	-	353,229	-	353,229
Reserved for economic development	-	-	1,161,519	1,161,519
<b>Total fund balances</b>	<b>-</b>	<b>353,229</b>	<b>3,661,519</b>	<b>4,014,748</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,311</b>	<b>\$ 848,834</b>	<b>\$ 3,661,519</b>	<b>\$ 4,511,664</b>

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2005

	Community Development Block Grant	Motor Fuel Tax	Rand Road Corridor TIF	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 1,261,517	\$ 1,261,517
Intergovernmental	461,311	1,995,633	-	2,456,944
Investment income	-	14,457	7,216	21,673
Total revenues	461,311	2,010,090	1,268,733	3,740,134
EXPENDITURES				
Current				
General government	100,200	-	-	100,200
Public works	-	2,506,396	-	2,506,396
Economic development	361,111	-	92,283	453,394
Debt service				
Interest and fiscal charges	-	-	89,944	89,944
Total expenditures	461,311	2,506,396	182,227	3,149,934
NET CHANGE IN FUND BALANCES	-	(496,306)	1,086,506	590,200
FUND BALANCES, JANUARY 1	-	849,535	2,575,013	3,424,548
FUND BALANCES, DECEMBER 31	\$ -	\$ 353,229	\$ 3,661,519	\$ 4,014,748

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Intergovernmental Grants	\$ 500,350	\$ 461,311
Total revenues	500,350	461,311
EXPENDITURES		
General government		
Administrative services	100,200	100,200
Community development	474,580	361,111
Total expenditures	574,780	461,311
NET CHANGE IN FUND BALANCE	\$ (74,430)	-
FUND BALANCE, JANUARY 1		-
FUND BALANCE, DECEMBER 31		\$ -

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Intergovernmental		
Motor fuel tax allotment	\$ 1,922,440	\$ 1,995,633
Investment income	10,000	14,457
Total revenues	1,932,440	2,010,090
EXPENDITURES		
Public works		
Highways and streets	2,208,817	2,506,396
Total expenditures	2,208,817	2,506,396
NET CHANGE IN FUND BALANCE	<u>\$ (276,377)</u>	(496,306)
FUND BALANCE, JANUARY 1		<u>849,535</u>
FUND BALANCE, DECEMBER 31		<u>\$ 353,229</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2005

---

	Final Budget	Actual
<hr/>		
PUBLIC WORKS		
Highways and streets		
Street maintenance		
Snow and ice control	\$ 100,000	\$ 288,131
Pavement maintenance	109,500	88,909
Gas light maintenance	41,000	38,543
Road resurfacing	1,398,767	1,325,570
Streetlight cabling replacement	25,000	23,147
Curb and gutter extension	110,500	110,500
Intersection improvements - pedestrian	17,582	11,949
Plum Grove Road improvement	-	330,367
South Cedar Street improvements	306,468	289,279
Heater Scarifier project	100,000	-
	<hr/>	
TOTAL EXPENDITURES	\$ 2,208,817	\$ 2,506,395
	<hr/>	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
RAND ROAD CORRIDOR TIF FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Taxes		
Incremental property taxes	\$ 830,265	\$ 1,261,517
Investment income	-	7,216
Total revenues	830,265	1,268,733
EXPENDITURES		
Economic development		
Administration	44,500	25,873
Wal Mart project	610,500	306
Foxfire project	8,000	1,094
Harley project	949,153	15,524
Rand/Dundee intersection improvement	8,296	572
Gagliano property	500	438
Park Place signal	49,410	22,088
Street lighting	273,150	-
Rand/Wilson signal	26,850	26,388
Debt service		
Interest and fiscal charges	89,945	89,944
Total expenditures	2,060,304	182,227
NET CHANGE IN FUND BALANCE	\$ (1,230,039)	1,086,506
FUND BALANCE, JANUARY 1		2,575,013
FUND BALANCE, DECEMBER 31		\$ 3,661,519

(See independent auditor's report.)

## Nonmajor Capital Projects Funds

**Capital Improvement Fund** - to account for the acquisition and construction of capital facilities or equipment other than those financed by special designated assessment funds or enterprise funds.

**Capital Equipment Acquisition Fund** - to account for the purchase of new and replacement equipment for all Departments of the Village.

**Flood Control Fund** - to account for the construction of a various flood control projects throughout the Village, which are being financed by bond proceeds.

VILLAGE OF PALATINE, ILLINOIS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2005

	Capital Improvement	Capital Equipment Acquisition	Flood Control	Total
<b>ASSETS</b>				
Cash and investments	\$ 883,562	\$ 384,863	\$ -	\$ 1,268,425
Due from other governments	588,600	135,870	-	724,470
Advances to Fiduciary Fund	128,568	-	-	128,568
<b>TOTAL ASSETS</b>	<b>\$ 1,600,730</b>	<b>\$ 520,733</b>	<b>\$ -</b>	<b>\$ 2,121,463</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 307,504	\$ 51,806	\$ -	\$ 359,310
Other deferred revenue	76,936	-	-	76,936
<b>Total liabilities</b>	<b>384,440</b>	<b>51,806</b>	<b>-</b>	<b>436,246</b>
<b>FUND BALANCES</b>				
Reserved for advances	128,568	-	-	128,568
Reserved for special projects	1,087,722	468,927	-	1,556,649
<b>Total fund balances</b>	<b>1,216,290</b>	<b>468,927</b>	<b>-</b>	<b>1,685,217</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,600,730</b>	<b>\$ 520,733</b>	<b>\$ -</b>	<b>\$ 2,121,463</b>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended December 31, 2005

	Capital Improvement	Capital Equipment Acquisition	Flood Control	Total
REVENUES				
Taxes	\$ 1,594,390	\$ 531,470	\$ -	\$ 2,125,860
Charges for services	70,275	-	-	70,275
Intergovernmental	-	110,844	-	110,844
Investment income	14,893	18,999	37,615	71,507
Miscellaneous	6,124	141,790	-	147,914
Total revenues	1,685,682	803,103	37,615	2,526,400
EXPENDITURES				
General government	-	317,383	-	317,383
Capital outlay	1,440,631	1,277,721	78,182	2,796,534
Total expenditures	1,440,631	1,595,104	78,182	3,113,917
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	245,051	(792,001)	(40,567)	(587,517)
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	72,191	-	72,191
Transfers in	185,000	520,000	-	705,000
Transfers (out)	(120,000)	-	(1,226,330)	(1,346,330)
Total other financing sources (uses)	65,000	592,191	(1,226,330)	(569,139)
NET CHANGE IN FUND BALANCES	310,051	(199,810)	(1,266,897)	(1,156,656)
FUND BALANCES, JANUARY 1	906,239	668,737	1,266,897	2,841,873
FUND BALANCES, DECEMBER 31	\$ 1,216,290	\$ 468,927	\$ -	\$ 1,685,217

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Taxes		
Telecommunications tax	\$ 1,450,000	\$ 1,594,390
Charges for services		
50/50 cost sharing programs	73,000	70,275
Investment income	1,000	14,893
Miscellaneous		
Other	8,750	6,124
Total revenues	1,532,750	1,685,682
EXPENDITURES		
Capital outlay		
Village facilities	329,220	310,854
Road improvements	944,309	867,466
Sidewalks	216,602	208,045
Bridges and culverts	54,265	54,266
Total expenditures	1,544,396	1,440,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,646)	245,051
OTHER FINANCING SOURCES (USES)		
Transfers in (out)		
Flood Control Fund	185,000	185,000
Capital Equipment Fund	(120,000)	(120,000)
Total other financing sources (uses)	65,000	65,000
NET CHANGE IN FUND BALANCE	\$ 53,354	310,051
FUND BALANCE, JANUARY 1		906,239
FUND BALANCE, DECEMBER 31		\$ 1,216,290

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
CAPITAL OUTLAY		
Village facilities		
Community Center modernization	\$ 156,415	\$ 156,394
Community Center parking lot maintenance	35,000	27,675
Tree plant program	35,000	34,942
Street sign upgrade	25,000	24,183
Pistol range replacement	62,205	62,205
Combined service facility	10,000	-
Fire station maintenance	5,600	5,455
Total Village facilities	329,220	310,854
Road improvements		
Arterial street light program	1,645	86,497
50/50 apron/curb/gutter improvements	124,000	123,210
50/50 sidewalk replacement	19,722	19,742
Brockway storm sewer rehabilitation	270,000	270,000
Plum Grove road improvements	-	183,003
Northwest Highway improvement	179,862	37,356
Palanois Park street improvement	135,000	133,308
Palatine Road reconstruction	214,080	14,350
Total road improvements	944,309	867,466
Sidewalks	216,602	208,045
Bridges and culverts	54,265	54,266
TOTAL EXPENDITURES	\$ 1,544,396	\$ 1,440,631

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL EQUIPMENT ACQUISITION FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Taxes		
Telecommunications	\$ 500,000	\$ 531,470
Intergovernmental		
Grants	119,675	110,844
Investment income	5,000	18,999
Miscellaneous		
Rental income	105,000	126,790
Other	15,000	15,000
Total revenues	744,675	803,103
EXPENDITURES		
General Government		
Contractual		
IMF settlement fees	-	317,383
Capital outlay		
Motor vehicles	756,881	722,595
Communications/technology	385,089	369,909
Operating equipment	195,585	185,217
Total expenditures	1,337,555	1,595,104
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(592,880)	(792,001)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	70,000	72,191
Transfers in		
General Fund	120,000	120,000
Capital Improvement Fund	400,000	400,000
Total other financing sources (uses)	590,000	592,191
NET CHANGE IN FUND BALANCE	\$ (2,880)	(199,810)
FUND BALANCE, JANUARY 1		668,737
FUND BALANCE, DECEMBER 31		\$ 468,927

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
CAPITAL EQUIPMENT ACQUISITION FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
GENERAL GOVERNMENT		
Contractual		
IMF settlement fees	\$ -	\$ 317,383
CAPITAL OUTLAY		
Motor vehicles		
Public works vehicle replacement	306,440	278,133
Police and administrative vehicle replacement	275,240	275,239
Fire department replacement	155,201	155,201
Public works additions	20,000	14,022
Total motor vehicles	756,881	722,595
Communications/technology		
Computer hardware and software	129,700	128,199
Communication equipment	9,000	-
M.A.N connection wireless	179,000	177,797
Public safety communication equipment	3,250	3,248
Police department electronic recording system	3,030	2,128
Fire department video conferencing system	61,109	58,537
Total communications/technology	385,089	369,909
Operating equipment		
Public works equipment replacement	35,335	33,798
Police department ILEAS facility security grant	25,000	16,169
Other operating equipment	135,250	135,250
Total operating equipment	195,585	185,217
Total capital outlay	1,337,555	1,277,721
TOTAL EXPENDITURES	\$ 1,337,555	\$ 1,595,104

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FLOOD CONTROL FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Investment income	\$ -	\$ 37,615
Total revenues	-	37,615
EXPENDITURES		
Capital outlay		
Flood Control		
Palanois Park	49,418	47,699
South Central	270,882	(6,549)
Winston Park	118,505	8,100
Buffalo Creek	33,365	28,932
Total expenditures	472,170	78,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(472,170)	(40,567)
OTHER FINANCING SOURCES (USES)		
Transfers in (out)		
Capital Improvement Fund	(185,000)	(185,000)
General Fund	(88,530)	(88,530)
Sewerage Fund	(952,800)	(952,800)
Total other financing sources (uses)	(1,226,330)	(1,226,330)
NET CHANGE IN FUND BALANCE	<u>\$ (1,698,500)</u>	(1,266,897)
FUND BALANCE, JANUARY 1		<u>1,266,897</u>
FUND BALANCE, DECEMBER 31		<u>\$ -</u>

(See independent auditor's report.)

## Internal Service Funds

## Internal Service Funds

**Central Equipment Fund** - to account for the provision of garage services to the various departments of the Village. Financing is provided through a vehicle maintenance fee charged to the using departments.

**Self-Insurance Fund** - to account for the Village's self-insurance program. Financing is provided through a fee charged to various Village departments.

VILLAGE OF PALATINE, ILLINOIS  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

December 31, 2005

	Central Equipment	Self Insurance	Total
CURRENT ASSETS			
Cash and investments	\$ 12,452	\$ 1,641,724	\$ 1,654,176
Receivables			
Other	9,853	-	9,853
Inventories	146,875	-	146,875
Due from other funds	16,615	-	16,615
	<hr/>	<hr/>	<hr/>
Total assets	185,795	1,641,724	1,827,519
	<hr/>	<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	56,662	-	56,662
Accrued payroll	9,770	-	9,770
Claims payable	-	300,000	300,000
Due to other funds	151,271	120,071	271,342
Compensated absences payable	30,303	-	30,303
	<hr/>	<hr/>	<hr/>
Total liabilities	248,006	420,071	668,077
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Unrestricted (deficit)	(62,211)	1,221,653	1,159,442
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	\$ (62,211)	\$ 1,221,653	\$ 1,159,442
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

	Central Equipment	Self Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 1,376,961	\$ 4,927,916	\$ 6,304,877
Miscellaneous	124,795	-	124,795
Total operating revenues	1,501,756	4,927,916	6,429,672
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,435,140	4,190,238	5,625,378
Total operating expenses	1,435,140	4,190,238	5,625,378
OPERATING INCOME	66,616	737,678	804,294
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	37,449	37,449
Transfer (out)	(5,000)	-	(5,000)
Total nonoperating revenues (expenses)	(5,000)	37,449	32,449
CHANGE IN NET ASSETS	61,616	775,127	836,743
NET ASSETS (DEFICIT), JANUARY 1	(123,827)	446,526	322,699
NET ASSETS (DEFICIT), DECEMBER 31	\$ (62,211)	\$ 1,221,653	\$ 1,159,442

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

	Central Equipment	Self Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 149,773	\$ 598,059	\$ 747,832
Receipts from interfund services transactions	1,350,000	4,353,539	5,703,539
Payments to suppliers	(999,716)	(4,350,320)	(5,350,036)
Payments to employees	(426,600)	-	(426,600)
Net cash from operating activities	73,457	601,278	674,735
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	252,468	252,468
Transfers to other funds	(79,355)	-	(79,355)
Net cash from noncapital financing activities	(79,355)	252,468	173,113
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
None	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	37,449	37,449
Net cash from investing activities	-	37,449	37,449
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,898)	891,195	885,297
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	18,350	750,529	768,879
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 12,452	\$ 1,641,724	\$ 1,654,176
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 66,616	\$ 737,678	\$ 804,294
Adjustments to reconcile operating income to net cash from operating activities			
(Increase) decrease in			
Other receivables	(1,983)	23,682	21,699
Inventories	2,330	-	2,330
Increase (decrease) in			
Accounts payable	693	(10,082)	(9,389)
Accrued payroll	435	-	435
Claims payable	-	(150,000)	(150,000)
Compensated absences payable	5,366	-	5,366
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ 73,457	\$ 601,278	\$ 674,735

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
CENTRAL EQUIPMENT FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Vehicle maintenance	\$ 1,350,000	\$ 1,350,000
Printing and duplicating	23,630	26,961
Miscellaneous		
Refunds	12,250	11,407
Reimbursements	132,500	113,388
Total operating revenues	1,518,380	1,501,756
OPERATING EXPENSES		
Costs of sales and services		
Finance and operations		
General services	18,000	16,491
Public works		
Building maintenance	15,500	16,025
Vehicle maintenance	1,233,805	1,402,624
Total operating expenses excluding depreciation	1,267,305	1,435,140
OPERATING INCOME	251,075	66,616
NONOPERATING REVENUES (EXPENSES)		
Transfer (out)	(5,000)	(5,000)
CHANGE IN NET ASSETS	<u>\$ 246,075</u>	61,616
NET ASSETS (DEFICIT), JANUARY 1		<u>(123,827)</u>
NET ASSETS (DEFICIT), DECEMBER 31		<u>\$ (62,211)</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
SELF INSURANCE FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Insurance fees and premiums		
Retiree	\$ 385,210	\$ 236,016
COBRA	18,000	23,952
Employee	416,510	434,480
Employer	4,178,230	4,233,468
Miscellaneous		
Reimbursements	2,000	-
Total operating revenues	4,999,950	4,927,916
OPERATING EXPENSES		
Administration	95,000	121,211
Insurance claims	4,907,450	4,069,027
Total operating expenses	5,002,450	4,190,238
OPERATING INCOME (LOSS)	(2,500)	737,678
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,500	37,449
CHANGE IN NET ASSETS	\$ -	775,127
NET ASSETS, JANUARY 1		446,526
NET ASSETS, DECEMBER 31		\$ 1,221,653

(See independent auditor's report.)

## Fiduciary Funds

## Fiduciary Funds

### **Pension Trust Funds**

**Police Pension Fund** - to account for the accumulation of resources for pension benefit payments to qualified police officers. Financing is provided by an actuarially determined contribution from the Village.

**Firefighters' Pension Fund** - to account for the accumulation of resources for pension benefit payments to qualified firefighters. Financing is provided by an actuarially determined contribution from the Village.

### **Agency Fund**

**Special Service Areas Fund** - to account for the collection of taxes levied to retire special service area bonds for which the Village has no obligation.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET  
FIDUCIARY FUNDS

December 31, 2005

	Pension Trust		Total	Agency
	Police	Firefighters'	Pension	Fund
	Pension	Pension	Trust	
ASSETS				
Cash and cash equivalents	\$ 5,869,647	\$ 3,238,859	\$ 9,108,506	\$ 18,795
Investments				
U.S. Treasury securities	9,501,160	13,548,653	23,049,813	-
U.S. Agency securities	-	4,956,366	4,956,366	-
Insurance contracts	1,063,078	-	1,063,078	-
Mutual funds	13,872,586	13,850,435	27,723,021	-
Receivables				
Property taxes	-	-	-	51,853
Accrued interest	76,250	-	76,250	-
Other	273	-	273	213,362
TOTAL ASSETS	\$ 30,382,994	\$ 35,594,313	\$ 65,977,307	\$ 284,010
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred property taxes	\$ -	\$ -	\$ -	\$ 51,853
Due to bondholders	-	-	-	103,589
Advances from primary government	-	-	-	128,568
Total liabilities	-	-	-	284,010
FUND BALANCES				
Reserved for employees' retirement system	30,382,994	35,594,313	65,977,307	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,382,994	\$ 35,594,313	\$ 65,977,307	\$ 284,010

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS

For the Year Ended December 31, 2005

	Police Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,177,460	\$ 916,008	\$ 2,093,468
Employee	726,567	650,290	1,376,857
Total contributions	1,904,027	1,566,298	3,470,325
Investment income			
Net appreciation in fair value of investments	1,006,170	1,284,957	2,291,127
Interest	631,199	394,202	1,025,401
Total investment income	1,637,369	1,679,159	3,316,528
Less investment expense	(114,719)	(55,659)	(170,378)
Net investment income	1,522,650	1,623,500	3,146,150
Total additions	3,426,677	3,189,798	6,616,475
<b>DEDUCTIONS</b>			
Administration	11,413	12,678	24,091
Benefits and refunds			
Retirement benefits	1,582,050	1,195,354	2,777,404
Refunds of contributions	28,247	-	28,247
Total deductions	1,621,710	1,208,032	2,829,742
NET INCREASE	1,804,967	1,981,766	3,786,733
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
January 1	28,578,027	33,612,547	62,190,574
December 31	\$ 30,382,994	\$ 35,594,313	\$ 65,977,307

See accompanying notes to financial statements.



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN PLAN NET ASSETS -  
BUDGET AND ACTUAL  
POLICE PENSION FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 1,175,000	\$ 1,177,460
Employee	769,230	726,567
Total contributions	1,944,230	1,904,027
Investment income		
Net appreciation in fair value of investments	-	1,006,170
Interest	200,000	631,199
Total investment income	200,000	1,637,369
Less investment expense	(104,000)	(114,719)
Net investment income	96,000	1,522,650
Total additions	2,040,230	3,426,677
DEDUCTIONS		
Administration	16,350	11,413
Benefits and refunds		
Retirement benefits	1,450,000	1,582,050
Refunds of contributions	50,000	28,247
Total deductions	1,516,350	1,621,710
NET INCREASE	\$ 523,880	1,804,967
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		28,578,027
December 31		\$ 30,382,994

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN PLAN NET ASSETS -  
BUDGET AND ACTUAL  
FIREFIGHTERS' PENSION FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 915,000	\$ 916,008
Employee	630,878	650,290
Total contributions	1,545,878	1,566,298
Investment income		
Net appreciation in fair value of investments	-	1,284,957
Interest	100,000	394,202
Total investment income	100,000	1,679,159
Less investment expense	(39,000)	(55,659)
Net investment income	61,000	1,623,500
Total additions	1,606,878	3,189,798
DEDUCTIONS		
Administration	13,850	12,678
Benefits and refunds		
Benefits	790,000	1,195,354
Refunds of contributions	50,000	-
Total deductions	853,850	1,208,032
NET INCREASE	\$ 753,028	1,981,766
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		33,612,547
December 31		\$ 35,594,313

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
SPECIAL SERVICE AREAS FUND

For the Year Ended December 31, 2005

	Balances January 1	Additions	Deletions	Balances December 31
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,478	\$ 61,693	\$ 60,376	\$ 18,795
Receivables				
Property taxes	54,319	51,853	54,319	51,853
Due from residents	213,362	-	-	213,362
<b>TOTAL ASSETS</b>	<b>\$ 285,159</b>	<b>\$ 113,546</b>	<b>\$ 114,695</b>	<b>\$ 284,010</b>
<b>LIABILITIES</b>				
Deferred property taxes	\$ 54,319	\$ 51,853	\$ 54,319	\$ 51,853
Due to bondholders	73,881	61,693	31,985	103,589
Advances from other funds	156,959	-	28,391	128,568
<b>TOTAL LIABILITIES</b>	<b>\$ 285,159</b>	<b>\$ 113,546</b>	<b>\$ 114,695</b>	<b>\$ 284,010</b>

(See independent auditor's report.)

## Supplemental Section

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>TAXES</b>				
Property tax				
Police protection	\$ 3,804,575	\$ 3,804,575	\$ 3,810,066	\$ 5,491
Fire protection	6,390,115	6,390,115	6,399,408	9,293
FICA	1,745,000	1,745,000	1,747,262	2,262
IMRF	730,000	730,000	730,281	281
Police pension	1,175,000	1,175,000	1,177,460	2,460
Fire pension	915,000	915,000	916,008	1,008
Township road and bridge	500,000	500,000	582,156	82,156
Personal property replacement tax	63,000	63,000	107,111	44,111
State sales tax	7,489,300	7,489,300	7,861,972	372,672
Home rule sales tax	4,340,000	4,340,000	4,641,188	301,188
Local use tax	609,735	609,735	771,761	162,026
Motel occupancy tax	275,000	275,000	284,961	9,961
Food and beverage	840,000	840,000	1,017,298	177,298
Total taxes	28,876,725	28,876,725	30,046,932	1,170,207
<b>LICENSES AND PERMITS</b>				
Liquor licenses	280,000	280,000	303,756	23,756
Business licenses	180,000	180,000	214,667	34,667
Animal licenses	24,000	24,000	23,638	(362)
Cable television fees	414,000	414,000	452,541	38,541
Vehicle licenses	975,000	975,000	994,547	19,547
Building permits and fees	725,000	725,000	951,300	226,300
Other licenses and permits	180,000	180,000	180,839	839
Total licenses and permits	2,778,000	2,778,000	3,121,288	343,288
<b>INTERGOVERNMENTAL</b>				
State income tax	4,251,500	4,251,500	4,919,232	667,732
Auto rental tax	15,000	15,000	14,970	(30)
Foreign fire insurance tax	40,000	40,000	44,026	4,026
Park district reimbursement	28,000	28,000	35,192	7,192
Fire protection district reimbursement	180,000	180,000	243,266	63,266
State highway maintenance	100,000	100,000	74,862	(25,138)
Public safety training reimbursement	20,000	20,000	24,173	4,173
Police consultant - schools	248,000	248,000	255,404	7,404
Other grants	18,310	182,319	168,453	(13,866)
Local law enforcement block grant	10,000	7,752	7,752	-
Total intergovernmental	4,910,810	5,072,571	5,787,330	714,759

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
CHARGES FOR SERVICES				
Plan review fees	\$ 230,000	\$ 230,000	\$ 266,077	\$ 36,077
Ambulance fees	700,000	707,685	799,732	92,047
Inspection fees	375,000	375,000	506,864	131,864
Special police service	100,000	100,000	162,668	62,668
Other charges for services	235,000	235,800	215,393	(20,407)
Total charges for services	1,640,000	1,648,485	1,950,734	302,249
FINES AND FORFEITS				
Circuit court fines	200,000	200,000	391,305	191,305
Parking fines	250,000	250,000	214,677	(35,323)
Compliance fines	125,000	125,000	123,050	(1,950)
Adjudication and other fines	162,750	162,750	12,492	(150,258)
Total fines and forfeits	737,750	737,750	741,524	3,774
INVESTMENT INCOME	50,000	50,000	348,592	298,592
MISCELLANEOUS				
Rental income	-	-	14,821	14,821
Reimbursements and refunds	95,000	97,515	162,626	65,111
Street fest revenue	119,150	119,150	136,915	17,765
Private activity bonds	50,000	50,000	5,000	(45,000)
Donations	5,000	20,640	15,805	(4,835)
Other	-	-	3,452	3,452
Total miscellaneous	269,150	287,305	338,619	51,314
TOTAL REVENUES	\$ 39,262,435	\$ 39,450,836	\$ 42,335,019	\$ 2,884,183

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT				
Mayor and council	\$ 278,330	\$ 291,710	\$ 268,891	\$ (22,819)
Boards and commissions				
Planning commission	5,070	5,085	6,176	1,091
Zoning board	6,645	6,645	7,170	525
Fire and police commission	11,810	11,810	12,972	1,162
Beautification commission	20,300	16,800	12,671	(4,129)
Administration				
Village manager	722,920	711,670	632,084	(79,586)
Human resources	414,375	431,875	419,652	(12,223)
Liability insurance	1,215,000	1,315,000	1,329,771	14,771
IRMA excess surplus	-	-	(199,114)	(199,114)
Village events				
Special Events	461,305	461,215	444,698	(16,517)
Village clerk	156,615	159,670	160,541	871
Legal services				
Village attorney	402,180	402,180	299,164	(103,016)
Village prosecutor	40,000	40,000	40,000	-
Administrative adjudication hearing body	24,100	24,100	10,086	(14,014)
Finance and operations				
Financial administration	266,950	270,285	269,654	(631)
Budget and revenue collection	427,775	424,975	385,065	(39,910)
Accounting and treasury management	316,735	326,200	290,689	(35,511)
Information systems				
Information systems	791,875	791,100	752,691	(38,409)
GIS	167,905	167,905	164,101	(3,804)
Community services				
Administration	255,610	253,875	249,079	(4,796)
Permits and inspections	673,790	670,910	667,375	(3,535)
Code compliance	402,065	400,275	361,841	(38,434)
Health inspections	325,225	329,555	316,966	(12,589)
Wellness programs	4,895	4,895	4,256	(639)
Fire prevention	412,425	412,925	389,832	(23,093)
Planning and economic development				
Planning and zoning	294,780	332,450	331,485	(965)
Community development	198,625	160,955	55,681	(105,274)
Community development reimbursement	(100,200)	(100,200)	(100,200)	-
Economic development	132,500	132,500	23,334	(109,166)
Less administrative fees				
Waterworks Fund	(400,000)	(400,000)	(400,000)	-
Sewerage Fund	(348,500)	(348,500)	(348,500)	-
Motor Vehicle Parking System Fund	(150,000)	(150,000)	(150,000)	-
Total general government	7,431,105	7,557,865	6,708,111	(849,754)

(This schedule is continued on the following page.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>PUBLIC SAFETY</b>				
Police department				
Administration	\$ 794,730	\$ 859,385	\$ 853,349	\$ (6,036)
Support services	2,236,575	2,253,105	2,183,620	(69,485)
Field operations	10,343,700	10,340,409	10,198,749	(141,660)
Police pension - Village contribution	1,174,860	1,175,710	1,177,460	1,750
Total police department	14,549,865	14,628,609	14,413,178	(215,431)
Fire department				
Administration	553,625	550,833	547,197	(3,636)
Fire protection and paramedic services	9,198,330	9,193,160	9,181,128	(12,032)
Inspection/code enforcement	155,010	156,427	155,352	(1,075)
Fire and management training	219,200	235,677	232,941	(2,736)
Foreign fire insurance program	40,000	40,000	56,906	16,906
Firefighters' pension - Village contribution	914,850	914,850	916,008	1,158
Total fire department	11,081,015	11,090,947	11,089,532	(1,415)
Emergency management				
PEMA administration	103,560	104,265	95,211	(9,054)
General citizens corps	-	825	828	3
CERT	-	18,982	18,978	(4)
Neighborhood watch	-	855	857	2
Pal medical reserve corp	-	15,602	15,601	(1)
Printing and public outreach	-	5,998	6,009	11
Total emergency management	103,560	146,527	137,484	(9,043)
Total public safety	25,734,440	25,866,083	25,640,194	(225,889)
<b>PUBLIC WORKS</b>				
Administration	711,455	711,120	701,879	(9,241)
Building and grounds	566,335	579,380	591,333	11,953
Electrical maintenance	327,190	324,810	335,769	10,959
Forestry	891,255	892,965	920,549	27,584
Street maintenance	1,510,240	1,499,575	1,559,682	60,107
Engineering	634,145	635,845	601,717	(34,128)
Total public works	4,640,620	4,643,695	4,710,929	67,234
TOTAL EXPENDITURES	\$ 37,806,165	\$ 38,067,643	\$ 37,059,234	\$ (1,008,409)

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
DOWNTOWN TIF FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Over (Under)
ECONOMIC DEVELOPMENT				
Administration	\$ 59,000	\$ 59,000	\$ 34,805	\$ (24,195)
Project expenditures				
Village wide watermains	-	11,644	11,644	-
Palatine road reconstruction	-	22,130	22,131	1
Block 31 (Providence)	4,200,000	4,251,830	1,451,411	(2,800,419)
Block 10 (Colfax Condo)	-	237,005	179,692	(57,313)
Block 19 (Benchmark)	466,000	994,300	527,741	(466,559)
Block 26 (Emmetts)	-	17,390	1,262	(16,128)
Groves/Gateway	23,200	23,200	20,958	(2,242)
Mexico Uno	1,800	1,800	44	(1,756)
MESS (Longfield)	-	2,290	2,287	(3)
Block 27 (Mia Cucina)	30,000	139,600	108,300	(31,300)
Brockway/Slade Plaza	16,000	16,000	-	(16,000)
Lamplighters	-	46,425	46,422	(3)
Toll	-	4,895	3,679	(1,216)
Harris Block	15,000	15,000	700	(14,300)
Plaza First Bank Block	-	21,360	21,359	(1)
Durty Nellies	-	500	44	(456)
Preserves of Palatine	-	1,025,500	617,691	(407,809)
Street improvements	574,000	327,211	36,224	(290,987)
Downtown improvements	15,000	15,000	700	(14,300)
Music room	-	125,000	125,000	-
Total project expenditures	5,341,000	7,298,080	3,177,289	(4,120,791)
Total expenditures	5,400,000	7,357,080	3,212,094	(4,144,986)
Less nonoperating expenditures				
Land purchased for resale	-	-	681,030	681,030
TOTAL EXPENDITURES	\$ 5,400,000	\$ 7,357,080	\$ 2,531,064	\$ (4,826,016)

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL OBLIGATION BOND FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Property taxes	\$ 3,175,710	\$ 3,251,094
Investment income	15,000	91,812
Total revenues	3,190,710	3,342,906
EXPENDITURES		
Debt service		
Principal	2,679,350	2,679,350
Interest	1,235,354	1,234,961
Fiscal charges	23,985	2,613
Bond issuance costs	-	9,373
Total expenditures	3,938,689	3,926,297
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(747,979)	(583,391)
OTHER FINANCING SOURCES (USES)		
Bonds issued at par	662,215	645,200
Premium on bonds issued	-	17,014
Payment to bond escrow agent	(653,230)	(653,227)
Transfers in Sewerage Fund	760,000	760,000
Total other financing sources (uses)	768,985	768,987
NET CHANGE IN FUND BALANCE	\$ 21,006	185,596
FUND BALANCE, JANUARY 1		1,886,525
FUND BALANCE, DECEMBER 31		\$ 2,072,121

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL OBLIGATION BOND FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
DEBT SERVICE		
General obligation bond		
Series 1999		
Principal retirement	\$ 530,910	\$ 530,910
Interest	143,330	143,330
Total series 1999	674,240	674,240
Series 1999A		
Interest	11,115	11,113
Series 2000		
Principal retirement	1,177,650	1,177,650
Interest	479,765	479,763
Total series 2000	1,657,415	1,657,413
Series 2000B		
Principal retirement	60,510	60,510
Interest	47,070	47,068
Total series 2000B	107,580	107,578
Series 2002		
Principal retirement	355,000	355,000
Interest	399,310	399,310
Total series 2002	754,310	754,310
Refunding series 2003		
Principal retirement	335,280	335,280
Interest	85,095	85,095
Total refunding series 2003	420,375	420,375
Equipment series 2004		
Principal	85,000	85,000
Interest	11,000	11,000
Total equipment series 2004	96,000	96,000
Refunding series 2004C		
Principal retirement	130,000	130,000
Interest	46,729	46,729
Total refunding series 2004C	176,729	176,729
Refunding series 2005		
Principal retirement	5,000	5,000
Interest	11,940	11,553
Bond issuance costs	-	9,373
Total refunding series 2005	16,940	25,926
Fiscal charges	23,985	2,613
TOTAL EXPENDITURES	\$ 3,938,689	\$ 3,926,297

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
TAX INCREMENT REVENUE REFUNDING BOND SERIES OF 1998 FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
REVENUES		
Property taxes	\$ 2,903,800	\$ 3,218,664
Investment income	200,000	252,123
Total revenues	3,103,800	3,470,787
EXPENDITURES		
Debt service		
Principal	710,000	710,000
Interest	810,820	810,718
Fiscal charges	10,500	1,470
Total expenditures	1,531,320	1,522,188
NET CHANGE IN FUND BALANCE	\$ 1,572,480	1,948,599
FUND BALANCE, JANUARY 1		6,388,295
FUND BALANCE, DECEMBER 31		\$ 8,336,894

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
RESERVED-RESTRICTED ACCOUNTS  
TAX INCREMENT REVENUE REFUNDING BOND SERIES OF 1998 FUND

For the Year Ended December 31, 2005

	Program Account	Bond and Interest Account	Bond Reserve Account	Special Redemption Account	Incremental Property Tax Account	Totals
REVENUES						
Property taxes						
Dundee Road TIF	-	\$ -	\$ -	\$ -	\$ 2,827,058	\$ 2,827,058
Rand/Dundee TIF	-	-	-	-	391,606	391,606
Investment income	366	5,142	134,125	75,248	37,242	252,123
Total revenues	366	5,142	134,125	75,248	3,255,906	3,470,787
EXPENDITURES						
Debt service						
Principal	-	710,000	-	-	-	710,000
Interest	-	810,718	-	-	-	810,718
Fiscal charges	-	1,470	-	-	-	1,470
Total expenditures	-	1,522,188	-	-	-	1,522,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	366	(1,517,046)	134,125	75,248	3,255,906	1,948,599
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	4,000	3,376,308	(67,692)	67,692	(3,380,308)	-
NET CHANGE IN FUND BALANCE	4,366	1,859,262	66,433	142,940	(124,402)	1,948,599
FUND BALANCE, JANUARY 1	11,446	1,519,687	2,429,039	2,260,339	167,784	6,388,295
FUND BALANCE, DECEMBER 31	\$ 15,812	\$ 3,378,949	\$ 2,495,472	\$ 2,403,279	\$ 43,382	\$ 8,336,894

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 5,369,000	\$ 6,299,737
Miscellaneous	20,000	30,113
Total operating revenues	5,389,000	6,329,850
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	5,363,273	4,920,219
Total operating expenses excluding depreciation	5,363,273	4,920,219
OPERATING INCOME BEFORE DEPRECIATION	25,727	1,409,631
DEPRECIATION AND AMORTIZATION	-	417,495
OPERATING INCOME	25,727	992,136
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,500	176
Interest expense	(297,805)	(525,277)
Gain on sale of capital assets	-	11,645
Income (loss) from joint venture	2,500	(40,927)
Total nonoperating revenues (expenses)	(287,805)	(554,383)
NET INCOME (LOSS) BEFORE TRANSFERS	(262,078)	437,753
TRANSFERS		
Transfer from General Fund	1,000,000	1,000,000
CHANGE IN NET ASSETS	\$ 737,922	1,437,753
NET ASSETS, JANUARY 1		13,137,787
NET ASSETS, DECEMBER 31		\$ 14,575,540

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
CHARGES FOR SERVICES		
Water use fees		
Incorporated	\$ 3,965,500	\$ 4,438,649
Unincorporated	800,000	1,165,370
Other	30,000	78,485
Water penalties		
Incorporated	65,000	60,634
Unincorporated	9,000	7,738
User charge		
Incorporated	160,000	187,851
Unincorporated	11,000	15,640
Water surcharge	80,000	101,395
Water extension fee	150,000	149,194
Water tap fees	50,000	42,602
Water meter sales	45,000	45,479
Turn-on/service fees	3,500	6,700
Total charges for services	5,369,000	6,299,737
MISCELLANEOUS		
Park district fees	20,000	20,947
Reimbursements	-	9,166
Total miscellaneous	20,000	30,113
TOTAL OPERATING REVENUES	\$ 5,389,000	\$ 6,329,850

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
WATERWORKS FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
<b>COSTS OF SALES AND SERVICES</b>		
Finance and operations		
Financial administration	\$ 500	\$ 487
Customer services	374,460	360,635
Accounting services	40,500	26,092
Total finance and operations	415,460	387,214
Public works		
Administration	20,850	15,198
Building and grounds maintenance		
Mechanical equipment maintenance	22,750	20,514
Custodial general maintenance	89,100	66,151
Electrical maintenance		
Water system maintenance	6,500	6,564
Building maintenance	202,800	160,980
Water maintenance		
Supply maintenance	600,198	579,980
Distribution maintenance	342,290	360,356
Service and meter maintenance	243,902	219,932
Forestry		
Landscape - beautification	7,745	5,000
Northwest Water Commission - water purchase	2,600,000	2,334,751
Total public works	4,136,135	3,769,426
Operations - other		
Administrative fees - General Fund	400,000	400,000
Capital projects		
Village wide watermain	381,749	364,595
Pump station upgrades	13,500	-
Water tank maintenance	429	429
Village facility roof repair	16,000	13,150
Plum Grove road improvements	-	350,000
Less nonoperating items - capital assets	-	(364,595)
Total operations - other	811,678	763,579
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,363,273</b>	<b>\$ 4,920,219</b>

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION  
WATERWORKS FUND

For the Year Ended December 31, 2005

	Capital Assets				
	Balances January 1	Additions	Retirements	Balances December 31	
Land	\$ 740,200	\$ -	\$ -	\$ 740,200	
Machinery and equipment	363,155	-	-	363,155	
Water system	21,187,370	364,595	-	21,551,965	
TOTAL	\$ 22,290,725	\$ 364,595	\$ -	\$ 22,655,320	

	Accumulated Depreciation				Net Capital Assets
	Balances January 1	Provisions	Retirements	Balances December 31	
Land	\$ -	\$ -	\$ -	\$ -	\$ 740,200
Machinery and equipment	168,375	48,230	-	216,605	146,550
Water system	10,653,595	367,670	-	11,021,265	10,530,700
TOTAL	\$ 10,821,970	\$ 415,900	\$ -	\$ 11,237,870	\$ 11,417,450

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 1,965,900	\$ 2,169,364
Miscellaneous	500	-
Total operating revenues	1,966,400	2,169,364
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	1,335,931	1,245,336
Total operating expenses	1,335,931	1,245,336
OPERATING INCOME BEFORE DEPRECIATION	630,469	924,028
DEPRECIATION AND AMORTIZATION	-	407,327
OPERATING INCOME	630,469	516,701
NONOPERATING REVENUES (EXPENSES)		
Investment income	15,000	42,986
Interest and fiscal charges	(56,150)	(64,219)
Total nonoperating revenues (expenses)	(41,150)	(21,233)
NET INCOME BEFORE TRANSFERS	589,319	495,468
TRANSFERS IN (OUT)		
Flood Control Fund	952,800	952,800
General Obligation Bond Fund	(760,000)	(760,000)
Total transfers in (out)	192,800	192,800
CHANGE IN NET ASSETS	<u>\$ 782,119</u>	688,268
NET ASSETS, JANUARY 1		<u>11,139,576</u>
NET ASSETS, DECEMBER 31		<u>\$ 11,827,844</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
CHARGES FOR SERVICES		
Sewer use fees		
Incorporated	\$ 860,000	\$ 979,375
Unincorporated	150,000	205,716
Sewer penalties		
Incorporated	21,000	26,569
Unincorporated	2,400	1,479
Sewer connection fees	25,000	19,373
50/50 sewer extension fees	14,250	22,250
Surcharges		
Sewer separation surcharge	131,000	138,226
Dunhaven surcharge	750	698
Fair Meadows surcharge	1,500	1,688
Flood control surcharge	760,000	773,990
Miscellaneous	500	-
TOTAL OPERATING REVENUES	\$ 1,966,400	\$ 2,169,364

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
SEWERAGE FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
<b>COSTS OF SALES AND SERVICES</b>		
Public works		
Administration	\$ 10,000	\$ 10,000
Water system maintenance	1,500	241
Sewer maintenance		
Collection system	397,940	381,665
Flood control	128,515	98,196
Total public works	537,955	490,102
Operations - other		
Administrative fees - General Fund	348,500	348,500
Capital Projects		
Sanitary lift station improvements	35,000	23,311
Spare Controller	8,700	7,406
Sanitary sewer sliplining	2,000	-
50/50 sewer extension project	62,094	37,984
Storm inlet construction program	14,519	3,138
Brockway Storm Sewer	63,661	63,648
Salt Creek erosion - east branch	32,320	28,399
Bridges and culverts	231,182	242,848
Total operations - other	797,976	755,234
<b>TOTAL OPERTING EXPENSES</b>	<b>\$ 1,335,931</b>	<b>\$ 1,245,336</b>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION  
SEWERAGE FUND

For the Year Ended December 31, 2005

	Capital Assets				
	Balances January 1	Additions	Retirements	Balances December 31	
Machinery and equipment	\$ 106,760	\$ -	\$ -	\$ 106,760	
Sewer system	18,950,845	-	-	18,950,845	
TOTAL	\$ 19,057,605	\$ -	\$ -	\$ 19,057,605	

	Accumulated Depreciation				Net Capital Assets
	Balances January 1	Provisions	Retirements	Balances December 31	
Machinery and equipment	\$ 46,565	\$ 8,030	\$ -	\$ 54,595	\$ 52,165
Sewer system	8,414,780	398,710	-	8,813,490	10,137,355
TOTAL	\$ 8,461,345	\$ 406,740	\$ -	\$ 8,868,085	\$ 10,189,520

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Parking fees	\$ 478,000	\$ 591,544
Miscellaneous	16,000	15,788
Total operating revenues	494,000	607,332
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	357,740	359,756
Administration	233,800	221,472
Total operating expenses	591,540	581,228
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(97,540)	26,104
DEPRECIATION	-	767,090
OPERATING INCOME (LOSS)	(97,540)	(740,986)
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,500	36,886
CHANGE IN NET ASSETS	<u>\$ (90,040)</u>	(704,100)
NET ASSETS, JANUARY 1		<u>17,145,072</u>
NET ASSETS, DECEMBER 31		<u>\$ 16,440,972</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended December 31, 2005

---

	Final Budget	Actual
COSTS OF SALES AND SERVICES		
Commuter train station	\$ 357,740	\$ 359,756
TOTAL COSTS OF SALES AND SERVICES	<u>\$ 357,740</u>	<u>\$ 359,756</u>
ADMINISTRATION		
Customer services	\$ 83,800	\$ 71,472
Administrative fees - General Fund	150,000	150,000
TOTAL ADMINISTRATION	<u>\$ 233,800</u>	<u>\$ 221,472</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION  
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended December 31, 2005

	Capital Assets				
	Balances January 1	Additions	Retirements	Balances December 31	
Land	\$ 1,730,500	\$ -	\$ -	\$ 1,730,500	
Improvements	15,541,755	-	-	15,541,755	
TOTAL	\$ 17,272,255	\$ -	\$ -	\$ 17,272,255	

	Accumulated Depreciation				Net Capital Assets
	Balances January 1	Provisions	Retirements	Balances December 31	
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,730,500
Improvements	1,734,180	767,090	-	2,501,270	13,040,485
TOTAL	\$ 1,734,180	\$ 767,090	\$ -	\$ 2,501,270	\$ 14,770,985

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
REFUSE COLLECTION FUND

For the Year Ended December 31, 2005

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Refuse billing	\$ 3,933,400	\$ 4,043,296
Total operating revenues	3,933,400	4,043,296
OPERATING EXPENSES		
Refuse collection	4,058,480	4,137,678
Total operating expenses	4,058,480	4,137,678
OPERATING INCOME (LOSS)	(125,080)	(94,382)
NONOPERATING REVENUES		
Investment income	2,500	21,930
CHANGE IN NET ASSETS	<u>\$ (122,580)</u>	(72,452)
NET ASSETS, JANUARY 1		<u>583,650</u>
NET ASSETS, DECEMBER 31		<u>\$ 511,198</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 1989  
CAPITAL APPRECIATION BONDS

December 31, 2005

---

Date of Issue	December 1, 1989
Date of Maturity	January 1, 2016
Amount Issued	\$1,142,790
Denomination of Bonds	\$5,000
Interest Rates	7.10%
Interest Dates	January 1, 2014, 2015, 2016
Principal Maturity Date	January 1, 2014, 2015, 2016
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On	
	Principal	Interest	Totals	January 1	Amount
2013	\$ 317,473	\$ 1,377,527	\$ 1,695,000	2014	\$ 1,377,527
2014	523,137	2,471,863	2,995,000	2015	2,471,863
2015	302,180	1,552,820	1,855,000	2016	1,552,820
	<u>\$ 1,142,790</u>	<u>\$ 5,402,210</u>	<u>\$ 6,545,000</u>		<u>\$ 5,402,210</u>

ACCRETED VALUE OF BONDS

January 1	Value	January 1	Value
1997	\$ 1,863,466	2007	\$ 3,743,888
1998	1,998,122	2008	4,014,424
1999	2,142,506	2009	4,304,508
2000	2,297,325	2010	4,615,554
2001	2,463,328	2011	4,949,070
2002	2,641,325	2012	5,306,691
2003	2,832,189	2013	5,690,156
2004	3,036,846	2014	6,101,342
2005	3,256,286	2015	1,729,910
2006	3,491,587	2016	1,855,000

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 1999 (TOTAL ISSUE)

December 31, 2005

---

Date of Issue	January 1, 1999
Date of Maturity	December 1, 2015
Amount Issued	\$6,915,000
Denomination of Bonds	\$5,000
Interest Rates	3.75% - 4.10%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 770,000	\$ 168,305	\$ 938,305	2006	\$ 84,152	2006	\$ 84,153
2006	650,000	136,735	786,735	2007	68,368	2007	68,367
2007	265,000	110,085	375,085	2008	55,042	2008	55,043
2008	275,000	99,220	374,220	2009	49,610	2009	49,610
2009	275,000	87,945	362,945	2010	43,973	2010	43,972
2010	280,000	76,670	356,670	2011	38,335	2011	38,335
2011	290,000	65,190	355,190	2012	32,595	2012	32,595
2012	300,000	53,300	353,300	2013	26,650	2013	26,650
2013	310,000	41,000	351,000	2014	20,500	2014	20,500
2014	690,000	28,290	718,290	2015	14,145	2015	14,145
	<u>\$ 4,105,000</u>	<u>\$ 866,740</u>	<u>\$ 4,971,740</u>		<u>\$ 433,370</u>		<u>\$ 433,370</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 1999A (TOTAL ISSUE)

December 31, 2005

---

Date of Issue	December 1, 1999
Date of Maturity	December 1, 2013
Amount Issued	\$3,085,000
Denomination of Bonds	\$5,000
Interest Rates	5.15%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ -	\$ 22,402	\$ 22,402	2006	\$ 11,201	2006	\$ 11,201
2006	-	22,402	22,402	2007	11,201	2007	11,201
2007	-	22,402	22,402	2008	11,201	2008	11,201
2008	-	22,402	22,402	2009	11,201	2009	11,201
2009	-	22,402	22,402	2010	11,201	2010	11,201
2010	-	22,402	22,402	2011	11,201	2011	11,201
2011	300,000	22,402	322,402	2012	11,201	2012	11,201
2012	135,000	6,952	141,952	2013	3,476	2013	3,476
	<u>\$ 435,000</u>	<u>\$ 163,766</u>	<u>\$ 598,766</u>		<u>\$ 81,883</u>		<u>\$ 81,883</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 2000 (TOTAL ISSUE)

December 31, 2005

---

Date of Issue	January 1, 2000
Date of Maturity	December 1, 2011
Amount Issued	\$21,065,000
Denomination of Bonds	\$5,000
Interest Rates	4.75% - 5.10%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 1,670,000	\$ 572,456	\$ 2,242,456	2006	\$ 286,228	2006	\$ 286,228
2006	1,760,000	491,460	2,251,460	2007	245,730	2007	245,730
2007	1,850,000	405,220	2,255,220	2008	202,610	2008	202,610
2008	1,950,000	312,720	2,262,720	2009	156,360	2009	156,360
2009	2,055,000	215,220	2,270,220	2010	107,610	2010	107,610
2010	2,165,000	110,416	2,275,416	2011	55,208	2011	55,208
	<u>\$11,450,000</u>	<u>\$ 2,107,492</u>	<u>\$13,557,492</u>		<u>\$ 1,053,746</u>		<u>\$ 1,053,746</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 2000B (TOTAL ISSUE)

December 31, 2005

---

Date of Issue	December 1, 2000
Date of Maturity	December 1, 2015
Amount Issued	\$1,965,000
Denomination of Bonds	\$5,000
Interest Rates	4.625% - 5.250%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 110,000	\$ 73,028	\$ 183,028	2006	\$ 36,514	2006	\$ 36,514
2006	110,000	67,802	177,802	2007	33,901	2007	33,901
2007	110,000	62,578	172,578	2008	31,289	2008	31,289
2008	120,000	57,352	177,352	2009	28,676	2009	28,676
2009	120,000	51,652	171,652	2010	25,826	2010	25,826
2010	120,000	45,952	165,952	2011	22,976	2011	22,976
2011	125,000	40,102	165,102	2012	20,051	2012	20,051
2012	135,000	33,852	168,852	2013	16,926	2013	16,926
2013	140,000	26,968	166,968	2014	13,484	2014	13,484
2014	375,000	19,688	394,688	2015	9,844	2015	9,844
	<u>\$ 1,465,000</u>	<u>\$ 478,974</u>	<u>\$ 1,943,974</u>		<u>\$ 239,487</u>		<u>\$ 239,487</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 2001

December 31, 2005

---

Date of Issue	July 1, 2001
Date of Maturity	December 1, 2016
Amount Issued	\$14,565,000
Denomination of Bonds	\$5,000
Interest Rates	4.50% - 5.00%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ -	\$ 691,463	\$ 691,463	2006	\$ 345,732	2006	\$ 345,731
2006	-	691,463	691,463	2007	345,732	2007	345,731
2007	-	691,463	691,463	2008	345,732	2008	345,731
2008	640,000	691,463	1,331,463	2009	345,732	2009	345,731
2009	1,390,000	662,663	2,052,663	2010	331,332	2010	331,331
2010	1,450,000	600,113	2,050,113	2011	300,057	2011	300,056
2011	2,015,000	531,238	2,546,238	2012	265,619	2012	265,619
2012	2,115,000	435,525	2,550,525	2013	217,763	2013	217,762
2013	2,215,000	335,063	2,550,063	2014	167,532	2014	167,531
2014	2,860,000	229,850	3,089,850	2015	114,925	2015	114,925
2015	1,880,000	94,000	1,974,000	2016	47,000	2016	47,000
	<u>\$14,565,000</u>	<u>\$ 5,654,304</u>	<u>\$20,219,304</u>		<u>\$ 2,827,156</u>		<u>\$ 2,827,148</u>

This bond issue is funded by incremental revenues generated from the Downtown TIF District.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND TAXABLE SERIES OF 2001

December 31, 2005

---

Date of Issue	July 1, 2001
Date of Maturity	December 1, 2009
Amount Issued	\$3,205,000
Denomination of Bonds	\$5,000
Interest Rates	5.60%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 425,000	\$ 161,280	\$ 586,280	2006	\$ 80,640	2006	\$ 80,640
2006	700,000	137,480	837,480	2007	68,740	2007	68,740
2007	1,025,000	98,280	1,123,280	2008	49,140	2008	49,140
2008	730,000	40,880	770,880	2009	20,440	2009	20,440
	<u>\$ 2,880,000</u>	<u>\$ 437,920</u>	<u>\$ 3,317,920</u>		<u>\$ 218,960</u>		<u>\$ 218,960</u>

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 2002

December 31, 2005

---

Date of Issue	July 1, 2002
Date of Maturity	December 1, 2021
Amount Issued	\$10,000,000
Denomination of Bonds	\$5,000
Interest Rates	4.05% - 5.50%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 370,000	\$ 384,755	\$ 754,755	2006	\$ 192,377	2006	\$ 192,378
2006	385,000	369,585	754,585	2007	184,793	2007	184,792
2007	400,000	353,800	753,800	2008	176,900	2008	176,900
2008	415,000	337,400	752,400	2009	168,700	2009	168,700
2009	430,000	320,385	750,385	2010	160,192	2010	160,193
2010	450,000	302,755	752,755	2011	151,378	2011	151,377
2011	470,000	284,305	754,305	2012	142,152	2012	142,153
2012	490,000	265,035	755,035	2013	132,518	2013	132,517
2013	510,000	244,945	754,945	2014	122,472	2014	122,473
2014	535,000	223,525	758,525	2015	111,763	2015	111,762
2015	560,000	201,055	761,055	2016	100,527	2016	100,528
2016	585,000	177,255	762,255	2017	88,628	2017	88,627
2017	610,000	152,100	762,100	2018	76,050	2018	76,050
2018	640,000	125,260	765,260	2019	62,630	2019	62,630
2019	675,000	96,460	771,460	2020	48,230	2020	48,230
2020	705,000	65,748	770,748	2021	32,874	2021	32,874
2021	740,000	33,670	773,670	2022	16,835	2022	16,835
	<u>\$ 8,970,000</u>	<u>\$ 3,938,038</u>	<u>\$ 12,908,038</u>		<u>\$ 1,969,019</u>		<u>\$ 1,969,019</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BOND TAXABLE SERIES OF 2003

December 31, 2005

---

Date of Issue	January 1, 2003
Date of Maturity	December 1, 2012
Amount Issued	\$2,975,000
Denomination of Bonds	\$5,000
Interest Rates	2.85 to 4.90%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 335,000	\$ 112,983	\$ 447,983	2006	\$ 56,492	2006	\$ 56,491
2006	345,000	102,095	447,095	2007	51,047	2007	51,048
2007	360,000	89,502	449,502	2008	44,751	2008	44,751
2008	375,000	75,103	450,103	2009	37,552	2009	37,551
2009	395,000	59,165	454,165	2010	29,582	2010	29,581
2010	410,000	40,995	450,995	2011	20,498	2011	20,499
2011	435,000	21,315	456,315	2012	10,657	2012	10,658
	<u>\$ 2,655,000</u>	<u>\$ 501,158</u>	<u>\$ 3,156,158</u>		<u>\$ 250,579</u>		<u>\$ 250,579</u>

This bond issue is funded by incremental revenues generated from the Downtown TIF District.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BOND SERIES OF 2003

December 31, 2005

---

Date of Issue	October 1, 2003
Date of Maturity	December 1, 2013
Amount Issued	\$4,625,000
Denomination of Bonds	\$5,000
Interest Rates	2.00 to 3.30%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 500,000	\$ 111,075	\$ 611,075	2006	\$ 55,537	2006	\$ 55,538
2006	500,000	98,575	598,575	2007	49,288	2007	49,287
2007	500,000	86,075	586,075	2008	43,037	2008	43,038
2008	525,000	73,575	598,575	2009	36,788	2009	36,787
2009	525,000	59,400	584,400	2010	29,700	2010	29,700
2010	575,000	43,650	618,650	2011	21,825	2011	21,825
2011	575,000	25,825	600,825	2012	12,912	2012	12,913
2012	225,000	7,425	232,425	2013	3,712	2013	3,713
	<u>\$ 3,925,000</u>	<u>\$ 505,600</u>	<u>\$ 4,430,600</u>		<u>\$ 252,799</u>		<u>\$ 252,801</u>

This bond issue is funded by incremental revenues generated from the Downtown TIF District.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION TAX INCREMENT BOND SERIES OF 2003

December 31, 2005

---

Date of Issue	October 30, 2003
Date of Maturity	December 1, 2013
Amount Issued	\$ 990,000
Denomination of Bonds	\$ 5,000
Interest Rates	3.41%
Interest Dates	June 1 and December 1
Principal Maturity Date	June 1 and December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2006	\$ 99,011	\$ 29,658	\$ 128,669	2006	\$ 15,247	2006	\$ 14,411
2007	102,416	26,253	128,669	2007	13,559	2007	12,694
2008	105,939	22,731	128,670	2008	11,813	2008	10,918
2009	109,582	19,087	128,669	2009	10,007	2009	9,080
2010	113,350	15,319	128,669	2010	8,139	2010	7,180
2011	117,249	11,421	128,670	2011	6,206	2011	5,215
2012	121,281	7,388	128,669	2012	4,207	2012	3,181
2013	125,452	3,217	128,669	2013	2,139	2013	1,078
	<u>\$ 894,280</u>	<u>\$ 135,074</u>	<u>\$ 1,029,354</u>		<u>\$ 71,317</u>		<u>\$ 63,757</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND SERIES OF 2004

December 31, 2005

---

Date of Issue	March 1, 2004
Date of Maturity	December 1, 2017
Amount Issued	\$1,900,000
Denomination of Bonds	\$5,000
Interest Rates	2.500 to 3.875%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 150,000	\$ 59,110	\$ 209,110	2006	\$ 29,555	2006	\$ 29,555
2006	150,000	55,362	205,362	2007	27,681	2007	27,681
2007	150,000	51,610	201,610	2008	25,805	2008	25,805
2008	150,000	47,860	197,860	2009	23,930	2009	23,930
2009	150,000	44,112	194,112	2010	22,056	2010	22,056
2010	150,000	40,062	190,062	2011	20,031	2011	20,031
2011	150,000	35,562	185,562	2012	17,781	2012	17,781
2012	150,000	30,874	180,874	2013	15,437	2013	15,437
2013	175,000	25,812	200,812	2014	12,906	2014	12,906
2014	175,000	19,688	194,688	2015	9,844	2015	9,844
2015	175,000	13,344	188,344	2016	6,672	2016	6,672
2016	175,000	6,781	181,781	2017	3,390	2017	3,391
	<u>\$ 1,900,000</u>	<u>\$ 430,177</u>	<u>\$ 2,330,177</u>		<u>\$ 215,088</u>		<u>\$ 215,089</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND TAXABLE SERIES OF 2004A

December 31, 2005

---

Date of Issue	March 1, 2004
Date of Maturity	December 1, 2022
Amount Issued	\$ 7,500,000
Denomination of Bonds	\$ 5,000
Interest Rates	4.125 to 5.200%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 300,000	\$ 350,807	\$ 650,807	2006	\$ 175,403	2006	\$ 175,404
2006	315,000	338,430	653,430	2007	169,215	2007	169,215
2007	325,000	325,439	650,439	2008	162,720	2008	162,719
2008	340,000	312,033	652,033	2009	156,016	2009	156,017
2009	350,000	297,921	647,921	2010	148,961	2010	148,960
2010	365,000	283,396	648,396	2011	141,698	2011	141,698
2011	385,000	268,066	653,066	2012	134,033	2012	134,033
2012	405,000	250,934	655,934	2013	125,467	2013	125,467
2013	425,000	232,506	657,506	2014	116,253	2014	116,253
2014	445,000	212,742	657,742	2015	106,371	2015	106,371
2015	465,000	191,827	656,827	2016	95,914	2016	95,913
2016	490,000	169,740	659,740	2017	84,870	2017	84,870
2017	515,000	146,220	661,220	2018	73,110	2018	73,110
2018	545,000	121,243	666,243	2019	60,622	2019	60,621
2019	575,000	93,993	668,993	2020	46,996	2020	46,997
2020	610,000	64,955	674,955	2021	32,477	2021	32,478
2021	645,000	33,540	678,540	2022	16,770	2022	16,770
	<u>\$ 7,500,000</u>	<u>\$ 3,693,792</u>	<u>\$ 11,193,792</u>		<u>\$ 1,846,896</u>		<u>\$ 1,846,896</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND TAXABLE SERIES OF 2004B

December 31, 2005

---

Date of Issue	March 1, 2004
Date of Maturity	December 1, 2008
Amount Issued	\$ 3,025,000
Denomination of Bonds	\$ 5,000
Interest Rates	2.375 to 3.250%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 500,000	\$ 89,344	\$ 589,344	2006	\$ 44,672	2006	\$ 44,672
2006	1,225,000	77,469	1,302,469	2007	38,735	2007	38,734
2007	1,300,000	42,250	1,342,250	2008	21,125	2008	21,125
	<u>\$ 3,025,000</u>	<u>\$ 209,063</u>	<u>\$ 3,234,063</u>		<u>\$ 104,532</u>		<u>\$ 104,531</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS  
LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION BOND EQUIPMENT SERIES OF 2004

December 31, 2005

---

Date of Issue	March 1, 2004
Date of Maturity	December 1, 2009
Amount Issued	\$ 440,000
Denomination of Bonds	\$ 5,000
Interest Rates	2.50%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 85,000	\$ 8,875	\$ 93,875	2006	\$ 4,438	2006	\$ 4,437
2006	90,000	6,750	96,750	2007	3,375	2007	3,375
2007	90,000	4,500	94,500	2008	2,250	2008	2,250
2008	90,000	2,250	92,250	2009	1,125	2009	1,125
	<u>\$ 355,000</u>	<u>\$ 22,375</u>	<u>\$ 377,375</u>		<u>\$ 11,188</u>		<u>\$ 11,187</u>

(See independent auditor's report.)



VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BOND SERIES OF 2004C

December 31, 2005

---

Date of Issue	December 30, 2004
Date of Maturity	December 1, 2012
Amount Issued	\$2,250,000
Denomination of Bonds	\$5,000
Interest Rates	2.50 to 4.00%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	Wells Fargo

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 130,000	\$ 81,675	\$ 211,675	2006	\$ 40,838	2006	\$ 40,837
2006	135,000	78,100	213,100	2007	39,050	2007	39,050
2007	5,000	74,050	79,050	2008	37,025	2008	37,025
2008	5,000	73,888	78,888	2009	36,944	2009	36,944
2009	5,000	73,725	78,725	2010	36,863	2010	36,862
2010	5,000	73,563	78,563	2011	36,781	2011	36,782
2011	1,835,000	73,400	1,908,400	2012	36,700	2012	36,700
	<u>\$ 2,120,000</u>	<u>\$ 528,401</u>	<u>\$ 2,648,401</u>		<u>\$ 264,201</u>		<u>\$ 264,200</u>

This bond issue is funded by incremental revenues generated from the Downtown TIF District.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BOND SERIES OF 2004D

December 31, 2005

---

Date of Issue	December 30, 2004
Date of Maturity	December 1, 2020
Amount Issued	\$5,080,000
Denomination of Bonds	\$5,000
Interest Rates	3.00 to 4.00%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	Wells Fargo

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 30,000	\$ 199,962	\$ 229,962	2006	\$ 99,981	2006	\$ 99,981
2006	35,000	199,062	234,062	2007	99,531	2007	99,531
2007	35,000	198,012	233,012	2008	99,006	2008	99,006
2008	35,000	196,876	231,876	2009	98,438	2009	98,438
2009	35,000	195,738	230,738	2010	97,869	2010	97,869
2010	35,000	194,600	229,600	2011	97,300	2011	97,300
2011	40,000	193,200	233,200	2012	96,600	2012	96,600
2012	505,000	191,600	696,600	2013	95,800	2013	95,800
2013	535,000	171,400	706,400	2014	85,700	2014	85,700
2014	580,000	150,000	730,000	2015	75,000	2015	75,000
2015	575,000	126,800	701,800	2016	63,400	2016	63,400
2016	620,000	103,800	723,800	2017	51,900	2017	51,900
2017	635,000	79,000	714,000	2018	39,500	2018	39,500
2018	650,000	53,600	703,600	2019	26,800	2019	26,800
2019	690,000	27,600	717,600	2020	13,800	2020	13,800
	<u>\$ 5,035,000</u>	<u>\$ 2,281,250</u>	<u>\$ 7,316,250</u>		<u>\$ 1,140,625</u>		<u>\$ 1,140,625</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
GENERAL OBLIGATION REFUNDING BOND SERIES OF 2005

December 31, 2005

---

Date of Issue	January 1, 2005
Date of Maturity	December 1, 2013
Amount Issued	\$965,000
Denomination of Bonds	\$5,000
Interest Rates	4.00%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Paying Agent	Wells Fargo

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Totals	June 1	Amount	December 1	Amount
2005	\$ 5,000	\$ 34,600	\$ 39,600	2006	\$ 17,300	2006	\$ 17,300
2006	5,000	34,400	39,400	2007	17,200	2007	17,200
2007	5,000	34,200	39,200	2008	17,100	2008	17,100
2008	5,000	34,000	39,000	2009	17,000	2009	17,000
2009	5,000	33,800	38,800	2010	16,900	2010	16,900
2010	5,000	33,600	38,600	2011	16,800	2011	16,800
2011	5,000	33,400	38,400	2012	16,700	2012	16,700
2012	830,000	33,200	863,200	2013	16,600	2013	16,600
	<u>\$ 865,000</u>	<u>\$ 271,200</u>	<u>\$ 1,136,200</u>		<u>\$ 135,600</u>		<u>\$ 135,600</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
TAX INCREMENT REVENUE REFUNDING BOND SERIES OF 1998

December 31, 2005

---

Date of Issue	July 30, 1998
Date of Maturity	January 1, 2017
Amount Issued	\$ 24,290,000
Denomination of Bonds	\$ 5,000
Interest Rates	3.95% - 6.00%
Interest Dates	January 1 and July 1
Principal Maturity Date	January 1
Paying Agent	J.P. Morgan Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due On			
	Principal	Interest	Totals	January 1	Amount	July 1	Amount
2006	\$ 1,000,000	\$ 764,921	\$ 1,764,921	2006	\$ 397,460	2006	\$ 367,461
2007	1,020,000	704,320	1,724,320	2007	367,460	2007	336,860
2008	1,080,000	648,610	1,728,610	2008	336,860	2008	311,750
2009	1,360,000	589,500	1,949,500	2009	311,750	2009	277,750
2010	1,430,000	519,750	1,949,750	2010	277,750	2010	242,000
2011	1,505,000	446,375	1,951,375	2011	242,000	2011	204,375
2012	1,830,000	363,000	2,193,000	2012	204,375	2012	158,625
2013	1,925,000	269,125	2,194,125	2013	158,625	2013	110,500
2014	2,020,000	170,500	2,190,500	2014	110,500	2014	60,000
2015	2,400,000	60,000	2,460,000	2015	60,000	2015	-
	<u>\$ 15,570,000</u>	<u>\$ 4,536,101</u>	<u>\$ 20,106,101</u>		<u>\$ 2,466,780</u>		<u>\$ 2,069,321</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
LIMITED OBLIGATION SUBORDINATED REDEVELOPMENT NOTE SERIES 1998A

December 31, 2005

---

Date of Issue	November 23, 1998
Date of Maturity	July 31, 2014
Amount Issued	\$380,000
Interest Rate	7.00% simple
Paying Agent	Village of Palatine

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements*			Interest Due On**	
	Principal	Interest	Totals	July 31	Amount
2014	\$ 380,000	\$ 424,270	\$ 804,270	2014	\$ 424,270

\* This note is subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. Therefore, it is being considered payable at the maturity date. In the event the superior bonds are not fully redeemed by July 31, 2014, all principal and interest on this note will be abated.

\*\* Simple interest accrued from issuance through maturity.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS  
LIMITED OBLIGATION SUBORDINATED REDEVELOPMENT NOTE SERIES 2000A

December 31, 2005

---

Date of Issue	August 14, 2000
Date of Maturity	July 24, 2018
Amount Issued	\$100,000
Interest Rate	7.00% simple
Paying Agent	Village of Palatine

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements*			Interest Due On**	
	Principal	Interest	Totals	July 24	Amount
2018	\$ 100,000	\$ 128,605	\$ 228,605	2018	\$ 128,605

\* This note is subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. Therefore, it is being considered payable at the maturity date. In the event the superior bonds are not fully redeemed by July 24, 2018, all principal and interest on this note will be abated.

\*\* Simple interest accrued from issuance through maturity.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

GOVERNMENT-WIDE REVENUES

For the Last Three Fiscal Years

	2005	2004	2003
PROGRAM REVENUES			
Charges for services	\$ 19,945,087	\$ 19,082,537	\$ 17,215,368
Operating grants	2,282,683	2,141,380	2,317,615
Capital grants	461,311	386,201	665,597
GENERAL REVENUES			
Taxes	46,960,650	45,455,457	36,452,014
Investment income	926,082	495,634	924,528
Miscellaneous	208,006	1,083,673	380,907
Income from investment in joint venture	(40,927)	97,950	146,470
Gain on sale of land held for resale	83,836	-	2,895,511
Contributions	-	70,000	150,000
Special items	-	-	(900,000)
TOTAL REVENUES	<u>\$ 70,826,728</u>	<u>\$ 68,812,832</u>	<u>\$ 60,248,010</u>

NOTE: The Village implemented GASB S-34 for the fiscal year ended December 31, 2003.

Data Source: Village records

VILLAGE OF PALATINE, ILLINOIS

GOVERNMENT-WIDE EXPENSES BY FUNCTION

For the Last Three Fiscal Years

	2005	2004	2003
<hr/>			
GOVERNMENTAL ACTIVITIES			
General government	\$ 6,932,885	\$ 7,296,867	\$ 14,030,449
Public safety	26,321,237	25,265,921	23,580,798
Public works	9,713,501	8,251,434	5,502,174
Economic development	3,743,670	7,870,270	2,465,912
Interest	3,762,226	3,804,206	4,069,311
	<hr/>		
Total governmental activities	50,473,519	52,488,698	49,648,644
	<hr/>		
BUSINESS-TYPE ACTIVITIES			
Waterworks	5,862,991	6,214,408	5,589,517
Sewerage	1,716,882	1,666,910	1,449,894
Motor vehicle parking system	1,348,318	1,283,080	1,076,518
Refuse	4,137,678	3,889,091	3,737,144
	<hr/>		
Total business-type activities	13,065,869	13,053,489	11,853,073
	<hr/>		
TOTAL PRIMARY GOVERNMENT	\$ 63,539,388	\$ 65,542,187	\$ 61,501,717
	<hr/>		

NOTE: The Village implemented GASB S-34 for the fiscal year ended December 31, 2003.

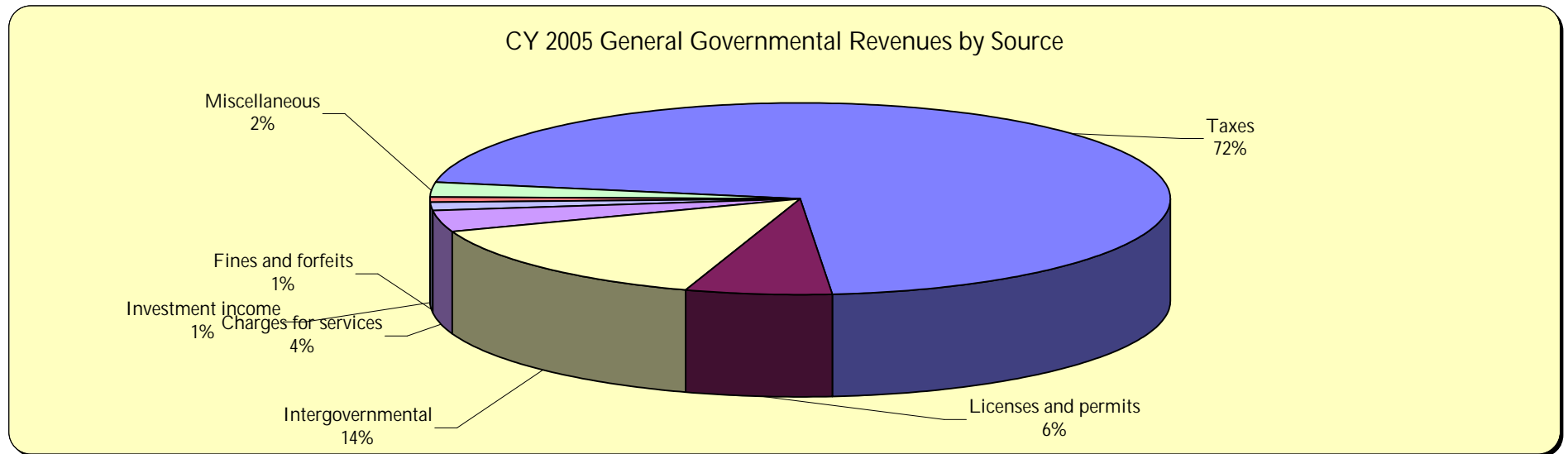
Data Source: Village records



VILLAGE OF PALATINE, ILLINOIS  
GENERAL GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years

	1997	1998	1998(1)	1999	2000	2001	2002	2003	2004	2005
Taxes	\$ 17,042,097	\$ 19,526,857	\$ 13,533,803	\$ 22,740,900	\$ 25,135,847	\$ 26,162,706	\$ 26,871,727	\$ 30,451,292	\$ 36,191,848	\$ 39,856,563
Licenses and permits	1,937,629	2,110,707	1,775,811	2,011,188	2,205,459	2,418,141	2,665,519	2,686,698	3,212,245	3,121,288
Intergovernmental	4,653,929	5,964,040	3,962,210	6,619,278	7,470,550	7,714,095	7,288,420	7,147,461	7,326,489	8,244,274
Charges for services	1,074,953	1,224,974	933,060	1,160,156	1,997,406	1,818,790	2,167,080	1,043,774	1,969,394	1,950,734
Fines and forfeits	539,540	647,505	446,283	798,091	774,611	767,792	707,736	763,501	716,827	741,524
Investment income	2,528,662	2,534,937	2,424,498	2,463,584	1,236,474	856,406	638,993	566,865	411,604	752,597
Miscellaneous	445,618	552,230	224,213	312,876	1,672,712	331,587	512,680	344,070	1,220,796	338,619
<b>TOTAL REVENUES</b>	<b>\$ 28,222,428</b>	<b>\$ 32,561,250</b>	<b>\$ 23,299,878</b>	<b>\$ 36,106,073</b>	<b>\$ 40,493,059</b>	<b>\$ 40,069,517</b>	<b>\$ 40,852,155</b>	<b>\$ 43,003,661</b>	<b>\$ 51,049,203</b>	<b>\$ 55,005,599</b>



Note: Includes General, Special Revenue, and Debt Service Funds.

(1) Effective May 1, 1998, the Village changed its fiscal year end to December 31. The data presented in this column represents eight months of activity.

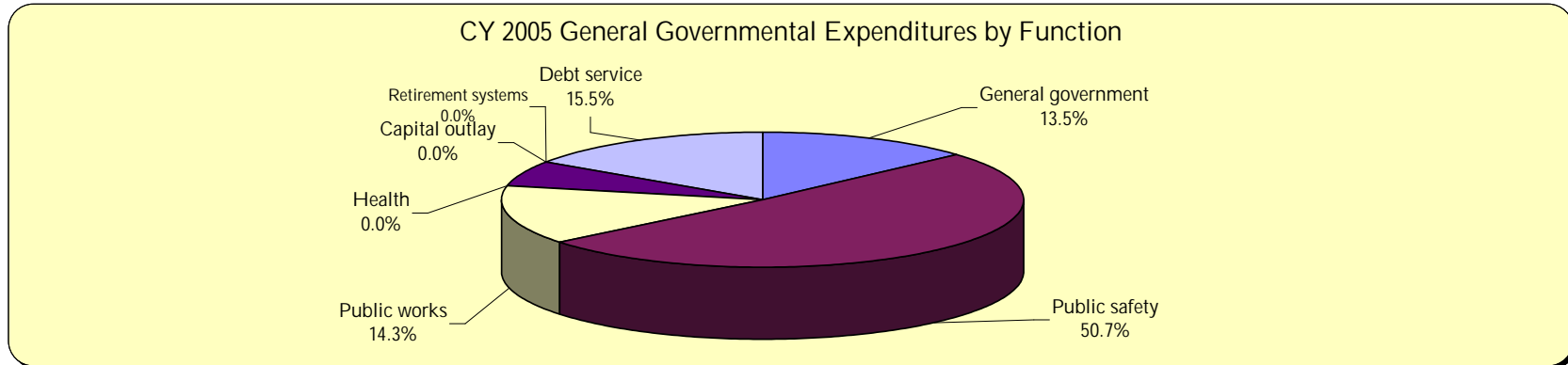
Data Source: Village records

VILLAGE OF PALATINE, ILLINOIS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

	1997	1998	1998(1)	1999	2000	2001	2002	2003	2004	2005
General government	\$ 4,429,224	\$ 4,885,610	\$ 3,737,542	\$ 4,919,625	\$ 5,473,452	\$ 6,231,283	\$ 7,131,726	\$ 7,276,925	\$ 6,198,790	\$ 6,808,051
Public safety	12,573,438	13,521,095	9,872,100	15,364,848	16,258,744	19,728,921	22,243,996	23,025,770	24,552,768	25,640,454
Public works	2,754,474	2,880,330	2,246,839	3,907,218	3,811,513	4,145,245	4,384,748	4,837,569	7,179,264	7,217,325
Health	353,283	397,965	262,763	427,310	515,201	545,794	619,770	-	-	-
Economic development	-	-	-	-	-	-	-	1,960,467	7,656,265	3,074,402
Retirement systems	1,532,075	2,472,627	1,639,509	2,736,204	2,968,967	1,615,194	-	-	-	-
Capital outlay	-	3,500,000	-	1,331,604	3,219,776	3,530,178	2,129,575	1,878,267	-	-
Debt service	6,152,875	7,498,479	21,592,438	7,272,942	35,813,339	6,590,448	7,248,071	7,282,393	13,153,090	7,863,963
<b>TOTAL EXPENDITURES</b>	<b>\$ 27,795,369</b>	<b>\$ 35,156,106</b>	<b>\$ 39,351,191</b>	<b>\$ 35,959,751</b>	<b>\$ 68,060,992</b>	<b>\$ 42,387,063</b>	<b>\$ 43,757,886</b>	<b>\$ 46,261,391</b>	<b>\$ 58,740,177</b>	<b>\$ 50,604,195</b>



Note: Includes General, Special Revenue, and Debt Service Funds.

(1) Effective May 1, 1998, the Village changed its fiscal year end to December 31. The data presented in this column represents eight months of activity.

**Data Source :** Village Records

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX ASSESSED VALUATIONS, RATES AND EXTENSIONS

Last Ten Levy Years

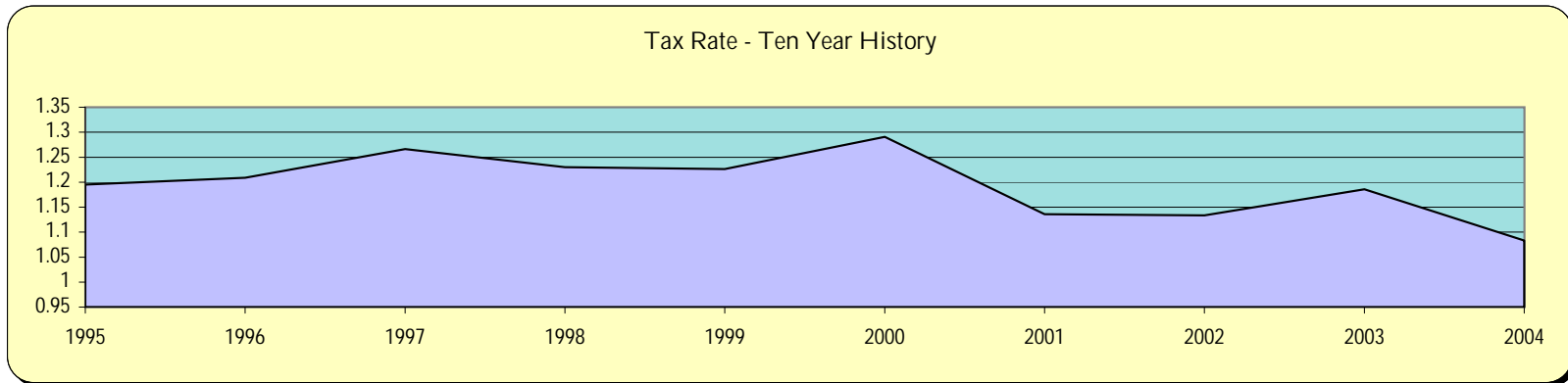
Tax Levy Year	2004		2003		2002		2001		2000	
ASSESSED VALUATIONS	\$ 1,678,511,650		\$ 1,438,611,551		\$ 1,432,295,723		\$ 1,129,230,283		\$ 1,107,343,935	
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
General Corporate	0.2289	\$ 3,842,621	0.2492	\$ 3,585,500	0.2258	\$ 3,234,020	0.1550	\$ 2,060,400	0.1368	\$ 1,515,000
Fire Protection	0.3845	6,454,016	0.4090	5,883,250	0.4386	6,282,200	0.4231	5,625,700	0.5077	5,621,761
IMRF	0.0439	737,300	0.0426	612,850	0.0000	-	0.0000	-	0.0000	-
Social Security	0.1050	1,762,450	0.1175	1,690,235	0.1199	1,717,000	0.1213	1,616,000	0.1319	1,460,460
Debt Service	0.1953	3,278,377	0.2416	3,476,261	0.2413	3,456,660	0.2514	3,342,086	0.2963	3,280,855
Waterworks Fund	0.0000	-	0.0000	-	0.0000	-	0.0855	1,136,250	0.0935	1,035,250
Police Pension	0.0707	1,186,750	0.0674	969,600	0.0550	787,800	0.0570	757,500	0.0569	630,047
Firefighters' Pension	0.0551	924,150	0.0583	838,300	0.0529	757,500	0.0425	565,600	0.0675	747,877
	1.0834	\$18,185,664	1.1856	\$17,055,996	1.1335	\$16,235,180	1.1358	\$15,103,536	1.2906	\$14,291,250

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX ASSESSED VALUATIONS, RATES AND EXTENSIONS (Continued)

Last Ten Levy Years

Tax Levy Year	1999		1998		1997		1996		1995	
ASSESSED VALUATIONS	\$ 1,062,326,697		\$ 995,929,584		\$ 900,025,013		\$ 886,001,185		\$ 855,559,918	
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
General Corporate	0.1223	\$ 1,299,113	0.1007	\$ 1,003,220	0.1030	\$ 927,000	0.0959	\$ 849,750	0.0861	\$ 736,450
Fire Protection	0.4991	5,301,737	0.5265	5,243,164	0.5402	4,861,600	0.5202	4,609,250	0.4858	4,156,050
IMRF	0.0000	-	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Social Security	0.1231	1,307,950	0.1319	1,313,250	0.1373	1,236,000	0.1223	1,083,560	0.1074	918,760
Debt Service	0.2840	3,016,640	0.2826	2,814,840	0.2899	2,609,253	0.2758	2,443,938	0.3238	2,769,950
Waterworks Fund	0.0879	934,250	0.0853	849,750	0.0948	852,840	0.0963	853,355	0.0966	826,060
Police Pension	0.0540	573,791	0.0503	501,409	0.0503	452,520	0.0482	426,935	0.0456	390,370
Firefighters' Pension	0.0559	593,415	0.0527	524,718	0.0509	457,871	0.0501	443,930	0.0501	428,480
	1.2263	\$13,026,896	1.2300	\$12,250,351	1.2664	\$11,397,084	1.2088	\$10,710,718	1.1954	\$10,226,120



\* Property tax rates are per \$100 of assessed valuation.

Data Source: Office of the County Clerk

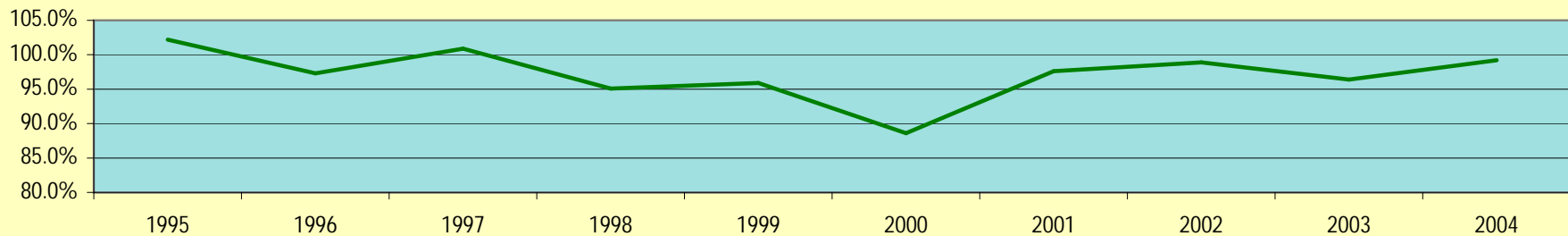
# VILLAGE OF PALATINE, ILLINOIS

## PROPERTY TAX COLLECTIONS

Last Ten Levy Years

Tax Levy Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Corporate	\$ 736,886	\$ 828,285	\$ 913,153	\$ 951,862	\$ 1,245,919	\$ 1,477,430	\$ 2,012,670	\$ 3,195,877	\$ 3,457,439	\$ 3,810,066
Fire Protection	4,158,180	4,494,680	4,788,091	4,980,076	5,086,388	5,482,862	5,492,486	6,210,346	5,675,286	6,399,408
IMRF	-	-	-	-	-	-	-	-	580,354	730,281
Social Security	919,168	1,056,393	1,217,118	1,247,176	1,254,724	142,450	1,577,706	1,698,254	1,630,905	1,747,262
Debt Service	2,774,535	2,383,291	2,567,434	2,673,927	2,894,428	3,199,743	3,261,582	3,418,974	3,352,240	3,251,094
Waterworks	826,788	832,399	856,365	822,542	896,053	1,009,929	1,108,823	-	-	-
Police Pension	390,582	416,166	445,577	476,516	550,535	614,713	740,195	778,499	935,472	1,177,460
Firefighters' Pension	390,582	432,945	450,660	498,652	569,219	729,756	551,461	749,608	808,875	916,008
	\$ 10,196,721	\$ 10,444,159	\$ 11,238,398	\$ 11,650,751	\$ 12,497,266	\$ 12,656,883	\$ 14,744,923	\$ 16,051,558	\$ 16,440,571	\$ 18,031,579
LEVY AS EXTENDED	\$ 9,973,975	\$ 10,737,453	\$ 11,136,333	\$ 12,250,351	\$ 13,026,896	\$ 14,291,249	\$ 15,103,536	\$ 16,235,180	\$ 17,055,996	\$ 18,185,665
PERCENT COLLECTED	102.2%	97.3%	100.9%	95.1%	95.9%	88.6%	97.6%	98.9%	96.4%	99.2%

Collection Rate - Ten Year History



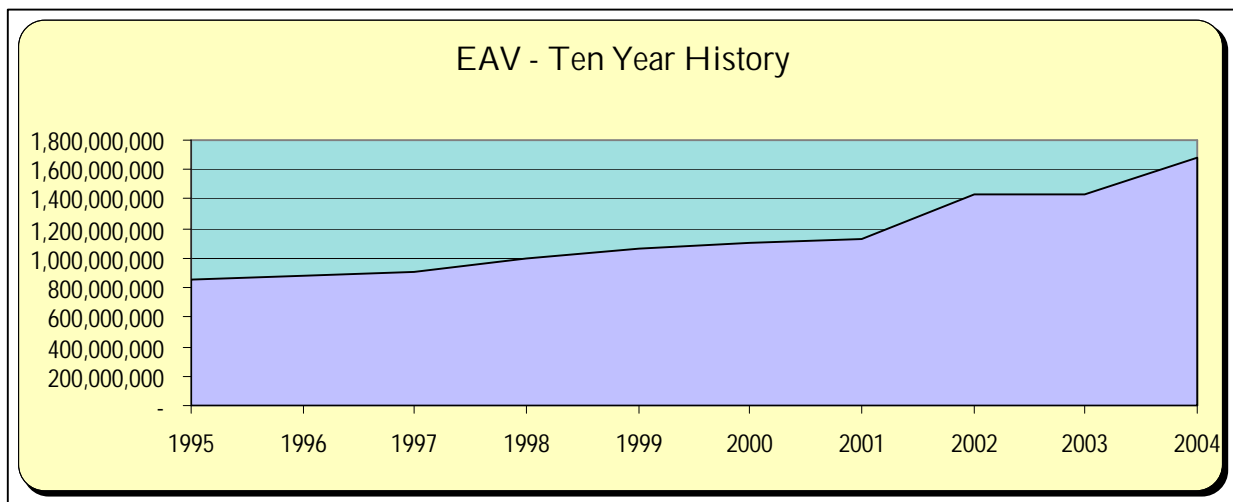
Data Source: Village records

# VILLAGE OF PALATINE, ILLINOIS

## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Tax Levy Year	Real Property		Ratio of Equalized Assessed Value to Total Estimated Actual Value	Equalization Factor
	Equalized Assessed Value	Estimated Actual Value		
1995	\$ 855,560,000	\$ 2,569,249,000	0.333	2.1243
1996	886,001,000	2,660,664,000	0.333	2.1517
1997	900,025,000	2,702,778,000	0.333	2.1489
1998	995,930,000	2,990,781,000	0.333	2.1799
1999	1,062,327,000	3,190,171,000	0.333	2.2505
2000	1,107,343,935	3,325,357,000	0.333	2.2235
2001	1,129,230,283	3,391,082,000	0.333	2.3098
2002	1,432,295,723	4,301,188,000	0.333	2.4689
2003	1,438,611,551	4,320,155,000	0.333	2.4598
2004	1,678,511,650	5,040,576,000	0.333	2.4597



Data Source: Office of the County Clerk

# VILLAGE OF PALATINE, ILLINOIS

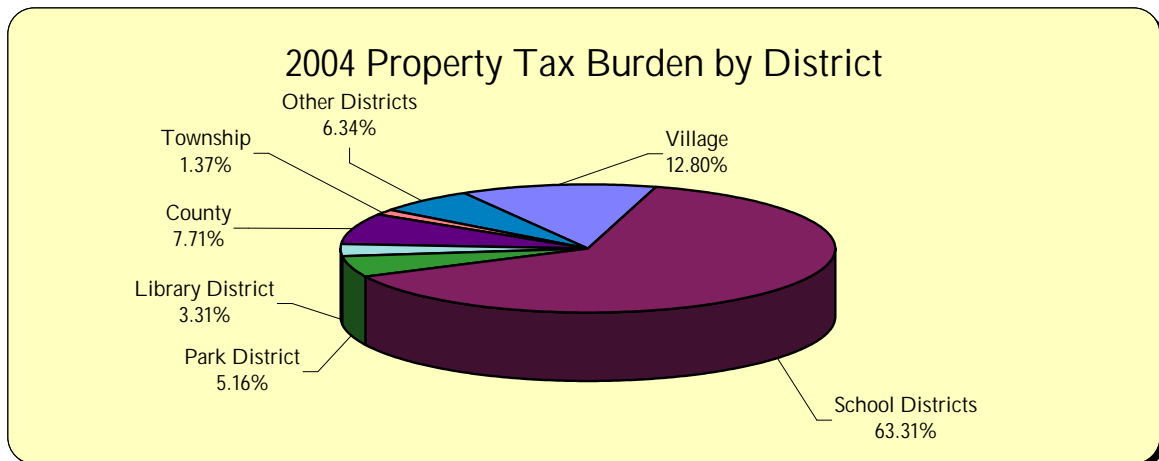
## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

### Last Ten Levy Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Village</b>										
Village of Palatine	1.196	1.209	1.267	1.230	1.226	1.291	1.136	1.134	1.186	1.084
<b>School Districts</b>										
Palatine C. C. S. D. #15	3.572	3.686	3.827	3.662	3.611	3.749	3.289	3.185	3.313	2.925
Junior College #512	0.279	0.281	0.292	0.277	0.270	0.347	0.308	0.295	0.310	0.279
Township H. S. D. #211	2.489	2.517	2.595	2.464	2.418	2.450	2.147	2.067	2.165	2.158
<b>Park District</b>										
Palatine Park District	0.515	0.518	0.534	0.483	0.481	0.505	0.455	0.422	0.482	0.437
<b>Library District</b>										
Palatine Library District	0.366	0.369	0.385	0.359	0.361	0.381	0.322	0.310	0.315	0.280
<b>County</b>										
Hospital	0.305	0.295	0.285	0.238	0.236	0.219	0.201	0.156	0.141	0.122
County of Cook	0.689	0.694	0.634	0.673	0.619	0.605	0.545	0.534	0.489	0.471
Forest Preserve	0.072	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060
<b>Township</b>										
Palatine Township	0.074	0.075	0.078	0.057	0.052	0.050	0.042	0.041	0.042	0.038
General Assistance	0.014	0.014	0.014	0.011	0.010	0.009	0.008	0.008	0.009	0.008
Road and Bridge	0.095	0.097	0.102	0.084	0.087	0.086	0.077	0.074	0.078	0.070
<b>Other Districts</b>										
Special Service Area #1	0.554	-	-	-	-	-	-	-	-	-
Special Service Area #2	0.898	0.851	0.788	0.647	0.590	0.565	0.140	-	-	-
Special Service Area #3	-	-	-	0.277	0.273	0.268	0.251	0.223	0.217	0.180
Suburban T.B. Sanitarium	0.008	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001
Northwest Mosquito	0.010	0.010	0.011	0.010	0.010	0.011	0.010	0.009	0.010	0.009
Sanitary District	0.495	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347
Elections (ELCO)	0.029	-	0.027	-	0.023	-	0.032	-	0.029	-
<b>Total tax rate</b>	<b>11.660</b>	<b>11.190</b>	<b>11.372</b>	<b>10.996</b>	<b>10.764</b>	<b>11.028</b>	<b>9.438</b>	<b>8.896</b>	<b>9.210</b>	<b>8.469</b>

Share of total tax levied  
by the Village of Palatine

10.26%	10.80%	11.14%	11.19%	11.39%	11.71%	12.04%	12.75%	12.88%	12.80%
--------	--------	--------	--------	--------	--------	--------	--------	--------	--------



Data Source: Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE  
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

Last Ten Fiscal Years

	1997	1998	1998(1)	1999	2000	2001	2002	2003	2004	2005
(A) Population	57,066	57,066	57,066	57,066	65,479	65,479	65,479	65,479	65,920	65,920
(B) Assessed value	\$ 886,001,000	\$ 900,025,013	\$ 900,025,013	\$ 995,929,584	\$ 1,062,326,697	\$ 1,107,343,935	\$ 1,129,230,283	\$ 1,432,295,723	\$ 1,438,611,551	\$ 1,678,511,650
(C) Gross general obligation bonded debt	66,392,790	66,027,790	66,177,790	69,542,325	47,128,328	62,836,325	70,682,189	69,286,846	68,701,360	65,270,570
(C) Less: Debt Service Funds	32,467,800	32,155,222	29,928,725	29,777,576	1,450,191	4,116,243	3,320,141	2,289,239	1,886,525	2,072,121
Net general obligation bonded debt	33,924,990	33,872,568	36,249,065	39,764,749	45,678,137	58,720,082	67,362,048	66,997,607	66,814,835	63,198,449
Ratio of net general obligation bonded debt to assessed value	3.83%	3.76%	4.03%	3.99%	4.30%	5.30%	5.97%	4.68%	4.64%	3.77%
Net general obligation bonded debt per capita	594.49	593.57	635.21	696.82	697.60	896.78	1,028.76	1,023.19	1,013.57	958.71

(1) Effective May 1, 1998, the Village changed it's fiscal year end to December 31. The data presented in this column represents eight months of activity.

Data Sources: (A) Census Bureau; (B) Office of the County Clerk; (C) Village records



VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

December 31, 2005

Governmental Unit	(1) Gross Bonded Debt	(2) Percentage of Debt Applicable to Village*	Village's Share of Debt**
School Districts			
Palatine C. C. S. D. #15	\$ 51,789,901	48.614%	\$ 25,177,142
Township H. S. D. #211	18,475,000	22.061%	4,075,770
Township H. S. D. #214	14,250,157	0.018%	2,565
Junior College #512	69,665,000 (a)	8.890%	6,193,219
	<u>154,180,058</u>		<u>35,448,696</u>
Park Districts			
Palatine Park District	5,595,000 (a)	74.463%	4,166,205
Salt Creek Rural	570,000 (a)	43.714%	249,170
Arlington Heights Park District	24,294,702 (a)	0.057%	13,848
	<u>30,459,702</u>		<u>4,429,224</u>
Other Districts			
Palatine Public Library District	14,770,000	75.820%	11,198,614
Cook County and Forest Preserve District	3,203,465,000 (b)	1.381%	44,239,852
Sanitary District	1,256,985,000 (b)	1.410%	17,723,489
	<u>4,475,220,000</u>		<u>73,161,955</u>
Total overlapping debt	4,659,859,760		113,039,874
Village of Palatine	<u>65,270,570</u>	100.000%	<u>65,270,570</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 4,725,130,330</u>		<u>\$ 178,310,444</u>

\* Determined by the ratio of assessed value of property subject to taxation in overlapping unit to value of property subject to taxation in the Village for tax levy year 2003.

\*\* Amount in column (1) multiplied by amount in column (2).

(a) Excludes the following "alternate" bonds, which are considered to be self-supporting since they are payable from pledged non-property tax sources: Harper Community College No. 512 - \$3,035,000; Palatine Park District - \$2,360,000; Salt Creek Rural Park District - \$5,325,000; and Arlington Heights Park District - \$2,959,550.

(b) Excludes short-term cash flow notes.

Data Source: Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS  
SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2005

---

The Village is a home rule municipality.

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

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

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

VILLAGE OF PALATINE, ILLINOIS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

Last Ten Fiscal Years

Fiscal Year	1997	1998	1998(1)	1999	2000	2001	2002	2003	2004	2005
Principal	\$ 1,255,000	\$ 1,260,000	\$ 1,510,000	\$ 1,190,000	\$ 32,561,750	\$ 2,240,000	\$ 2,345,000	\$ 2,426,780	\$ 2,477,650	\$ 2,679,350
Interest and fiscal charges	4,897,875	6,238,479	4,915,643	4,955,918	1,872,114	2,802,672	3,294,618	3,020,011	1,426,881	1,246,947
TOTAL DEBT SERVICE	\$ 6,152,875	\$ 7,498,479	\$ 6,425,643	\$ 6,145,918	\$ 34,433,864	\$ 5,042,672	\$ 5,639,618	\$ 5,446,791	\$ 3,904,531	\$ 3,926,297
TOTAL GENERAL GOVERNMENTAL EXPENDITURES	\$ 27,795,369	\$ 35,156,106	\$ 39,351,191	\$ 35,959,751	\$ 68,060,992	\$ 42,387,063	\$ 43,757,886	\$ 46,261,391	\$ 58,710,177	\$ 53,718,112
RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES	22.14%	21.33%	16.33%	17.09%	50.59%	11.90%	12.89%	11.77%	6.65%	7.31%

(1) Effective May 1, 1998, the Village changed it's fiscal year end to December 31. The data presented in this column represents eight months of activity.

Data Source: Village records

# VILLAGE OF PALATINE, ILLINOIS

## DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

---

Fiscal Year	(1) Population	(1) Per Capita Income	(1) Median Age	(1) Education Level in Years of Formal Schooling	(1) School Enrollment	(2) Unemployment Percentage
1996	50,000	\$ -	N/A	N/A	12,750	4.1
1997	57,066	-	N/A	N/A	13,365	3.7
1998	57,066	-	N/A	N/A	13,430	3.7
1998(a)	57,066	-	N/A	N/A	12,160	3.7
1999	57,066	-	N/A	N/A	12,160	3.7
2000	65,479	-	N/A	N/A	12,160	3.5
2001	65,479	30,661	34.3	14	16,180	5.1
2002	65,479	30,661	34.3	14	16,180	6.8
2003	65,479	30,661	34.3	14	16,180	6.8
2004	65,920	30,661	34.3	14	16,180	6.7
2005	65,920	30,661	34.3	14	16,180	6.7

N/A - Not Available

(a) Effective May 1, 1998, the Village changed it's fiscal year end to December 31. The data presented in this column represents eight months of activity.

Data Sources: (1) Census Bureau, (2) Illinois Department of Employment Security

VILLAGE OF PALATINE, ILLINOIS

PROPERTY VALUE AND CONSTRUCTION

Last Ten Fiscal Years

Fiscal Year	(1) Commercial Construction		(1) Residential Construction		(3) Property Value	
	Value (Thousands)	Number of Units	Value (Thousands)		Commercial (Thousands)	Residential (Thousands)
1996	\$ 12,016	309	\$ 30,190		N/A	N/A
1997	26,036	462	36,755	\$	345,200	\$ 554,800
1998	31,211	284	31,538		365,300	630,600
1998(a)	22,905	173	24,045		365,300	630,600
1999	24,426	226	32,949		N/A	N/A
2000	13,713	216	24,044		428,000	703,000
2001	30,742	322	28,341		N/A	N/A
2002	19,575	407	60,365		N/A	N/A
2003	19,575	408	60,366		N/A	N/A
2004	16,136	231	40,330		N/A	N/A
2005	20,173	600	74,698		N/A	N/A

N/A - Not Available

(a) Effective May 1, 1998, the Village changed it's fiscal year end to December 31.

The data presented in this column represents eight months of activity.

Data Sources: (1) Community Development Department, (2) Township Assessor's Office

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL TAXPAYERS

December 31, 2005

Taxpayer	Type of Business	Tax Levy Year 2004 Assessed Valuation	Percentage of Total Assessed Valuation
EQR R.E. Tax Department	Apartments	\$ 23,489,253	1.3%
Mid America Park Place	Park Place Shopping Center	23,274,404	1.3%
AL LH DB LP	Apartments	21,536,146	1.2%
Individual Taxpayer	Shopping Center	17,465,376	1.0%
Brookind Corp. Tax Dept.	United Parcel Service	15,702,361	0.9%
Concord Mills Estates	Various Real Property	14,234,652	0.8%
Village Park Palatine 300	Apartments	12,747,938	0.7%
Regency Plaza Partners	Shopping Center	10,979,112	0.6%
Square D Company	Corporate Headquarters	7,840,918	0.4%
Target Property Tax T 753	Shopping Center	7,663,385	0.4%
		<u>\$ 154,933,545</u>	<u>8.6%</u>

Data Source: Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

MISCELLANEOUS STATISTICS

December 31, 2005

---

Date of incorporation	March 19, 1866
Form of government	Manager/Council
Number of full-time employees (excluding police and fire)	125
Area in square miles	15

**MUNICIPAL SERVICES AND FACILITIES**

Miles of streets	160
Fire protection	
Number of stations	5
Number of fire personnel and officers	97
Number of calls answered	6,568
Number of inspections conducted	4,944
Fire insurance rating	Class 3
Police protection	
Number of stations	1
Number of police personnel and officers	145
Number of patrol units	28
Number of law violations	
Physical arrests	6,758
Traffic violations	19,199
Parking violations	7,274
Sewerage System	
Miles of sanitary sewers	200
Miles of storm sewers	200
Number of treatment plants	-
Number of service connections	17,500
Daily average treatment in gallons	-
Waterworks System	
Miles of water mains	200
Number of service connections	17,500
Number of fire hydrants	3,200
Daily average consumption in gallons	7,300,000

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Statement of Indebtedness December 31, 2005

	Amount Applicable as of Dec. 31, 2005	As Per Cent of		Per Capita (2000 Census Pop. 65,920)
		Assessed Value	Estimated True Value	
Assessed valuation of taxable real property, 2004 (3)	\$ 1,778,517,759	100.00%	33.33%	\$ 26,979.94
Estimated true value of taxable real property, 2004	5,335,553,277	300.00%	100.00%	80,939.83
Direct general obligation bonded debt (1):				
Payable from property taxes	\$ 17,847,870	1.00%	0.33%	\$ 270.75
Self-supporting	55,439,200	3.12%	1.04%	841.01
Total direct bonded debt	\$ 73,287,070	4.12%	1.37%	\$ 1,111.76
Overlapping bonded debt payable from property taxes (2):				
Schools	\$ 35,448,642	1.99%	0.66%	\$ 537.75
Other than schools	77,584,844	4.36%	1.45%	1,176.95
Total overlapping bonded debt	\$ 113,033,486	6.36%	2.12%	\$ 1,714.71
Total direct and overlapping bonded debt	\$ 186,320,556	10.48%	3.49%	\$ 2,826.46
Total direct and overlapping excl. self-supporting	\$ 130,881,356	7.36%	2.45%	\$ 1,985.46

**Notes:**

1. The Village is a home-rule unit under the 1970 Illinois Constitution and as such has no debt limit nor is it required to seek referendum approval for the issuance of general obligation debt. See "Retirement Schedule of Outstanding Village General Obligation Debt" for a listing of the Village's non-general obligation debt and currently outstanding general obligation debt. Of the Village's general obligation debt \$55,439,200 or 75.6% is considered self-supporting.
2. See "Detailed Overlapping Bonded Indebtedness payable from Property Taxes at December 31, 2005."
3. Includes the incremental valuation in the Village's tax increment financing districts.



# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Retirement Schedule of Outstanding Village General Obligation Debt December 31, 2005

Due 12/1	Principal Maturities (1)																Total Maturities (2)											
	Series	1989 (3)	Series	1999	Series	1999A	Series	2000	Series	2000B	Taxable				TIF		Series	2005	Amount									
											Series	2001	Series	2001	Series	2002					Series	2003	Series	2003	Series	2003	Series	2004 (4)
2006	-	-	-	770,000	-	-	-	1,670,000	110,000	-	-	425,000	370,000	335,000	500,000	99,011	1,195,000	5,000	5,479,011	7.5%								
2007	-	-	-	650,000	-	-	-	1,760,000	110,000	-	-	700,000	305,000	315,000	500,000	102,416	1,950,000	5,000	6,507,416	8.9%								
2008	-	-	-	265,000	-	-	-	1,850,000	110,000	-	-	1,025,000	400,000	360,000	500,000	105,939	1,905,000	5,000	6,525,939	8.9%								
2009	-	-	-	275,000	-	-	-	1,950,000	120,000	640,000	730,000	415,000	375,000	525,000	109,582	620,000	5,000	5,764,582	7.9%									
2010	-	-	-	275,000	-	-	-	2,055,000	120,000	1,390,000	-	430,000	395,000	525,000	113,350	540,000	5,000	5,848,350	8.0%									
2011	-	-	-	280,000	-	-	-	2,165,000	120,000	1,450,000	-	450,000	410,000	575,000	117,249	555,000	5,000	6,127,249	8.4%									
2012	-	-	-	290,000	300,000	-	-	-	125,000	2,015,000	-	470,000	435,000	575,000	121,281	2,410,000	5,000	6,746,281	9.2%									
2013	-	-	-	300,000	135,000	-	-	-	135,000	2,115,000	-	490,000	-	225,000	125,452	1,060,000	830,000	5,415,452	7.4%									
2014	317,473	-	-	310,000	-	-	-	-	140,000	2,215,000	-	510,000	-	-	-	1,135,000	-	4,627,473	6.3%									
2015	523,137	-	-	600,000	-	-	-	-	375,000	2,860,000	-	535,000	-	-	-	1,200,000	-	6,183,137	8.4%									
2016	302,180	-	-	-	-	-	-	-	-	1,880,000	-	560,000	-	-	-	1,215,000	-	3,957,180	5.4%									
2017	-	-	-	-	-	-	-	-	-	-	-	585,000	-	-	-	1,205,000	-	1,870,000	2.6%									
2018	-	-	-	-	-	-	-	-	-	-	-	610,000	-	-	-	1,150,000	-	1,760,000	2.4%									
2019	-	-	-	-	-	-	-	-	-	-	-	640,000	-	-	-	1,195,000	-	1,835,000	2.5%									
2020	-	-	-	-	-	-	-	-	-	-	-	675,000	-	-	-	1,265,000	-	1,940,000	2.6%									
2021	-	-	-	-	-	-	-	-	-	-	-	705,000	-	-	-	610,000	-	1,315,000	1.8%									
2022	-	-	-	-	-	-	-	-	-	-	-	740,000	-	-	-	645,000	-	1,385,000	1.9%									
\$	1,142,790	\$	4,105,000	\$	435,000	\$	11,450,000	\$	1,465,000	\$	14,365,000	\$	2,980,000	\$	8,970,000	\$	2,655,000	\$	3,925,000	\$	894,280	\$	19,935,000	\$	865,000	\$	73,287,070	100.0%

### Notes:

- The Village is a home rule unit under the 1970 Illinois Constitution and as such has no debt limit, nor is it required to seek referendum approval for the issuance of general obligation debt. This table excludes the outstanding principal of the Village's Special Service Area Bonds (shown as overlapping debt): \$15,570,000 principal outstanding (as of December 31, 2005) on Tax Increment Financing Bonds and notes secured only by the incremental revenues generated by the district; various industrial revenue bonds which are fully secured by payments from the benefiting entities; and, special assessment bonds, which are secured by the levy of special assessments on property within the special assessment area. This table also excludes the Village's obligations as a member of the Solid Waste agency of Northern Cook County (SWANCC), a municipal joint action agency created to construct and equip a waste project to dispose of the municipal waste of its members.
- The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$73,287,070 principal outstanding at December 31, 2005, the Village estimates that \$55,439,200 (75.6%) is self-supporting from non-property tax sources.
- The Series 1989 are capital appreciation bonds due January 1, 2014-2016.
- Includes the \$1,900,000 General Obligation Bonds, Series 2004; \$440,000 General Obligation Bond Equipment Series 2004; \$7,500,000 Taxable General Obligation Bonds, Series 2004A; \$3,025,000 Taxable General Obligation Bonds Series 2004B; \$2,250,000 General Obligation Refunding Bonds Series 2004C; and \$5,080,000 General Obligation Bond Series 2004D. These bonds were issued for equipment acquisitions, refundings of prior bonds, and improvements and land acquisition in the Village's tax increment financing districts 3 and 4.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Bonded Debt Ratios and Per Capita Debt - Last Ten General Obligation Bond Sales December 31, 2005

Village Issue		Ratio to Estimated Actual Value (1)				Per Capita (1)		Population Estimate
		Direct Debt		Direct and Overlapping Debt		Direct and Overlapping Debt		
		Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	
		Supporting	Supporting(2)	Supporting	Supporting(2)	Supporting	Supporting(2)	
		Supporting	Supporting(2)	Supporting	Supporting(2)	Supporting	Supporting(2)	
May 27, 1997	1,000,000	1.54%	1.04%	4.98%	4.48%	2,240.62	2,017.81	57,066
Dec 14, 1998 (3)	6,915,000	1.42%	0.95%	4.51%	4.04%	2,135.10	1,912.37	57,066
Nov 8, 1999 (4)	24,120,000	1.36%	1.15%	4.28%	4.07%	2,062.69	1,963.65	62,000
Oct 23, 2000	9,380,000	1.40%	0.98%	3.89%	3.47%	1,865.32	1,662.78	68,000
July 15, 2001	17,770,000	1.89%	0.98%	4.88%	3.91%	2,430.17	1,948.43	65,479
June 24, 2002	10,000,000	2.10%	0.89%	5.48%	4.27%	2,841.32	2,214.48	65,479
Dec. 16, 2002 (4)	2,975,000	1.69%	0.72%	4.58%	3.61%	2,861.13	2,255.66	65,479
Sept. 15, 2003 (4)	4,625,000	1.61%	0.69%	4.44%	3.52%	2,919.04	2,312.73	65,479
Feb. 17, 2004	12,425,000	1.80%	0.59%	4.30%	3.09%	2,899.00	2,086.20	65,920
Dec. 6, 2004 (4)	8,295,000	1.70%	0.56%	4.33%	3.19%	2,962.33	2,182.95	65,920

### Notes:

1. Taken from applicable Official Statements.
2. Excludes the Village's general obligation debt which is payable from non-property tax revenues.
3. All or a portion of bond proceeds used for advance refunding purposes.
4. All or a portion of bond proceeds used for current refunding purposes.

# VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12  
Detailed Overlapping Bonded Indebtedness Payable from Property Taxes At December 1, 2005  
December 31, 2005

Governmental Unit	Percent of Village's 2004 Real Property in Taxing Body	Gross Bonded Debt	Village's Applicable Share (Note 1) of Gross Debt to be Paid From Real Property Taxes	
			Percent	Amount
<b>School Districts</b>				
Palatine C. C. S. D. #15	100.0%	\$ 51,789,901	48.614%	\$ 25,177,142
Township H. S. D. #211	99.9%	18,475,000	22.061%	4,075,770
Township H. S. D. #214	0.1%	14,250,157	0.018%	2,565
Harper Junior College #512	100.0%	69,665,000 (2)	8.890%	6,193,219
<b>Total School Districts</b>				<b>\$ 35,448,696</b>
<b>Other Than School Districts</b>				
Cook County and				
Forest Preserve District	100.0%	3,203,465,000 (3)	1.381%	44,239,852
Sanitary District	100.0%	1,256,985,000 (3)	1.410%	17,723,489
Park Districts				
Palatine	94.1%	5,595,000 (2)	74.463%	4,166,205
Salt Creek Rural	53.0%	570,000 (2)	43.714%	249,170
Arlington Heights	0.1%	24,294,702 (2)	0.057%	13,848
Palatine Public Library District	99.9%	14,770,000	75.820%	11,198,614
<b>Total Other Than School Districts</b>				<b>\$ 77,591,178</b>

**Notes:**

1. Village's share based upon 2004 Real Property Valuations.
2. Excludes the following "alternate" bonds, which are considered to be self-supporting since they are payable from pledged non-property tax sources: Harper Community College No. 512 - \$3,740,000; Salt Creek Rural Park District - \$5,150,000; Palatine Park District - \$1,810,000; and, Arlington Heights Park District - \$2,959,550.
3. Excludes short-term cash flow notes.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Equalized Assessed Valuation for Taxing Purposes December 31, 2005

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes	Increase Over Prior Year
2000	\$1,107,343,935	\$23,589,449	\$1,130,933,384	4.1%
2001 (3)	1,329,587,052	34,571,463	1,364,158,515	20.4%
2002	1,432,295,723	48,520,555	1,480,816,278	8.8%
2003	1,438,611,551	62,457,769	1,501,069,320	1.4%
2004	1,678,511,650	100,006,109	1,778,517,759	18.5%

### Notes:

1. Property in Cook County is separated into eight classifications for assessment purposes (ranging from 16% for residential to 38% for commercial/industrial property). After the assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation for that parcel. The Illinois Department of Revenue furnishes each county with an adjustment factor (the equalization factor) to equalize the level of assessment between counties. After the equalization factor is applied, the valuation of the property for taxing purposes has been established-tax rates are applied to the equalized valuation. This table excludes exemptions.
2. Under the current triennial reassessment system, the Village was reassessed in 2001 and 2004.
4. Of the Village's 2004 valuation, 99.9% was in Palatine Township and 0.1% was in Wheeling Township.
5. The Village's tax rate is calculated based on the Village's net equalized assessed valuation (shown in this table as "Net for General Taxing Purposes") and is extended against its entire Equalized Assessed Valuation (shown in this table as "Total for all Taxing Purposes") excluding only the statutory exemptions. Of the taxes collected, that portion applicable to incremental valuation (valuation of tax increment districts) is remitted to the Village by the County Collector for deposit in the applicable tax allocation fund. The Equalized Assessed Valuation for which the Village receives its portion of the total tax rate for all non-TIF purposes is shown in this table as "Net for General Taxing Purposes".

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Tax Rates per \$100 Equalized Assessed Valuation December 31, 2005

	Levy Years				
	2000	2001	2002	2003	2004
<b>Village of Palatine (1):</b>					
Corporate	\$ 0.137	\$ 0.155	\$ 0.226	\$ 0.249	\$ 0.229
Bonds and interest	0.296	0.251	0.241	0.242	0.195
Pensions (Police, Fire, IMRF and Soc. Sec.)	0.256	0.221	0.228	0.286	0.275
Fire Protection	0.508	0.423	0.439	0.409	0.385
Water and sewerage	0.094	0.086	-	-	-
<b>Toal Village of Palatine (3)</b>	<b>1.291</b>	<b>1.136</b>	<b>1.134</b>	<b>1.186</b>	<b>1.084</b>
Cook County (Incl. Forest Preserve)	0.893	0.813	0.751	0.689	0.653
Sanitary District	0.415	0.401	0.371	0.361	0.347
Palatine Park District	0.505	0.455	0.422	0.482	0.437
Palatine Library District	0.381	0.322	0.310	0.315	0.280
Palatine C. C. S. D. #15	3.749	3.289	3.185	3.313	2.925
Junior College #512	0.347	0.308	0.295	0.310	0.279
Township H. S. D. #211	2.450	2.147	2.067	2.165	2.158
Township and all other	0.164	0.176	0.138	0.172	0.126
<b>Total (2)</b>	<b>\$ 10.195</b>	<b>\$ 9.047</b>	<b>\$ 8.673</b>	<b>\$ 8.993</b>	<b>\$ 8.289</b>
 Village rate as a percent of total	 12.7%	 12.6%	 13.1%	 13.2%	 13.1%

### Notes:

1. As a home rule unit under the 1970 Illinois Constitution, the Village has no statutory tax rate or levy limitations. Totals may not add due to rounding.
2. Total rate shown is for the largest tax code which accounted for 80.2% of the Village's 2004 equalized assessed valuation.
3. The Village projects the 2005 rate at \$1.073.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Tax Extensions and Collections December 31, 2005

Levy Year	Collection Year	Total Taxes Extended	Total Taxes Collected	
			Amount	Percent (2)
2000	2001	\$ 14,295,810	14,412,888	100.82%
2001	2002	15,104,109	15,159,943	100.37%
2002	2003	16,242,234	16,240,082	99.99%
2003	2004	17,061,932	16,440,571	96.36%
2004	2005	18,185,664	18,031,579	99.15%

### Notes:

1. Source: Cook County Treasurer's Office. Taxes collected, including late payments, are shown as collections in the year when due regardless of when the collection occurs. The "Amount Collected" is not the same as distributions to the Village as collections include taxes paid under protest. When the taxes paid under protest are remitted, they are not included as taxes collected as they have already been considered "collected".
2. Cook County property taxes are payable in two installments: the first on March 1, and the second on the latter of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill and is one-half of the prior year's bill. The second installment is based on the current levy, assessment and equalization and reflects any changes from the prior year in those factors. The second installment dates for levy years 2000-2004 were November 1; November 1; October 1; and November 1, respectively.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Tax Base Distribution by Property Classification December 31, 2005

Property Classification	Village of Palatine				
	Taxable Valuation			Percent of Total	
	1998	2003 (3)	Percent Increase	1998	2003
Residential	\$ 630,614,336	\$ 994,763,065	57.7%	61.9%	66.3%
Commercial (1)	279,465,703	377,226,846	35.0%	27.4%	25.1%
Industrial	107,854,644	128,678,367	19.3%	10.6%	8.6%
Railroad	290,149	395,865	36.4%	NIL	NIL
Farm	42,144	5,175	-87.7%	NIL	NIL
Total (2)	\$ 1,018,266,976	\$ 1,501,069,318	47.4%	100.0%	100.0%

### Notes:

1. The commercial classification includes apartment buildings with over six units and any apartment/rental mixed use buildings.
2. Includes incremental valuation in the Village's tax increment financing districts.
3. Latest available information by property classification.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Ten Largest Taxpayers December 31, 2005

Rank	Taxpayer	Business/Properties	Equalized Assessed Valuation (1)	Percent of Village (2)
1	EQR R.E. Tax Department	Apartments	\$ 23,489,253	1.3%
2	Mid America Park Place	Park Place Shopping Center	23,274,404	1.3%
3	AL LH DB LP	Apartments	21,536,146	1.2%
4	Individual Taxpayer	Shopping Center	17,465,376	1.0%
5	Brookind Corp. Tax Dept.	United Parcel Service	15,702,361	0.9%
6	Concord Mills Estates	Various Real Property	14,234,652	0.8%
7	Village Park Palatine 300	Apartments	12,474,938	0.7%
8	Regency Plaza Partners	Shopping Center	10,979,112	0.6%
9	Square D Company	Corporate Headquarters	7,840,918	0.4%
10	Target Prop. Tax T 753	Retail Store	7,663,385	0.4%
Total Ten Largest Taxpayers			\$ 154,660,545	8.6%

### Notes:

1. Valuations for 2004 taxing purposes.
2. Total 2004 Village valuation of \$1,678,511,650 (includes incremental valuation in the Village's tax increment financing districts).



# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 General Fund December 31, 2005

### Summary Statement of Revenue, Expenditures and Changes in Fund Balance

	Audited (Note 1)						
	Dec. 31				Dec. 31, 2005		Dec. 31, 2006
	2001	2002	2003	2004	Budget	Actual	Budget (2)
Revenue (3):							
Taxes							
Property taxes	\$ 8,304,761	\$ 10,377,518	\$ 12,632,584	\$ 13,629,102	\$ 15,259,690	\$ 15,362,641	\$ 16,220,500
Sales tax	9,212,713	8,934,817	9,009,385	11,743,223	11,829,300	12,503,160	12,502,400
Other taxes	1,048,450	1,408,485	1,466,048	1,959,056	1,787,735	2,181,131	2,069,930
Licenses and permits	1,655,240	2,665,519	2,686,698	3,212,245	2,778,000	3,121,288	2,939,000
Intergovernmental							
State income tax	4,528,505	4,350,481	4,057,697	4,189,384	4,251,500	4,919,232	4,751,510
Other	931,060	874,343	683,014	789,750	821,071	868,098	782,005
Charges for services	1,794,589	2,167,080	1,043,774	1,969,394	1,648,485	1,950,734	1,692,000
Fines and forfeits	408,919	707,736	763,501	716,827	737,750	741,524	745,250
Interest income	470,393	156,565	67,631	69,190	50,000	348,592	125,000
Transfers-in	-	-	1,643,440	1,766,675	93,530	93,530	600,475
All other revenues	312,238	512,680	344,070	469,046	287,305	338,619	289,150
Total revenues	28,666,868	32,155,224	34,397,842	40,513,892	39,544,366	42,428,549	42,717,220
Expenditures							
General Government							
Finance/Data Proc.	1,347,553	1,948,193	1,783,746	1,609,058	1,980,465	1,862,200	2,168,150
Comm. Development	1,959,927	2,414,036	2,025,024	2,049,548	2,072,435	1,989,349	1,801,115
Insurance	872,192	836,072	997,313	1,101,123	1,315,000	1,329,771	1,709,575
All Other	2,483,470	2,462,695	2,316,229	2,011,583	2,189,965	1,526,531	3,531,680
Total General Gov't	6,663,142	7,660,996	7,122,312	6,771,312	7,557,865	6,707,851	9,210,520
Public Safety							
Police	11,182,387	12,652,417	12,817,742	13,674,135	14,628,609	14,413,178	15,411,385
Fire	8,525,256	9,564,127	10,208,028	10,848,633	11,090,947	11,089,532	12,184,675
Civil Defense	21,278	27,452	48,313	80,627	146,527	137,744	139,965
Total Public Safety	19,728,921	22,243,996	23,074,083	24,603,395	25,866,083	25,640,454	27,736,025
Public Works	2,034,049	3,946,316	4,556,489	4,625,704	4,643,695	4,710,929	4,882,735
Transfers-out	1,325,000	317,200	2,329,486	48,925	1,400,000	1,400,000	687,815
Total Expenditures	29,751,112	34,168,508	37,082,370	36,049,336	39,467,643	38,459,234	42,517,095
Revenues over (under) expenditures	(1,084,244)	(2,013,284)	(2,684,528)	4,464,556	76,723	3,969,315	200,125
Adjustments to fund balance	593,998	(191,299)	(549,955)	55,575			
Fund balance-ending	13,261,755	11,057,172	7,822,689	12,342,820		16,312,135	

(Continued)

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 General Fund December 31, 2005

Balance Sheet					
	Dec. 31				
	2001	2002	2003	2004	2005
<b>Assets:</b>					
Cash and investments	\$ 12,463,754	\$ 8,233,409	\$ 5,086,606	\$ 10,698,069	\$ 15,123,023
Receivables:					
Property tax	10,520,000	12,652,000	13,433,500	14,759,690	15,645,500
All other	291,281	257,386	523,827	692,886	541,668
Prepaid items	1,260,016	1,362,464	-	-	26,470
Due from other governments	2,035,137	2,247,790	2,757,394	3,287,266	3,433,314
Due from other funds	71,993	1,621,154	2,210,292	258,130	219,252
All other assets	15,075	20,745	21,885	25,965	-
<b>Total assets</b>	<b>\$ 26,657,256</b>	<b>\$ 26,394,948</b>	<b>\$ 24,033,504</b>	<b>\$ 29,722,006</b>	<b>\$ 34,989,227</b>
<b>Liabilities and Fund Balance</b>					
Accounts payable	\$ 381,116	\$ 336,620	\$ 428,930	\$ 332,281	\$ 212,728
Deferred revenues	10,775,962	12,826,424	13,806,670	14,966,556	16,090,618
All other liabilities	2,238,423	2,174,732	1,975,215	2,080,349	2,373,746
<b>Total liabilities</b>	<b>13,395,501</b>	<b>15,337,776</b>	<b>16,210,815</b>	<b>17,379,186</b>	<b>18,677,092</b>
<b>Fund Balance</b>					
Reserved	1,275,091	1,383,209	21,885	25,965	26,470
Unreserved	11,986,664	9,673,963	7,800,804	12,316,855	16,285,665
<b>Total fund balance</b>	<b>13,261,755</b>	<b>11,057,172</b>	<b>7,822,689</b>	<b>12,342,820</b>	<b>16,312,135</b>
<b>Total liabilities and fund balance</b>	<b>\$ 26,657,256</b>	<b>\$ 26,394,948</b>	<b>\$ 24,033,504</b>	<b>\$ 29,722,006</b>	<b>\$ 34,989,227</b>

**Notes:**

1. See Note 1 to the "Combined Statement-All Funds" table for auditor's basis of accounting, etc.
2. Budgets are adopted on a basis consistent with generally accepted accounting principles. The Village Manager prepares a proposed budget which is presented to the Village Council for review and adoption after public hearings. The Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the Village Council. The Manager regularly conducts quarterly reviews and initiates supplemental appropriations as necessary. The adopted Village Budget is based on the use of the budgetary tool known as "Target Budgeting". The target budget is a tool to involve department heads, municipal administrators, finance officers and policy officials in a joint effort to maximize the use of funds. This method of budgeting is a modification of zero based budgeting. It accepts the premise that the Village provides certain basic services and attempts to "target" funds for these basic service levels. Beyond the basic service levels, discretionary expenditures are identified, and then evaluated, prioritized and matched against available revenues. A shifting pattern of services can therefore be created without inadvertent disruption of basic services.
3. The Village has not availed itself of the statutorily authorized 5% Utility Tax, which can be assessed by the adoption of an ordinance.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Combined Statement - All Funds (Note 1) December 31, 2005

### Fund Balances 2001 - 2004 and Summary December 31, 2005 Revenues, Excess Revenues and Fund Balances

	Dec. 31				December 31, 2005			
					Revenues Incl. Transfers		Revenues	
					Property		Over (under)	Fund
	2001	2002	2003	2004	Tax	Total	Expend.	Balance
<b>Governmental Fund Types</b>								
General	\$ 13,261,755	\$ 10,507,217	\$ 34,397,842	\$ 39,473,892	\$ 15,362,641	\$ 42,335,019	\$ 3,969,315	\$ 16,312,135
Special Revenue								
Motor Fuel Tax	871,751	1,317,567	2,199,883	1,969,103	-	2,010,090	(496,306)	353,229
Comm. Dev. Blk Grnt	(46,151)	-	182,189	386,851	-	461,311	-	-
Downtown TIF	1,297,166	(205,515)	970,529	4,102,014	2,078,356	2,116,753	(3,510,819)	3,749,848
Rand Rd Corridor TIF	-	-	254,147	265,885	1,261,517	1,268,733	1,086,506	3,661,519
Total Special Revenue	15,384,521	11,619,269	38,004,590	46,197,745	18,702,514	48,191,906	1,048,696	24,076,731
Debt Service	18,126,622	12,855,964	6,642,511	7,199,088	6,469,758	6,813,693	2,134,195	10,409,015
Capital Projects	15,497,562	8,991,380	2,659,839	2,472,175	-	2,526,400	(1,156,656)	1,685,217
<b>Total Governmental</b>	<b>49,008,705</b>	<b>33,466,613</b>	<b>47,306,940</b>	<b>55,869,008</b>	<b>25,172,272</b>	<b>57,531,999</b>	<b>2,026,235</b>	<b>36,170,963</b>
<b>Proprietary Fund Types (2):</b>								
Enterprise Funds								
Waterworks	22,045,280	14,542,500	5,306,784	5,612,077	-	6,329,850	1,437,753	14,575,540
Sewerage	13,557,161	11,877,201	2,050,424	2,072,020	-	2,169,364	688,268	11,827,844
Motor Veh Pkg Syst	3,126,160	18,492,412	589,614	579,142	-	607,332	(704,100)	16,440,972
Refuse Collection	137,273	254,140	3,992,404	3,949,680	-	4,043,296	(72,452)	511,198
Total Enterprise	38,865,874	45,166,253	11,939,226	12,212,919	-	13,149,842	1,349,469	43,355,554
Internal Service Funds								
Self Insurance	858,761	(347,908)	4,030,755	4,956,333	-	4,927,916	775,127	1,221,653
Central Equipment	79,066	(50,213)	1,339,917	1,533,804	-	1,501,756	61,616	(62,211)
<b>Total Proprietary</b>	<b>39,803,701</b>	<b>44,768,132</b>	<b>17,309,898</b>	<b>18,703,056</b>	<b>-</b>	<b>19,579,514</b>	<b>2,186,212</b>	<b>44,514,996</b>
<b>Fiduciary Fund Types (3):</b>								
Pension Trust								
Police Pension	24,022,745	24,027,524	1,475,114	3,647,851	-	3,426,677	1,804,967	30,382,994
Firefighters' Pension	27,005,457	27,458,820	1,297,528	3,502,897	-	3,189,798	1,981,766	35,594,313
<b>Total Fiduciary</b>	<b>51,028,202</b>	<b>51,486,344</b>	<b>2,772,642</b>	<b>7,150,748</b>	<b>-</b>	<b>6,616,475</b>	<b>3,786,733</b>	<b>65,977,307</b>
<b>Total All Funds (Memo Only)</b>	<b>\$ 139,840,608</b>	<b>\$ 129,721,089</b>	<b>\$ 67,389,480</b>	<b>\$ 81,722,812</b>	<b>\$ 25,172,272</b>	<b>\$ 83,727,988</b>	<b>\$ 7,999,180</b>	<b>\$ 146,663,266</b>

(Continued)

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Combined Statement - All Funds (Note 1) December 31, 2005

### Cash and Investments

	December 31				
	2001	2002	2003	2004	2005
<b>Fund:</b>					
General	\$ 12,463,754	\$ 8,233,409	\$ 5,086,606	\$ 10,698,069	\$ 15,123,023
Special Revenue	2,037,130	1,427,567	1,692,959	2,609,912	2,341,408
Debt Service	4,134,143	3,336,187	13,169,679	8,296,390	10,410,715
Capital Projects	16,691,529	8,745,568	3,940,034	2,207,095	1,268,425
Enterprise Funds	5,556,783	5,484,439	4,453,710	3,024,363	6,024,238
Internal Service Funds	1,047,892	113,227	211,551	768,879	1,654,176
Pension Trust	50,949,122	51,407,555	57,371,199	62,111,900	66,053,284
<b>Total cash and investments</b>	<b>\$ 92,880,353</b>	<b>\$ 78,747,952</b>	<b>\$ 85,925,738</b>	<b>\$ 89,716,608</b>	<b>\$ 102,875,269</b>

### Notes:

1. These condensed financial statements for the years ending December 31, 2001 - 2005, have been prepared from the full Comprehensive Annual Financial Reports (CAFR) of the Village of Palatine and do not purport to be complete audits. The full financial statements, together with the report of the Village's independent accountants, are included herewith. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental funds are accounted for using the modified accrual basis of accounting, with revenues being recorded when they become measurable and available as net current assets and expenditures recognized when the related fund liability is incurred. The accrual basis of accounting is used for proprietary and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Village's CAFR for the fiscal year ended December 31, 2005, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2001 - 2004. The "Report of Independent Auditors" included in the latest audit states, in part: "In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palatine, Illinois, as of December 31, 2005, and the results of operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund and account group statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Village of Palatine, Illinois, as of December 31, 2005, and the results of operations of such funds and cash flows of individual proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles."
2. The amounts shown as fund balances for the Proprietary Funds are total fund equity, including retained earnings and the amounts shown as "Revenues over Expenditures" represent the change in total fund equity and are after the deduction for non-cash charges including depreciation. "Total Revenues" represent operating revenues.
3. Excludes the Village's Agency Funds.

# VILLAGE OF PALATINE, ILLINOIS

## Disclosures Required by SEC Rule 15c2-12 Capital Assets December 31, 2005

Governmental Activities		Enterprise Funds	
	Amount		Amount
Land	\$ 2,967,075	Land	\$ 2,470,700
Land right of ways	\$ 139,482,627	Improvements	\$ 15,541,755
Buildings	13,163,705	Machinery and equipment	469,915
Machinery and equipment	6,525,915	System lines	40,502,810
Storm sewer	28,726,850	Total	58,985,180
Bridges	1,596,735		
Streets	23,681,429		
Total	216,144,336	Less Accumulated Depreciation	22,607,225
Less Accumulated Depreciation	33,963,764	Net Capital Assets	\$ 36,377,955
Net Capital Assets	\$ 182,180,572		