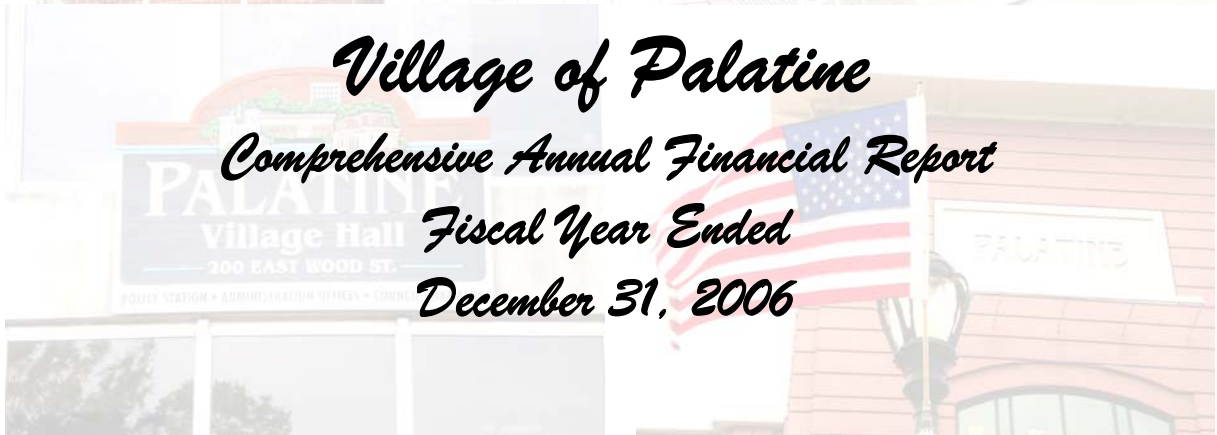


Village of Palatine
Comprehensive Annual Financial Report
Fiscal Year Ended
December 31, 2006



VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
December 31, 2006

Prepared by the Finance Department

Paul D. Mehring, CPA
Director of Finance and Operations

Susan D. Conn
Assistant Finance Director

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VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2006

MAYOR

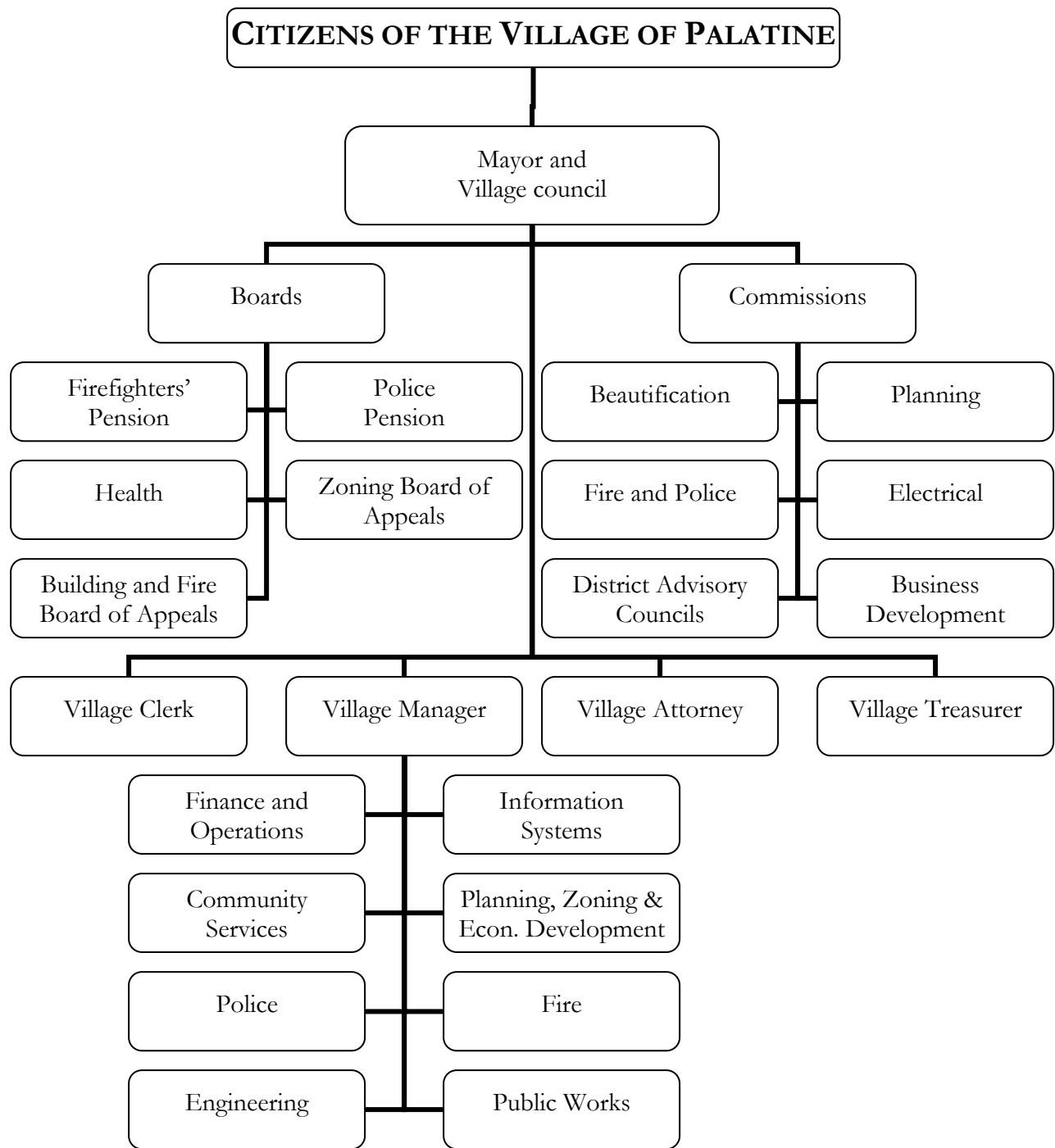
Rita L. Mullins

VILLAGE COUNCIL

Michael Jezierski	District 1
Scott Lamerand	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, 2005

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.



A handwritten signature in black ink, appearing to read "Ronald J. Hoen".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enser".

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

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

June 13, 2007

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

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, 2006.

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, 2006, 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, 2006, 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



1997 Commitment to Excellence
Award Winner

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 and the Downtown TIF Fund, this comparison is presented on pages 59 and 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 72.

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 2006 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 59th 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 are already developed with future plans including another office building and additional retail development.

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 the relocated Durty Nellie's restaurant and entertainment complex, a five-story office building, and a five-floor parking garage that accommodates 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 and 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 2006, 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. Also in the planning stages is a major improvement to the intersection of Palatine and Plum Grove Roads, a critically important intersection in the Village's downtown area.

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

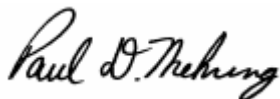
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. This was the seventh consecutive year that the government 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 Nikki Winikates. I would also like to thank the staff at Sikich LLP, 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 and 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Palatine, Illinois, as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Palatine, Illinois' management. Our responsibility is to express opinions on these basic financial statements based on our audit. We have also audited the financial statements of each nonmajor governmental fund and each fiduciary fund as of and for the year ended December 31, 2006.

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 basic 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof 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, 2006, and the respective changes in financial position 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 20, 2007 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 assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions 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 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.

Aurora, Illinois
June 12, 2007

A handwritten signature in dark ink, appearing to read "Sibich LLP". The signature is written in a cursive, flowing style with large, connected letters.

General Purpose External Financial Statements

VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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 \$5.3 million (3.0%) during the fiscal year ending December 31, 2006. The governmental net assets increased by \$5.9 million from operations. Business-type activities net assets decreased by \$0.6 million.
- The Village's combined Governmental Funds ending fund balance increased \$4.9 million (13.6%) as of December 31, 2006.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$12,604,862 or 31.7% of General Fund expenditures.
- During the current year, the Village issued \$3,500,000 in Limited Obligation Redevelopment Notes Series 2006A to finance the Walmart redevelopment project.

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. 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 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, Downtown TIF 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.

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

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.

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 18-58 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 59-68 of this report. The combining and individual fund statements for nonmajor governmental, enterprise, and internal service funds are presented on pages 69-87 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

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 \$184,750,481 as of December 31, 2006. Net assets have increased \$5.3 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>Govern- mental Activities 2006</i>	<i>Business-type Activities 2006</i>	<i>Total 2006</i>	<i>Govern- mental Activities 2005</i>	<i>Business-type Activities 2005</i>	<i>Total 2005</i>
Current and other assets	\$ 68,165,671	\$ 17,891,784	\$ 86,027,575	\$ 61,767,224	\$ 19,007,180	\$ 80,774,404
Capital assets	180,996,833	36,217,288	217,214,121	182,180,572	36,377,955	218,558,527
Total assets	249,162,504	54,109,072	303,241,696	243,947,796	55,385,135	299,332,931
Long term liabilities	74,745,564	8,978,537	83,724,101	77,950,307	9,582,960	87,533,267
Other liabilities	32,453,123	2,313,991	34,767,114	29,925,394	2,446,621	32,372,015
Total liabilities	107,198,687	11,292,528	118,491,215	107,875,701	12,029,581	119,905,282
Net assets						
Invested in capital assets,						
net of related debt	105,405,740	37,479,931	142,885,671	100,693,938	26,012,558	126,706,496
Restricted	21,578,252	-	21,578,252	19,730,260	-	19,730,260
Unrestricted	14,979,825	5,306,733	20,286,558	15,647,897	17,342,996	32,990,893
Total net assets	\$141,963,817	\$ 42,786,664	\$184,750,481	\$136,072,095	\$ 43,355,554	\$179,427,649

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 \$14,979,825. 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 \$42,786,664. The Village can use the unrestricted net assets of \$5,306,733 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

During the current year, the Village issued \$3,500,000 in Limited Obligation Redevelopment Notes Series 2006A to finance the Walmart redevelopment project.

Changes in Net Assets

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

	<i>Govern- mental Activities 2006</i>	<i>Business-type Activities 2006</i>	<i>Total 2006</i>	<i>Govern- mental Activities 2005</i>	<i>Business-type Activities 2005</i>	<i>Total 2005</i>
Revenues						
Program revenues						
Charges for services	\$ 7,161,222	\$ 12,896,486	\$ 20,057,708	\$ 6,795,245	\$ 13,149,842	\$ 19,945,087
Operating grants	2,244,660	-	2,244,660	2,282,683	-	2,282,683
Capital grants	479,231	-	479,231	461,311	-	461,311
General revenues						
Property and replacement taxes	29,044,078	-	29,044,078	25,279,383	-	25,279,383
Other taxes	22,807,936	-	22,807,936	21,681,267	-	21,681,267
Other revenues	2,176,580	171,555	2,348,135	1,104,301	72,696	1,747,257
Total revenues	63,913,706	13,068,041	76,981,747	57,604,190	13,222,538	65,812,832
Expenses						
Governmental activities						
General government	7,346,275	-	7,346,275	6,932,625	-	6,96,867
Public safety	28,713,081	-	28,713,081	26,321,497	-	26,321,497
Public works	8,643,238	-	8,643,238	9,713,501	-	9,713,501
Economic development	9,779,022	-	9,779,022	3,743,670	-	3,743,670
Interest & fiscal charges	4,295,123	-	4,295,123	3,672,282	-	3,672,282
Business-type						
Waterworks	-	5,692,588	5,692,588	-	5,862,991	5,862,991
Sewerage	-	1,788,004	1,788,004	-	1,716,882	1,716,882
Refuse collection	-	1,395,069	1,395,069	-	4,137,678	4,137,678
Motor vehicle parking	-	4,006,515	4,006,515	-	1,348,318	1,348,318
Total expenses	58,776,739	12,882,176	71,658,915	50,473,519	13,065,869	63,539,388
Change in net assets before transfers	5,136,967	185,865	5,322,832	7,130,671	156,669	7,287,340
Transfers	754,755	(754,755)	-	(1,192,800)	1,192,800	-
Change in net assets	5,891,722	(568,890)	5,891,722	5,937,871	1,349,469	7,287,340
Net assets – beginning, restated	136,072,095	43,355,554	179,427,649	130,134,224	42,006,085	172,140,309
Net assets – ending	\$ 141,963,817	\$ 42,786,664	\$ 184,750,481	\$ 136,072,095	\$ 43,355,554	\$ 179,427,649

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)

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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, 2006, revenues from Governmental Activities totaled \$63,913,706. During the fiscal year property taxes continue to be the Village's largest revenue source coming in at \$28,931,495 and representing 45% of total Governmental Activity revenue. Sales tax revenues combined with the telecommunications tax, and shared state income tax revenues total \$20,505,147 representing 32% of the total Governmental Activity revenue.

Expenses

For the fiscal year ended December 31, 2006, expenses from Governmental Activities totaled \$58,776,739. This represents an \$8.3 million (16%) increase over the prior year. Approximately \$6.0 million (73%) of this increase is due to economic development activities in the Village's four tax increment financing districts.

Business-Type Activities

Revenues

While this fiscal year saw a combined 4.4% increase in water and sewer rates and no increases in refuse collection or commuter parking lot fees, combined revenues decreased by \$0.25 million (1.9%). This was attributed to lower water consumption usage due to a wetter than normal summer and fall.

Expenses

Operating expenses from all Business-Type Activities decreased by approximately \$183,700 (1.4%).

(See independent auditor's report)

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

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

At December 31, 2006, the Governmental Funds (as presented on page 6-9) reported a combined fund balance of \$41,100,106, which is a 13.6% increase from the beginning of the year of \$36,170,963. Of the total fund balance, \$7,336,951 is unreserved indicating availability for continuing Village services. Reserved fund balance of \$33,763,155 includes \$5,148,467 for advances, \$7,036,436 for land held for resale, \$262,620 for maintenance of roadways, \$2,675,681 for economic development, \$6,022,283 for special projects, and \$12,617,668 for debt service.

The General Fund is the Village's primary operating fund and the largest source of day-to-day service delivery. The General Fund's total fund balance increased by \$1,335,647 (8.2%) from calendar year 2005; whereas, the fund balance for calendar year 2005 showed an increase of \$3,969,315. The net change in fund balance of \$1,335,647 for calendar year 2006 represents a \$2,633,668 decrease in operations. Revenues increased by \$2.9 million and expenditures also increased by \$2.7 million for a slight positive outcome from operations as compared to the prior year. However, net financing uses increased by \$2.8 million, which had a negative effect on fund balance. These financing uses were in accordance with the Village's Reserve Policy, which states that any fund balance in excess of the policy limit shall be transferred to the Village's capital funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3: General Fund Budgetary Highlights

	<i>CY 2006 Original Budget</i>	<i>CY 2006 Final Budget</i>	<i>CY 2006 Actual</i>	<i>CY 2005 Actual</i>
Revenues	\$ 42,116,745	\$ 42,204,035	\$ 45,247,884	\$ 42,335,019
Expenditures	41,228,805	41,302,814	39,763,132	37,059,234
Excess of revenues over expenditures	887,940	901,221	5,484,752	5,275,785
Other financing sources (uses)	(687,815)	(4,149,105)	(4,149,105)	(1,306,470)
Net change in fund balance	\$ 200,125	\$ (3,247,884)	\$ 1,335,647	\$ 3,969,315

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

	<i>Calendar Year 2006</i>	<i>Calendar Year 2005</i>	<i>Increase/(Decrease)</i>
Municipal sales tax	\$ 8,100,869	\$ 7,861,972	\$ 238,897
Home rule sales tax	4,622,302	4,641,188	(18,886)
Food and beverage tax	1,047,248	1,017,298	29,950

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.

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

General Fund actual revenues were \$3.0 million more than the original and final budgeted amounts. Approximately half of this overage was due to state income taxes and interest income exceeding our estimates due to economic factors.

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 \$(4,481,323), \$207,862, and \$2,000,791, respectively.

Proprietary Funds

At December 31, 2006, the Enterprise Funds' (as presented on pages 10-15) total net assets decreased by \$0.57 million (1.3%). This decrease is primarily due to depreciation of \$0.77 million of the \$15.7 million Gateway Parking Deck within the Motor Vehicle Parking System Fund.

CAPITAL ASSETS

The Village's investment in capital assets for its Governmental and Business-Type Activities as of December 31, 2006, amounts to \$217,214,121. 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 decrease (including additions and deductions) of \$1,344,406. 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 \$1,183,739. 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 \$160,667 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 2006, the Village did not issue any new general obligation bonds. The Village did issue several Limited Obligation Redevelopment Notes in the total amount of \$4,027,100 to fund economic development within its Tax Increment Financing Districts.

The Village currently has eighteen general obligation bond series, one tax increment revenue refunding bond series, and five tax increment revenue limited obligation redevelopment notes outstanding. \$70.4 million of general obligation bonds, \$14.6 million of tax increment revenue refunding bonds, and \$4.3 million of tax increment revenue limited obligation redevelopment notes are outstanding at December 31, 2006. Many of the General Obligation bonds (\$36.6 million outstanding at December 31, 2006) were issued for improvements in the Village's various TIF Districts. The issuance of these bonds did not produce fixed assets 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. In early calendar year 2007, 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 continue to rebound from previous years' levels. Investment income was positively impacted by the inverted yield curve. Sales tax revenues continue to show increases 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 2007 budget includes an increase in property tax revenues, due to the expected increase in equalized assessed value. Sales taxes are projected to increase slightly due to the assumption that the economy will continue to expand; however, this 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 increase. A combined 4.4% increase in water and sewer rates and a 3.95% increase in Refuse rates were included in the budget, but no increase in 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 and the continued expansion of benefits by the State legislature. Expenditures for commodities and other contractual services have been increased slightly by 2.0%. 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 and Operations, Village of Palatine, 200 E. Wood Street., Palatine, IL 60067.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 25,625,486	\$ 5,201,496	\$ 30,826,982
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	19,544,767	-	19,544,767
Accounts	-	1,211,266	1,211,266
Other	993,583	270,765	1,264,348
Prepaid expenses	-	146,027	146,027
Due from other governments	4,353,145	-	4,353,145
Advance to Fiduciary Fund	105,547	-	105,547
Inventories	172,370	-	172,370
Land held for resale	7,036,436	-	7,036,436
Investment in joint venture to Northwest Water Commission	-	11,032,350	11,032,350
Restricted assets			
Restricted cash and investments	10,334,337	-	10,334,337
Capital assets not being depreciated	142,449,702	2,906,138	145,355,840
Capital assets being depreciated	38,547,131	33,311,150	71,858,281
Total assets	249,162,504	54,079,192	303,241,696
LIABILITIES			
Accounts payable	2,023,339	817,469	2,840,808
Accrued payroll	531,955	27,540	559,495
Accrued interest payable	971,116	23,935	995,051
Deposits payable	1,577,445	210,689	1,788,134
Claims payable	300,000	-	300,000
Other payables	101,070	-	101,070
Deferred property tax revenue	19,544,767	-	19,544,767
Other deferred revenues	293,701	387,748	681,449
Noncurrent liabilities			
Due within one year	7,109,730	846,610	7,956,340
Due in more than one year	74,745,564	8,978,537	83,724,101
Total liabilities	107,198,687	11,292,528	118,491,215
NET ASSETS			
Invested in capital assets, net of related debt	105,405,740	37,479,931	142,885,671
Restricted for			
Streets and highways	262,620	-	262,620
Economic development	2,675,681	-	2,675,681
Debt service	12,617,668	-	12,617,668
Special purposes	6,022,283	-	6,022,283
Unrestricted	14,979,825	5,306,733	20,286,558
TOTAL NET ASSETS	\$ 141,963,817	\$ 42,786,664	\$ 184,750,481

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 7,346,275	\$ 4,379,572	\$ -	\$ 437,234
Public safety	28,713,081	2,518,276	273,002	-
Public works	8,643,238	263,374	1,971,658	41,997
Economic development	9,779,022	-	-	-
Interest and fiscal charges	4,295,123	-	-	-
Total governmental activities	58,776,739	7,161,222	2,244,660	479,231
Business-Type Activities				
Waterworks	5,692,588	5,934,839	-	-
Sewerage	1,788,004	2,257,277	-	-
Motor vehicle parking system	1,395,069	621,311	-	-
Refuse collection	4,006,515	4,083,059	-	-
Total business-type activities	12,882,176	12,896,486	-	-
TOTAL PRIMARY GOVERNMENT	\$ 71,658,915	\$ 20,057,708	\$ 2,244,660	\$ 479,231

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
	Governmental Activities	Business-Type Activities	Total
	\$ (2,529,469)	\$ -	\$ (2,529,469)
	(25,921,803)	-	(25,921,803)
	(6,366,209)	-	(6,366,209)
	(9,779,022)	-	(9,779,022)
	(4,295,123)	-	(4,295,123)
	(48,891,626)	-	(48,891,626)
	-	242,251	242,251
	-	469,273	469,273
	-	(773,758)	(773,758)
	-	76,544	76,544
	-	14,310	14,310
	(48,891,626)	14,310	(48,877,316)
General Revenues			
Taxes			
Property and replacement	29,044,078	-	29,044,078
Sales	12,723,171	-	12,723,171
Use	864,346	-	864,346
Telecommunications	2,378,621	-	2,378,621
Income	5,403,355	-	5,403,355
Hotel/motel	334,913	-	334,913
Food and beverage	1,047,248	-	1,047,248
Other	56,281	-	56,281
Investment income	1,928,010	238,653	2,166,663
Miscellaneous	248,570	-	248,570
Loss from joint venture	-	(89,098)	(89,098)
Gain on disposal of capital assets	-	22,000	22,000
Transfers	754,755	(754,755)	-
Total	54,783,348	(583,200)	54,200,148
CHANGE IN NET ASSETS	5,891,722	(568,890)	5,322,832
NET ASSETS, JANUARY 1	136,072,095	43,355,554	179,427,649
NET ASSETS, DECEMBER 31	\$ 141,963,817	\$ 42,786,664	\$ 184,750,481

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2006

	General	Downtown TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 11,622,670	\$ 457,203	\$ 2,281,183	\$ 3,848	\$ 8,651,987	\$ 23,016,891
Restricted cash and investments	-	-	-	10,334,337	-	10,334,337
Receivables (net, where applicable, of allowances for uncollectibles)						
Property taxes	16,607,585	-	2,937,182	-	-	19,544,767
Other	751,540	139,352	-	-	-	890,892
Due from other governments	3,058,700	264,397	-	-	1,030,048	4,353,145
Advance to Fiduciary Fund	-	-	-	-	105,547	105,547
Land held for resale	-	4,536,436	-	-	2,500,000	7,036,436
Advance to other funds	5,042,920	-	-	-	-	5,042,920
TOTAL ASSETS	\$ 37,083,415	\$ 5,397,388	\$ 5,218,365	\$ 10,338,185	\$ 12,287,582	\$ 70,324,935
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 266,919	\$ 1,037,274	\$ 1,200	\$ 500	\$ 621,117	\$ 1,927,010
Accrued payroll	522,080	-	-	-	-	522,080
Deposits payable	1,577,445	-	-	-	-	1,577,445
Other payables	52,401	48,669	-	-	-	101,070
Deferred property taxes	16,607,585	-	2,937,182	-	-	19,544,767
Other deferred revenues	409,203	-	-	-	100,334	509,537
Advance from other funds	-	5,042,920	-	-	-	5,042,920
Total liabilities	19,435,633	6,128,863	2,938,382	500	721,451	29,224,829
FUND BALANCES						
Reserved for advances	5,042,920	-	-	-	105,547	5,148,467
Reserved for land held for resale	-	4,536,436	-	-	2,500,000	7,036,436
Reserved for maintenance of roadways	-	-	-	-	262,620	262,620
Reserved for economic development	-	-	-	-	2,675,681	2,675,681
Reserved for debt service	-	-	2,279,983	10,337,685	-	12,617,668
Reserved for special projects	-	-	-	-	6,022,283	6,022,283
Unreserved						
Undesignated - General Fund	12,604,862	(5,267,911)	-	-	-	7,336,951
Total fund balances	17,647,782	(731,475)	2,279,983	10,337,685	11,566,131	41,100,106
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,083,415	\$ 5,397,388	\$ 5,218,365	\$ 10,338,185	\$ 12,287,582	\$ 70,324,935

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, 2006

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 41,100,106
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	180,996,833
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(79,618,193)
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	86,444
Unamortized discount on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	55,377
Unamortized premium on long-term debt are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the statement of net assets	(99,161)
Loss on refundings are reported as reduction of long-term debt on the statement of net assets	729,906
Accrued interest on long-term debt is reported as a liability on the statement of net assets	(971,116)
Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds	(1,620,972)
Certain revenues that are deferred in the governmental funds are recognized as revenue in the governmental activities	226,236
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	2,429,654
The net pension obligation is not a current financial resource and is therefore not reported in the governmental funds	(1,351,297)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 141,963,817</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, 2006

	General	Downtown TIF	General Obligation Bond	Tax Increment Revenue Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 31,251,804	\$ 3,774,970	\$ 3,227,976	\$ 3,344,324	\$ 4,793,303	\$ 46,392,377
Licenses and permits	3,242,695	-	-	-	-	3,242,695
Intergovernmental	6,590,769	-	-	-	2,484,679	9,075,448
Charges for services	1,768,571	-	-	-	74,408	1,842,979
Fines and forfeits	885,018	-	-	-	-	885,018
Investment income	1,137,974	19,839	165,404	427,912	176,878	1,928,007
Miscellaneous	371,053	23,608	-	-	152,521	547,182
Total revenues	45,247,884	3,818,417	3,393,380	3,772,236	7,681,789	63,913,706
EXPENDITURES						
Current						
General government	7,719,881	-	-	-	95,000	7,814,881
Public safety	27,386,129	-	-	-	-	27,386,129
Public works	4,657,122	-	-	-	2,072,253	6,729,375
Economic development	-	5,382,439	-	-	3,881,914	9,264,353
Capital outlay	-	-	-	337,100	2,537,763	2,874,863
Debt service						
Principal	-	1,355,018	2,797,280	1,000,000	662,553	5,814,851
Interest and fiscal charges	-	1,752,283	1,142,993	771,445	290,611	3,957,332
Total expenditures	39,763,132	8,489,740	3,940,273	2,108,545	9,540,094	63,841,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,484,752	(4,671,323)	(546,893)	1,663,691	(1,858,305)	71,922
OTHER FINANCING SOURCES (USES)						
Notes issued at par	-	190,000	-	337,100	3,500,000	4,027,100
Proceeds from sale of capital assets	-	-	-	-	75,366	75,366
Transfers in	-	-	754,755	-	4,149,105	4,903,860
Transfers (out)	(4,149,105)	-	-	-	-	(4,149,105)
Total other financing sources (uses)	(4,149,105)	190,000	754,755	337,100	7,724,471	4,857,221
NET CHANGE IN FUND BALANCES	1,335,647	(4,481,323)	207,862	2,000,791	5,866,166	4,929,143
FUND BALANCES, JANUARY 1	16,312,135	3,749,848	2,072,121	8,336,894	5,699,965	36,170,963
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 17,647,782	\$ (731,475)	\$ 2,279,983	\$ 10,337,685	\$ 11,566,131	\$ 41,100,106

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, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,929,143
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	816,190
Some expenses in the statement of activities (e.g. depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,945,434)
Certain revenues that are deferred in the governmental funds are recognized as revenue in the governmental activities	(43,308)
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	(4,027,100)
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	5,895,541
Governmental funds do not report gain (loss), however, they are recognized as an addition (reduction) to revenue on the statement of activities	(54,495)
The amortization of issuance costs on long-term debt is reported as an expense on the statement of activities	(80,088)
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	(17,257)
The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities	(337,691)
The change in compensated absences payable is shown as an expense on the statement of activities	(156,178)
The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities	1,270,212
The change in net pension obligation is not a current financial resource and therefore is not reported in the governmental funds	<u>(363,957)</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,891,722</u>

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2006

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT ASSETS						
Cash and investments	\$ 730,783	\$ 2,514,257	\$ 1,227,902	\$ 728,554	\$ 5,201,496	\$ 2,608,595
Receivables (net where applicable, of allowances for uncollectibles)						
Accounts	804,557	345,845	-	60,864	1,211,266	-
Other	1,798	25,320	-	243,647	270,765	-
Due from other governments	-	-	-	-	-	102,691
Prepaid expenses	-	-	-	146,027	146,027	-
Inventories	-	-	-	-	-	172,370
Due from other funds	-	-	-	-	-	8,119
Total current assets	1,537,138	2,885,422	1,227,902	1,179,092	6,829,554	2,891,775
CAPITAL ASSETS						
Land	740,200	-	2,165,938	-	2,906,138	-
Systems and improvements	22,081,447	19,207,823	15,673,130	-	56,962,400	-
Machinery and equipment	403,885	106,760	-	-	510,645	-
Accumulated depreciation	(11,612,570)	(9,277,685)	(3,271,640)	-	(24,161,895)	-
Net capital assets	11,612,962	10,036,898	14,567,428	-	36,217,288	-
OTHER ASSETS						
Investment in joint venture Northwest Water Commission	11,032,350	-	-	-	11,032,350	-
Total noncurrent assets	22,645,312	10,036,898	14,567,428	-	47,249,638	-
Total assets	24,182,450	12,922,320	15,795,330	1,179,092	54,079,192	2,891,775

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
CURRENT LIABILITIES						
Accounts payable	\$ 252,959	\$ 77,021	\$ 65,463	\$ 422,026	\$ 817,469	\$ 96,329
Accrued payroll	19,625	7,915	-	-	27,540	9,875
Accrued interest payable	19,695	4,240	-	-	23,935	-
Deposits payable	210,689	-	-	-	210,689	-
Claims payable	-	-	-	-	-	300,000
Deferred revenues	-	246,458	-	141,290	387,748	10,400
Due to other funds	-	-	-	-	-	8,119
Compensated absences payable	9,755	1,375	-	-	11,130	37,398
General obligation bonds payable	755,240	80,240	-	-	835,480	-
Total current liabilities	1,267,963	417,249	65,463	563,316	2,313,991	462,121
LONG-TERM LIABILITIES						
Compensated absences payable	38,876	5,434	-	-	44,310	-
General obligation bonds payable	8,100,091	834,136	-	-	8,934,227	-
Total long-term liabilities	8,138,967	839,570	-	-	8,978,537	-
Total liabilities	9,406,930	1,256,819	65,463	563,316	11,292,528	462,121
NET ASSETS						
Invested in capital assets, net of related debt	13,789,981	9,122,522	14,567,428	-	37,479,931	-
Unrestricted	985,539	2,542,979	1,162,439	615,776	5,306,733	2,429,654
TOTAL NET ASSETS	\$ 14,775,520	\$ 11,665,501	\$ 15,729,867	\$ 615,776	\$ 42,786,664	\$ 2,429,654

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, 2006

	Business-Type Activities					Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
OPERATING REVENUES						
Charges for services	\$ 5,880,400	\$ 2,255,012	\$ 603,147	\$ 4,083,059	\$ 12,821,618	\$ 6,640,948
Miscellaneous	54,439	2,265	18,164	-	74,868	181,817
Total operating revenues	5,934,839	2,257,277	621,311	4,083,059	12,896,486	6,822,765
OPERATING EXPENSES EXCLUDING DEPRECIATION						
Costs of sales and services	4,742,994	1,312,761	624,699	4,006,515	10,686,969	5,669,157
Total operating expenses excluding depreciation	4,742,994	1,312,761	624,699	4,006,515	10,686,969	5,669,157
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	1,191,845	944,516	(3,388)	76,544	2,209,517	1,153,608
DEPRECIATION AND AMORTIZATION	436,050	410,187	770,370	-	1,616,607	-
OPERATING INCOME (LOSS)	755,795	534,329	(773,758)	76,544	592,910	1,153,608
NONOPERATING REVENUES (EXPENSES)						
Investment income	24,827	123,139	62,653	28,034	238,653	116,604
Interest expense	(513,544)	(65,056)	-	-	(578,600)	-
Gain on sale of capital assets	22,000	-	-	-	22,000	-
Income from joint venture	(89,098)	-	-	-	(89,098)	-
Total nonoperating revenues (expenses)	(555,815)	58,083	62,653	28,034	(407,045)	116,604

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 199,980	\$ 592,412	\$ (711,105)	\$ 104,578	\$ 185,865	\$ 1,270,212
TRANSFERS						
Transfers (out)	-	(754,755)	-	-	(754,755)	-
Total transfers	-	(754,755)	-	-	(754,755)	-
CHANGE IN NET ASSETS	199,980	(162,343)	(711,105)	104,578	(568,890)	1,270,212
NET ASSETS, JANUARY 1	14,575,540	11,827,844	16,440,972	511,198	43,355,554	1,159,442
NET ASSETS, DECEMBER 31	\$ 14,775,520	\$ 11,665,501	\$ 15,729,867	\$ 615,776	\$ 42,786,664	\$ 2,429,654

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2006

	Business-Type Activities				Governmental Activities
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 6,155,303	\$ 2,278,317	\$ 621,311	\$ 3,936,034	\$ 12,990,965
Receipts from interfund services transactions	-	-	-	-	5,886,749
Payments to suppliers	(3,960,040)	(953,781)	(597,190)	(4,003,161)	(5,209,877)
Payments to employees	(892,639)	(333,171)	-	-	(437,908)
Net cash from operating activities	1,302,624	991,365	24,121	(67,127)	2,250,983
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Income (loss) from joint venture	182,228	-	-	-	182,228
Transfers in	-	(754,755)	-	-	(754,755)
Due from other funds	-	-	-	-	(128,190)
Due to other funds	23,026	12,449	-	-	(254,727)
Net cash from noncapital financing activities	205,254	(742,306)	-	-	(537,052)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assets purchased	(789,352)	(257,561)	(566,813)	-	(1,613,726)
Principal payments on long-term debt	(526,757)	(68,933)	-	-	(595,690)
Interest paid on long-term debt	(514,604)	(65,216)	-	-	(579,820)
Bond issue costs paid	30,511	4,767	-	-	35,278
Proceeds from issuance of long-term debt	(20,332)	(1,031)	-	-	(21,363)
Net cash from capital and related financing activities	(1,820,534)	(387,974)	(566,813)	-	(2,775,321)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	24,926	123,135	62,653	28,034	238,748
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(287,730)	(15,780)	(480,039)	(39,093)	(822,642)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,018,513	2,530,037	1,707,941	767,647	6,024,138
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 730,783	\$ 2,514,257	\$ 1,227,902	\$ 728,554	\$ 5,201,496

	Business-Type Activities				Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle Parking System	Refuse Collection	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 755,795	\$ 534,329	\$ (773,758)	\$ 76,544	\$ 592,910	\$ 1,153,608
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	436,050	410,187	770,370	-	1,616,607	-
(Increase) decrease in						
Accounts receivables	219,441	13,532	-	(13,633)	219,340	-
Other receivables	1,022	7,508	-	(143,772)	(135,242)	(92,838)
Prepaid expenses	-	-	-	4,423	4,423	-
Inventories	57,585	8,440	-	4,105	70,130	(25,495)
Increase (decrease) in						
Accounts payable	(168,208)	6,712	27,509	(5,174)	(139,161)	39,667
Accrued payroll	1,330	955	-	-	2,285	105
Deferred revenues	-	-	-	-	-	10,400
Deposits payable	(10,004)	-	-	-	(10,004)	-
Deferred revenues	-	10,595	-	10,380	20,975	-
Compensated absences payable	9,613	(893)	-	-	8,720	7,095
NET CASH FROM OPERATING ACTIVITIES	\$ 1,302,624	\$ 991,365	\$ 24,121	\$ (67,127)	\$ 2,250,983	\$ 1,092,542
NON-CASH TRANSACTIONS						
Contributions of capital assets by developers	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000	\$ -

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2006

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 1,875,189	\$ 21,055
Investments		
U.S. Treasury securities	18,054,982	-
U.S. Agency securities	16,562,662	-
Insurance contracts	1,109,853	-
Mutual funds	33,902,248	-
Receivables		
Property taxes	-	55,481
Accrued interest	424,339	-
Other	-	105,547
	<hr/>	
Total assets	71,929,273	\$ 182,083
	<hr/>	
LIABILITIES		
Deferred property taxes	-	55,481
Due to bondholders	-	21,055
Advances from other funds	-	105,547
	<hr/>	
Total liabilities	-	\$ 182,083
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 71,929,273</u>	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2006

ADDITIONS

Contributions

Employer	\$ 2,087,436
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Employee	<u>1,510,309</u>
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Total contributions	<u>3,597,745</u>
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Investment income

Net appreciation in fair value of investments	3,405,034
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Interest	<u>2,067,784</u>
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Total investment income	5,472,818
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Less investment expense	<u>(189,403)</u>
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Net investment income	<u>5,283,415</u>
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Miscellaneous	<u>50</u>
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Total additions	<u>8,881,210</u>
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DEDUCTIONS

Administration	22,448
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Benefits	<u>3,034,177</u>
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Total deductions	<u>3,056,625</u>
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NET INCREASE	<u>5,824,585</u>
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NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS

January 1	65,977,307
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Prior period Adjustment	<u>127,381</u>
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January 1, restated	<u>66,104,688</u>
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December 31	<u>\$ 71,929,273</u>
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See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

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

Joint Ventures

Northwest Water Commission (NWWC)

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

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.

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.

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 2007.

l. Capital Assets

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

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

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

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

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)

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

m. Compensated Absences

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

n. Rebatable Arbitrage

The Village reports rebatable arbitrage as a reduction of revenue. As of December 31, 2006, 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 and refunding losses, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium, discount or refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Fund Balance/Net Assets

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

q. Interfund Transactions

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

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

2. DEPOSITS AND INVESTMENTS

a. Village Investments

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and 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, 2006:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
Certificates of Deposit	\$ 174,427	\$ 174,427	\$ -	\$ -	\$ -
Money Market Mutual Funds	13,082,188	13,082,188	-	-	-
Illinois Funds	26,175,265	26,175,265	-	-	-
TOTAL	\$ 39,431,880	\$ 39,431,880	\$ -	\$ -	\$ -

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, 2006, the Village had greater than 5% of its overall portfolio invested in Money Market Mutual Funds and US Treasury Obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

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, 2006 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, 2006:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 12,596,862	\$ 1,154,338	\$ 2,738,873	\$ 3,765,513	\$ 4,938,138
U.S. Agency Obligations	2,236,113	-	1,359,716	876,397	-
Mutual Funds	15,530,628	15,530,628	-	-	-
Insurance Contracts	1,109,853	1,109,853	-	-	-
Illinois Funds	896,866	896,866	-	-	-
TOTAL	\$ 32,370,322	\$ 18,691,685	\$ 4,098,589	\$ 4,641,910	\$ 4,938,138

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, 2006. At December 31, 2006, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury Obligations, and Mutual Funds which is in accordance with the Police Pension Fund's investment policy.

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, 2006 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, 2006:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 5,458,120	\$ -	\$ 1,616,478	\$ 3,841,642	\$ -
U.S. Agency obligations	14,326,549	444,470	5,988,281	5,301,995	2,591,803
Illinois Funds	950,501	950,501	-	-	-
TOTAL	\$ 20,735,170	\$ 1,394,971	\$ 7,604,759	\$ 9,143,637	\$ 2,591,803

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, 2006. At December 31, 2006, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Agency Obligations, U.S. Treasury Obligations, and Mutual Funds which is in accordance with the Firefighters' Pension Fund's investment policy.

3. RECEIVABLES

a. Taxes

Property taxes for 2006 attach as an enforceable lien on January 1, 2006, 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, 2007 and August 1, 2007 and are payable in two installments, on or about March 1, 2007 and September 1, 2007. 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 2006 tax levy has been recorded as deferred revenue on the financial statements.

b. Other Receivables

At December 31, 2006, the Village had other receivable as follows:

GOVERNMENTAL ACTIVITIES

Escrow deposit	\$ 139,352
Palatine Rural Fire Protection District	165,958
Quarterly Highway Maintenance	53,424
Hotel occupancy tax	20,986
Insurance dividend declared	226,236
Insurance reimbursement	95,956
Ambulance service and fees	80,395

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

3. RECEIVABLES (Continued)

b. Other Receivables (Continued)

GOVERNMENTAL ACTIVITIES (Continued)

Cable franchise fees	\$ 90,306
Food and beverage tax	108,264
Employee computer loan	5,971
Other	<u>6,735</u>

Total governmental activities	<u>993,583</u>
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BUSINESS-TYPE ACTIVITIES

Disposal fees	243,647
Sewer loan program	25,320
Miscellaneous	<u>1,798</u>

Total business-type activities	<u>270,765</u>
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TOTAL OTHER RECEIVABLES	<u>\$ 1,264,348</u>
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c. Due from Other Governments

At December 31, 2006, the Village had amounts due from other governments as follows:

State sales tax	\$ 2,653,524
Grants	196,820
Court fines	112,252
Cook County	299,374
Other State sources	239,930
Motor fuel tax allotments	161,112
Telecommunications tax	<u>690,133</u>

TOTAL DUE FROM OTHER GOVERNMENTS	<u>\$ 4,353,145</u>
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4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

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

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

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Capital assets being depreciated				
Buildings and improvements	\$ 13,163,705	\$ 427,086	\$ -	\$ 13,590,791
Machinery and equipment	6,525,914	389,104	249,875	6,665,143
Storm sewer	28,726,850	-	-	28,726,850
Streets	23,681,430	-	-	23,681,430
Bridges	1,596,735	-	-	1,596,735
Total capital assets being depreciated	73,694,634	816,190	249,875	74,260,949
Less accumulated depreciation for				
Buildings and improvements	4,700,115	380,380	-	5,080,495
Machinery and equipment	4,157,105	467,960	195,380	4,429,685
Storm sewer	14,438,950	583,385	-	15,022,335
Streets	10,132,994	481,704	-	10,614,698
Bridges	534,600	32,005	-	566,605
Total accumulated depreciation	33,963,764	1,945,434	195,380	35,713,818
Total capital assets being depreciated, net	39,730,870	(1,129,244)	54,495	38,547,131
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 182,180,572	\$ (1,129,244)	\$ 54,495	\$ 180,996,833
	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,470,700	\$ 435,438	\$ -	\$ 2,906,138
Total capital assets not being depreciated	2,470,700	435,438	-	2,906,138
Capital assets being depreciated				
Equipment	469,915	102,080	61,350	510,645
Water system	21,551,965	529,482	-	22,081,447
Sewer system	18,950,845	256,978	-	19,207,823
Parking improvements	15,541,755	131,375	-	15,673,130
Total capital assets being depreciated	56,514,480	1,019,915	61,350	57,473,045
Less accumulated depreciation for				
Equipment	271,200	66,470	61,350	276,320
Water system	11,021,265	377,610	-	11,398,875
Sewer system	8,813,490	401,570	-	9,215,060
Parking improvements	2,501,270	770,370	-	3,271,640
Total accumulated depreciation	22,607,225	1,616,020	61,350	24,161,895
Total capital assets being depreciated, net	33,907,255	(596,105)	-	33,311,150
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 36,377,955	\$ (160,667)	\$ -	\$ 36,217,288

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	\$ 144,445
Public safety	333,545
Public works	<u>1,467,444</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,945,434</u>
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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, 2006 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)		\$ 3,356,148	\$ 246,467	\$ -	\$ 3,602,615	\$ -
Sewer (1)		135,439	12,396	-	147,835	-
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		1,027,920	-	192,840	835,080	162,760
Sewer		236,250	-	21,500	214,750	21,650
Debt Service		2,840,830	-	555,660	2,285,170	465,590
General Obligation Bond, Series 1999A (dated December 1, 1999; maturing December 1, 2013; original issue \$3,085,000; interest rate 5.15%; principal payable annually on December 1, 2012 - 2013).						
Water		108,760	-	-	108,760	-
Sewer		31,700	-	-	31,700	-
Debt Service		294,540	-	-	294,540	-

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	\$ 2,863,690	\$ -	\$ 418,690	\$ 2,445,000	\$ 440,000
	Sewer	132,720	-	19,500	113,220	20,500
	Debt Service	8,453,590	-	1,231,810	7,221,780	1,299,500
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	365,660	-	26,930	338,730	27,530
	Sewer	213,200	-	15,750	197,450	16,210
	Debt Service	886,140	-	67,320	818,820	66,260
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	2,880,000	-	425,000	2,455,000	700,000
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	8,970,000	-	370,000	8,600,000	385,000

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	\$ 2,655,000	\$ -	\$ 335,000	\$ 2,320,000	\$ 345,000
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	982,390	-	126,180	856,210	124,950
	Sewer	199,570	-	21,430	178,140	21,880
	Debt Service	2,743,040	-	352,390	2,390,650	353,170
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	894,280	-	99,011	795,269	102,416
General Obligation Bond, Series 2004 (dated March 1, 2004; maturing December 1, 2017; original issue \$1,900,000; interest rates 2.50% to 3.875%; principal payable annually on December 1).	Downtown TIF	1,900,000	-	150,000	1,750,000	150,000
General Obligation Bond, Taxable Series 2004A (dated March 1, 2004; maturing December 1, 2022; original issue \$7,500,000; interest rates 4.125% to 5.20%; principal payable annually on December 1).	Downtown TIF	7,500,000	-	300,000	7,200,000	315,000

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 3.25%; principal payable annually on December 1).	Rand Road TIF	\$ 3,025,000	\$ -	\$ 500,000	\$ 2,525,000	\$ 1,225,000
\$440,000 Equipment Bond Series 2004 (dated March 1, 2004; maturing December 1, 2009; original issue \$440,000, interest rate 2.50%; principal payable annually on December 1).	Debt Service	355,000	-	85,000	270,000	90,000
General Obligation Refunding Bond, Series 2004C (dated December 30, 2004; maturing December 1, 2012; original issue \$2,250,000; interest rates 2.50% to 4.00%; principal payable annually on December 1).	Water	463,750	-	-	463,750	-
	Sewer	23,400	-	-	23,400	-
	Debt Service	1,632,850	-	130,000	1,502,850	135,000
General Obligation Refunding Bond, Series 2004D (dated December 30, 2004; maturing December 1, 2020; original issue \$5,080,000; interest rates 3.00% to 4.00%; principal payable annually on December 1).	Downtown TIF	5,035,000	-	30,000	5,005,000	35,000
General Obligation Refunding Bond, Series 2005 (dated December 30, 2004; maturing December 1, 2012; original issue \$2,250,000; interest rates 2.50% to 4.00%; principal payable annually on December 1).	Water	213,770	-	-	213,770	-
	Sewer	11,030	-	-	11,030	-
	Debt Service	640,200	-	5,000	635,200	5,000
		\$75,635,867	\$ 258,863	\$ 5,479,011	\$70,415,719	\$ 6,507,416

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 \$258,863 of increase in the accreted value of the bonds during the fiscal year ended December 31, 2006. The carrying value of the accreted bonds is \$3,750,450 at December 31, 2006.

b. Tax Increment Financing Revenue Bonds and Notes

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

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions/ Refundings	Balances December 31	Current Portion
TIF Revenue Refunding Bond Series of 1998 (dated June 30, 1998; maturing January 1, 2017; original issue \$24,290,000; interest rate 3.95% to 6.00%; principal payable annually on January 1).	Rand/ Dundee Special Tax Allocation	\$15,570,000	\$ -	\$ 1,000,000	\$ 14,570,000	\$ 1,020,000
Subordinated Limited Obligation Redevelopment Note Series 1998A (dated November 23, 1998; maturing July 31, 2014; original issue \$380,000; interest rate 7.0%; principal payable on July 31, 2014).	Rand/ Dundee Special Tax Allocation	380,000	-	-	380,000	-
Subordinated Limited Obligation Redevelopment Note Series 2000A (dated August 14, 2000; maturing July 24, 2018; original issue \$100,000; interest rate 7.0%; principal payable on July 24, 2018).	Rand/ Dundee Special Tax Allocation	100,000	-	-	100,000	-

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

5. LONG-TERM DEBT (Continued)

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

Issue	Fund Debt Retired By	Balances January 1	Additions	Reductions/ Refundings	Balances December 31	Current Portion
Limited Obligation Redevelopment Note Series 2006A (dated April 3, 2006; maturing December 31, 2026; original issue \$3,500,000; interest rate 4.0%; principal payable on December 31, 2026).	Rand Corridor Special Tax Allocation	\$ -	\$ 3,500,000	\$ 162,553	\$ 3,337,447	\$ -
Subordinated Limited Obligation Redevelopment Note Series 2006B (dated April 3, 2006; maturing July 31, 2014; original issue \$190,000; interest rate 4.0%; principal payable on January 31, 2022).	Downtown Tax Allocation	-	190,000	16,007	173,993	-
Subordinated Limited Obligation Redevelopment Note Series 2006A (dated October 16, 2006; maturing July 31, 2014; original issue \$337,100; interest rate 7.0%; principal payable on July 31, 2014).	Rand/ Dundee Special Tax Allocation	-	337,100	-	337,100	-
		\$16,050,000	\$ 4,027,100	\$ 1,178,560	\$ 18,898,540	\$ 1,020,000

c. Legal Debt Margin

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

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

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

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

5. LONG-TERM DEBT (Continued)

d. Debt Service to Maturity Schedules

The annual requirements to amortize to maturity serial debt outstanding as of December 31, 2006 are as follows:

Fiscal Year Ending December 31,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
TOTAL	\$ 60,634,279	\$ 17,826,385	\$ 78,460,664	\$ 7,173,780	\$ 6,649,370	\$ 13,823,150

Fiscal Year Ending December 31,	Revenue Bond			Redevelopment Notes		
	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-
2015	2,400,000	60,000	2,460,000	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	817,100	260,701	1,077,801
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	173,993	-	173,993
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	3,337,447	-	3,337,447
TOTAL	\$ 14,570,000	\$ 3,771,180	\$ 18,341,180	\$ 4,328,540	\$ 260,701	\$ 4,589,241

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

5. LONG-TERM DEBT (Continued)

d. Debt Service to Maturity Schedules (Continued)

The annual requirements to amortize to maturity capital appreciation bonds outstanding as of December 31, 2006 are as follows:

Fiscal Year	Principal	Interest Accretion
2007	\$ -	\$ 270,144
2008	-	289,603
2009	-	310,464
2010	-	332,826
2011	-	356,800
2012	-	382,500
2013	-	410,050
2014	1,695,000	317,511
2015	2,995,000	124,652
2016	1,855,000	-
TOTAL	\$ 6,545,000	\$ 2,794,550

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 \$4,090,000.

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.

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

5. LONG-TERM DEBT (Continued)

e. Advance Refunding (Continued)

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, 2006 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
2007	\$ 125,000	\$ -	\$ -	\$ 125,000
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	2,125,000	-	2,125,000
2013	-	825,000	475,000	1,300,000
2014	-	-	500,000	500,000
2015	-	-	550,000	550,000
2016	-	-	550,000	550,000
2017	-	-	600,000	600,000
2018	-	-	625,000	625,000
2019	-	-	650,000	650,000
2020	-	-	700,000	700,000
TOTAL	\$ 125,000	\$ 2,950,000	\$ 4,650,000	\$ 7,725,000

f. Non-commitment Debt

Special service area bonds outstanding as of December 31, 2006 of this report totaled \$70,000. 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:

5. LONG-TERM DEBT (Continued)

g. Tax Increment Financing Bond Ordinance Disclosures (Continued)

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

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

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

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

h. Tax Increment Financing Redevelopment Note Disclosures

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

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

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

5. LONG-TERM DEBT (Continued)

i. Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended December 31, 2006:

	January 1	Additions	Refundings/ Reductions	December 31	Current Portion
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$65,270,470	\$ -	\$ 4,636,191	\$ 60,634,279	\$ 5,671,936
TIF revenue bonds	15,570,000	-	1,000,000	14,570,000	1,020,000
Tax increment financing notes	480,000	4,027,100	178,560	4,328,540	-
Obligations under capital leases	166,164	-	80,790	85,374	85,374
Net pension obligation	987,340	363,957	-	1,351,297	-
Compensated absences*	1,495,097	1,658,370	1,495,097	1,658,370	299,810
Total long-term debt	83,969,071	6,049,427	7,390,638	82,627,860	7,077,120
Less deferred amounts					
Unamortized bond discount	(62,841)	-	(7,464)	(55,377)	-
Unamortized bond premium	112,769	-	13,608	99,161	-
Unamortized loss on refunding	(908,786)	-	(92,436)	(816,300)	-
Total deferred amount	(858,858)	-	(86,292)	(772,566)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$83,110,213	\$ 6,049,427	\$ 7,304,346	\$ 81,855,294	\$ 7,077,120

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

	January 1	Additions	Refundings/ Reductions	December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
General obligation bonds					
Water	\$ 9,382,088	\$ 246,467	\$ 764,640	\$ 8,863,915	\$ 755,240
Sewer	983,309	12,396	78,180	917,525	80,240
Compensated absences					
Water	39,018	48,631	39,018	48,631	9,755
Sewer	7,702	6,809	7,702	6,809	1,375
Total long-term debt	10,412,117	314,303	889,540	9,836,880	846,610
Less deferred amounts:					
Unamortized bond premium	21,363	-	3,216	18,147	-
Unamortized loss on refunding	(35,278)	-	(5,398)	(29,880)	-
Total deferred amounts	(13,915)	-	(2,182)	(11,733)	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,398,202	\$ 314,303	\$ 887,358	\$ 9,825,147	\$ 846,610

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:

	2006	2005
CLAIMS PAYABLE, BEGINNING OF YEAR	\$ 300,000	\$ 450,000
Add claims incurred	3,373,489	3,523,399
Less claims paid	(3,373,489)	(3,673,399)
CLAIMS PAYABLE, END OF YEAR	\$ 300,000	\$ 300,000

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.

6. RISK MANAGEMENT (Continued)

Intergovernmental Risk Management Agency (IRMA) (Continued)

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, 2006.

7. CONTINGENT LIABILITIES

a. Litigation

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

b. Grants

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

c. Northwest Water Commission (NWWC)

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

7. CONTINGENT LIABILITIES (Continued)

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

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

The Village's estimated payment for operations and maintenance costs for 2007 is \$1,544,625. This is based on an estimated tipping fee of \$54.68 per ton for 28,246 tons.

The Village's estimated payment of fixed costs for 2007 is \$102,249. This amount has been estimated using the Village's current allocation percentage of 10.27%. 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.

8. JOINT VENTURES (Continued)

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

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 \$1,678,980 to SWANCC in 2006. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2006.

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.

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

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC) (Continued)

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 \$2,467,304 to NWWC for 2006. The Village's equity interest in NWWC was \$11,032,350 at December 31, 2006. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

9. INDIVIDUAL FUND DISCLOSURES

a. Advances From/To Other Funds

Advances from/to other funds at December 31, 2006 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Downtown TIF	\$ 5,042,920
Nonmajor governmental	Fiduciary	
Capital Improvement	Special Service Area # 4	<u>105,547</u>
TOTAL		<u>\$ 5,148,467</u>

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

a. Advances From/To Other Funds (Continued)

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

- \$5,042,920 advance to the Downtown TIF Fund from the General Fund. This balance relates to financing various redevelopment projects. Repayment is not expected within one year.
- \$105,547 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.

b. Interfund Transfers

Interfund transfers between funds for the year ended December 31, 2006 were as follows:

	Transfers In	Transfers Out
General		
Nonmajor Governmental	\$ -	\$ 4,149,105
Internal Service	5,475	-
Total General	5,475	4,149,105
Debt Service		
Major Enterprise		
Sewerage	754,755	-
Total Debt Service	754,755	-
Nonmajor Governmental		
General	4,149,105	-
Total Nonmajor Governmental	4,149,105	-
Sewerage		
Debt Service	-	754,755
Total Sewerage	-	754,755
Internal Service	-	5,475
TOTAL	\$ 4,909,335	\$ 4,909,335

9. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Interfund Transfers (Continued)

The purpose of significant transfers is as follows:

- \$4,149,105 transferred to a Nonmajor Governmental Fund from the General Fund for capital equipment acquisition. This transfer will not be repaid.
- \$754,755 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.

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.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2006 was 12.51% of covered payroll.

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2006, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	44
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	5
Nonvested	105
	<hr/>
TOTAL	154
	<hr/>

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

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, 2006, the Village's contribution was 13.15% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2006, the Firefighters' 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	17
Nonvested	78
	<hr/>
TOTAL	134
	<hr/>

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2006, the Village's contribution was 13.77% of covered payroll.

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.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2004	January 1, 2006	January 1, 2006
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	31 Years, Closed	31 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%

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.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs (Continued)

	For Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2004	\$ 718,926	\$ 1,058,147	\$ 820,725
	2005	881,725	1,044,080	934,483
	2006	1,128,178	1,379,223	1,066,117
Actual contribution	2004	\$ 718,926	\$ 935,472	\$ 808,875
	2005	881,725	1,177,460	916,008
	2006	1,128,178	1,094,984	986,399
Percentage of APC contributed	2004	100.00%	88.41%	98.56%
	2005	100.00	112.77	98.02
	2006	100.00	79.39	92.52
NPO (asset)	2004	\$ -	\$ 742,739	\$ 359,506
	2005	-	609,359	377,981
	2006	-	893,598	457,699

The NPO has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual required contribution	\$ 1,380,059	\$ 1,066,636
Interest on net pension obligation	48,749	30,238
Adjustment to annual required contributions	(49,585)	(30,757)
Annual pension cost	1,379,223	1,066,117
Contributions made	1,094,984	986,399
Increase (decrease) in net pension obligation	284,239	79,718
Net pension obligation beginning of year	609,359	377,981
NET PENSION OBLIGATION END OF YEAR	\$ 893,598	\$ 457,699

12. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances of Individual Funds

Fund	Deficit
Downtown TIF	\$ 731,475

13. RESTATEMENT

Net assets of the Firefighters' Pension Fund were restated to account for an error in recognizing interest revenue. Net assets increased by \$127,381.

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, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	\$ 30,792,830	\$ 30,792,830	\$ 31,251,804	\$ 458,974
Licenses and permits	2,939,000	2,939,000	3,242,695	303,695
Intergovernmental	5,533,515	5,605,085	6,590,769	985,684
Charges for services	1,692,000	1,697,795	1,768,571	70,776
Fines and forfeits	745,250	745,250	885,018	139,768
Investment income	125,000	125,000	1,137,974	1,012,974
Miscellaneous	289,150	299,075	371,053	71,978
Total revenues	42,116,745	42,204,035	45,247,884	3,043,849
EXPENDITURES				
General government	8,610,045	8,606,415	7,719,881	(886,534)
Public safety	27,736,025	27,818,269	27,386,129	(432,140)
Public works	4,882,735	4,878,130	4,657,122	(221,008)
Total expenditures	41,228,805	41,302,814	39,763,132	(1,539,682)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	887,940	901,221	5,484,752	4,583,531
OTHER FINANCING SOURCES (USES)				
Transfers (out)				
Capital Equipment Fund	(687,815)	(2,449,105)	(2,449,105)	-
Capital Improvement Fund	-	(1,700,000)	(1,700,000)	-
Total other financing sources (uses)	(687,815)	(4,149,105)	(4,149,105)	-
NET CHANGE IN FUND BALANCE	<u>\$ 200,125</u>	<u>\$ (3,247,884)</u>	1,335,647	<u>\$ 4,583,531</u>
FUND BALANCE, JANUARY 1			<u>16,312,135</u>	
FUND BALANCE, DECEMBER 31			<u><u>\$ 17,647,782</u></u>	

(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, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Incremental property taxes	\$ 3,643,120	\$ 3,643,120	\$ 3,774,970	\$ 131,850
Investment income	-	-	19,839	19,839
Miscellaneous	-	-	23,608	23,608
Total revenues	3,643,120	3,643,120	3,818,417	175,297
EXPENDITURES				
Economic Development				
Administration	46,500	46,000	32,054	(13,946)
Project expenditures	640,000	3,166,620	4,680,385	1,513,765
Development expenditures	18,320	7,700	-	(7,700)
Land acquisition	-	3,271,000	670,000	(2,601,000)
Debt service				
Principal payments	1,339,010	1,339,010	1,355,018	16,008
Interest and fiscal charges	1,605,275	1,609,975	1,752,283	142,308
Total expenditures	3,649,105	9,440,305	8,489,740	(950,565)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,985)	(5,797,185)	(4,671,323)	1,125,862
OTHER FINANCING SOURCES (USES)				
Notes issued	-	4,900,000	190,000	(4,710,000)
Gain/(Loss) on sale of capital assets	350,000	350,000	-	(350,000)
Total other financing sources (uses)	350,000	5,250,000	190,000	(5,060,000)
NET CHANGE IN FUND BALANCE	\$ 344,015	\$ (547,185)	(4,481,323)	\$ (3,934,138)
FUND BALANCE, JANUARY 1			3,749,848	
FUND BALANCE (DEFICIT), DECEMBER 31			\$ (731,475)	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2006

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial 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)
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%
2006	19,185,330	23,455,108	81.80%	4,269,778	9,018,214	47.35%

(See independent auditor's report.)

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

December 31, 2006

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)
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%
2006	37,456,208	47,754,200	78.44%	10,297,992	8,322,977	123.73%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND

December 31, 2006

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)
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%
2006	43,611,423	47,818,154	91.20%	4,206,731	7,161,378	58.74%

(See independent auditor's report.)

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

December 31, 2006

<u>Calendar Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2006	1,128,178	1,128,178	100.00%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

December 31, 2006

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2006	1,094,984	1,380,059	79.34%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

December 31, 2006

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2006	986,399	1,066,636	92.48%

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2006

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, 2006:

Fund	Excess
Tax Increment Revenue Refunding Bond Series of 1998	\$ 333,625
Central Equipment	139,081
Rand Road Corridor TIF	2,279,097
Motor Fuel Tax	109,250

Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2006

	Special Revenue	Capital Project	Total Nonmajor Governmental
ASSETS			
Cash and investments	\$ 2,854,480	\$ 5,797,507	\$ 8,651,987
Due from other governments	321,982	708,066	1,030,048
Advance to Fiduciary Fund	-	105,547	105,547
Land held for resale	2,500,000	-	2,500,000
TOTAL ASSETS	\$ 5,676,462	\$ 6,611,120	\$ 12,287,582
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 238,161	\$ 382,956	\$ 621,117
Other deferred revenue	-	100,334	100,334
Total liabilities	238,161	483,290	721,451
FUND BALANCES			
Reserved for advances	-	105,547	105,547
Reserved for land held for resale	2,500,000	-	2,500,000
Reserved for maintenance of roadways	262,620	-	262,620
Reserved for economic development	2,675,681	-	2,675,681
Reserved for special projects	-	6,022,283	6,022,283
Total fund balances	5,438,301	6,127,830	11,566,131
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,676,462	\$ 6,611,120	\$ 12,287,582

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, 2006

	Special Revenue	Capital Project	Total Nonmajor Governmental
<hr/>			
REVENUES			
Taxes	\$ 2,414,682	\$ 2,378,621	\$ 4,793,303
Intergovernmental	2,408,892	75,787	2,484,679
Charges for services	-	74,408	74,408
Investment income	102,310	74,568	176,878
Miscellaneous	-	152,521	152,521
	<hr/>		
Total revenues	4,925,884	2,755,905	7,681,789
	<hr/>		
EXPENDITURES			
Current			
General government	95,000	-	95,000
Public works	2,072,253	-	2,072,253
Economic development	3,881,914	-	3,881,914
Capital outlay	-	2,537,763	2,537,763
Debt service			
Principal	662,553	-	662,553
Interest and fiscal charges	290,611	-	290,611
	<hr/>		
Total expenditures	7,002,331	2,537,763	9,540,094
	<hr/>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,076,447)	218,142	(1,858,305)
	<hr/>		
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	75,366	75,366
Notes issued at par	3,500,000	-	3,500,000
Transfers in	-	4,149,105	4,149,105
	<hr/>		
Total other financing sources (uses)	3,500,000	4,224,471	7,724,471
	<hr/>		
NET CHANGE IN FUND BALANCES	1,423,553	4,442,613	5,866,166
	<hr/>		
FUND BALANCES, JANUARY 1	4,014,748	1,685,217	5,699,965
	<hr/>		
FUND BALANCES, DECEMBER 31	\$ 5,438,301	\$ 6,127,830	\$ 11,566,131
	<hr/>		

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, 2006

	Community Development Block Grant	Motor Fuel Tax	Rand Road Corridor TIF	Total
ASSETS				
Cash and investments	\$ -	\$ 205,533	\$ 2,648,947	\$ 2,854,480
Due from other governments	125,893	161,112	34,977	321,982
Land held for resale	-	-	2,500,000	2,500,000
TOTAL ASSETS	\$ 125,893	\$ 366,645	\$ 5,183,924	\$ 5,676,462
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 125,893	\$ 104,025	\$ 8,243	\$ 238,161
Total liabilities	125,893	104,025	8,243	238,161
FUND BALANCES				
Reserved for land held for resale	-	-	2,500,000	2,500,000
Reserved for maintenance of roadways	-	262,620	-	262,620
Reserved for economic development	-	-	2,675,681	2,675,681
Total fund balances	-	262,620	5,175,681	5,438,301
TOTAL LIABILITIES AND FUND BALANCES	\$ 125,893	\$ 366,645	\$ 5,183,924	\$ 5,676,462

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, 2006

	Community Development Block Grant	Motor Fuel Tax	Rand Road Corridor TIF	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 2,414,682	\$ 2,414,682
Intergovernmental	437,234	1,971,658	-	2,408,892
Investment income	-	9,986	92,324	102,310
Total revenues	437,234	1,981,644	2,507,006	4,925,884
EXPENDITURES				
Current				
General government	95,000	-	-	95,000
Public works	-	2,072,253	-	2,072,253
Economic development	342,234	-	3,539,680	3,881,914
Debt service				
Principal	-	-	662,553	662,553
Interest and fiscal charges	-	-	290,611	290,611
Total expenditures	437,234	2,072,253	4,492,844	7,002,331
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	-	(90,609)	(1,985,838)	(2,076,447)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	3,500,000	3,500,000
Total other financing sources (uses)	-	-	3,500,000	3,500,000
NET CHANGE IN FUND BALANCES	-	(90,609)	1,514,162	1,423,553
FUND BALANCES, JANUARY 1	-	353,229	3,661,519	4,014,748
FUND BALANCES, DECEMBER 31	\$ -	\$ 262,620	\$ 5,175,681	\$ 5,438,301

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, 2006

	Final Budget	Actual
REVENUES		
Intergovernmental		
Grants	\$ 704,250	\$ 437,234
Total revenues	704,250	437,234
EXPENDITURES		
General government		
Administrative services	95,000	95,000
Community development	356,810	342,234
Total expenditures	451,810	437,234
NET CHANGE IN FUND BALANCE	\$ 252,440	-
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, 2006

	Final Budget	Actual
REVENUES		
Intergovernmental		
Motor fuel tax allotment	\$ 1,949,340	\$ 1,971,658
Investment income	11,000	9,986
Miscellaneous	80,000	-
Total revenues	2,040,340	1,981,644
EXPENDITURES		
Public works		
Highways and streets	1,963,003	2,072,253
Total expenditures	1,963,003	2,072,253
NET CHANGE IN FUND BALANCE	\$ 77,337	(90,609)
FUND BALANCE, JANUARY 1		353,229
FUND BALANCE, DECEMBER 31		\$ 262,620

(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, 2006

	Final Budget	Actual
<hr/>		
PUBLIC WORKS		
Highways and streets		
Street maintenance		
Snow and ice control	\$ 125,000	\$ 123,909
Pavement maintenance	111,500	80,682
Gas light maintenance	41,000	37,489
Road resurfacing	1,550,000	1,547,573
Streetlight cabling replacement	25,000	22,100
Curb and gutter extension	110,500	110,500
Intersection improvements - pedestrian	3	-
Unrecovered grant	-	150,000
	<hr/>	
TOTAL EXPENDITURES	\$ 1,963,003	\$ 2,072,253
	<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, 2006

	Final Budget	Actual
REVENUES		
Taxes		
Incremental property taxes	\$ 1,000,000	\$ 2,414,682
Investment income	500	92,324
Total revenues	1,000,500	2,507,006
EXPENDITURES		
Economic development		
Administration	35,000	12,543
Wal Mart project	-	306
Development	1,053,300	3,515,421
Legal fees	20,000	2,620
Other professional services	515,502	5,040
Survey/Appraisal fees	-	3,750
Debt service		
Principal	500,000	662,553
Interest and fiscal charges	89,945	290,611
Total expenditures	2,213,747	4,492,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,213,247)	(1,985,838)
OTHER FINANCING SOURCES (USES)		
Notes issued at par	-	3,500,000
NET CHANGE IN FUND BALANCE	\$ (1,213,247)	1,514,162
FUND BALANCE, JANUARY 1		3,661,519
FUND BALANCE, DECEMBER 31		\$ 5,175,681

(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.

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2006

	Capital Improvement	Capital Equipment Acquisition	Total
ASSETS			
Cash and investments	\$ 3,173,890	\$ 2,623,617	\$ 5,797,507
Due from other governments	460,343	247,723	708,066
Advances to Fiduciary Fund	105,547	-	105,547
TOTAL ASSETS	\$ 3,739,780	\$ 2,871,340	\$ 6,611,120
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 372,650	\$ 10,306	\$ 382,956
Other deferred revenue	100,334	-	100,334
Total liabilities	472,984	10,306	483,290
FUND BALANCES			
Reserved for advances	105,547	-	105,547
Reserved for special projects	3,161,249	2,861,034	6,022,283
Total fund balances	3,266,796	2,861,034	6,127,830
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,739,780	\$ 2,871,340	\$ 6,611,120

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, 2006

	Capital Improvement	Capital Equipment Acquisition	Total
REVENUES			
Taxes	\$ 1,566,718	\$ 811,903	\$ 2,378,621
Charges for services	74,408	-	74,408
Intergovernmental	41,997	33,790	75,787
Investment income	51,725	22,843	74,568
Miscellaneous	5,505	147,016	152,521
Total revenues	1,740,353	1,015,552	2,755,905
EXPENDITURES			
Capital outlay	1,389,847	1,147,916	2,537,763
Total expenditures	1,389,847	1,147,916	2,537,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	350,506	(132,364)	218,142
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	75,366	75,366
Transfers in	1,700,000	2,449,105	4,149,105
Total other financing sources (uses)	1,700,000	2,524,471	4,224,471
NET CHANGE IN FUND BALANCES	2,050,506	2,392,107	4,442,613
FUND BALANCES, JANUARY 1	1,216,290	468,927	1,685,217
FUND BALANCES, DECEMBER 31	\$ 3,266,796	\$ 2,861,034	\$ 6,127,830

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, 2006

	Final Budget	Actual
REVENUES		
Taxes		
Telecommunications tax	\$ 1,552,980	\$ 1,566,718
Charges for services		
50/50 cost sharing programs	73,000	74,408
Intergovernmental		
Grants	-	41,997
Investment income	1,500	51,725
Miscellaneous		
Other	5,800	5,505
Total revenues	1,633,280	1,740,353
EXPENDITURES		
Capital outlay		
Village facilities	526,241	492,415
Road improvements	809,805	758,933
Sidewalks	137,925	134,765
Bridges and culverts	3,735	3,734
Total expenditures	1,477,706	1,389,847
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		
	155,574	350,506
OTHER FINANCING SOURCES (USES)		
Transfers in (out)		
General Fund	1,700,000	1,700,000
Total other financing sources (uses)	1,700,000	1,700,000
NET CHANGE IN FUND BALANCE		
	\$ 1,855,574	2,050,506
FUND BALANCE, JANUARY 1		
		1,216,290
FUND BALANCE, DECEMBER 31		
		\$ 3,266,796

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2006

	Final Budget	Actual
CAPITAL OUTLAY		
Village facilities		
Community Center modernization	\$ 9,155	\$ 5,912
Downtown public art	35,000	34,651
Tree plant program	30,000	24,766
Community Center HVAC system	25,000	-
Fire station modernization	427,086	427,086
Total Village facilities	526,241	492,415
Road improvements		
Arterial street light program	125,005	44,453
50/50 apron/curb/gutter improvements	126,000	116,866
50/50 sidewalk replacement	20,000	16,229
South Ceder street improvements	305,795	310,411
Palanois Park street improvement	141,000	136,041
Palatine Road reconstruction	57,800	100,730
Road resurfacing	34,205	34,203
Total road improvements	809,805	758,933
Sidewalks	137,925	134,765
Bridges and culverts	3,735	3,734
TOTAL EXPENDITURES	\$ 1,477,706	\$ 1,389,847

(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, 2006

	Final Budget	Actual
REVENUES		
Taxes		
Telecommunications	\$ 517,750	\$ 811,903
Intergovernmental		
Grants	33,915	33,790
Investment income	6,000	22,843
Miscellaneous		
Rental income	132,615	146,617
Other	-	399
Total revenues	690,280	1,015,552
EXPENDITURES		
Capital outlay		
Motor vehicles	740,002	737,978
Communications/technology	335,465	335,985
Operating equipment	79,335	73,953
Total expenditures	1,154,802	1,147,916
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(464,522)	(132,364)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	55,260	75,366
Transfers in		
Capital Improvement Fund	2,449,105	2,449,105
Total other financing sources (uses)	2,504,365	2,524,471
NET CHANGE IN FUND BALANCE	\$ 2,039,843	2,392,107
FUND BALANCE, JANUARY 1		468,927
FUND BALANCE, DECEMBER 31		\$ 2,861,034

(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, 2006

	Final Budget	Actual
CAPITAL OUTLAY		
Motor vehicles		
Public works vehicle replacement	\$ 435,270	\$ 435,527
Police and administrative vehicle replacement	297,270	295,923
Fire department replacement	7,462	6,528
Total motor vehicles	740,002	737,978
Communications/technology		
Computer hardware and software	135,000	136,569
Communication equipment	40,000	40,348
AM information radio station	33,915	33,790
Public safety communication equipment	83,250	82,632
Fire department video conferencing system	43,300	42,646
Total communications/technology	335,465	335,985
Operating equipment		
Public works equipment replacement	79,335	73,953
Total operating equipment	79,335	73,953
Total capital outlay	1,154,802	1,147,916
TOTAL EXPENDITURES	\$ 1,154,802	\$ 1,147,916

(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, 2006

	Central Equipment	Self Insurance	Total
CURRENT ASSETS			
Cash and investments	\$ -	\$ 2,608,595	\$ 2,608,595
Receivables			
Other	6,735	95,956	102,691
Inventories	172,370	-	172,370
Due from other funds	-	8,119	8,119
Total current assets	179,105	2,712,670	2,891,775
CURRENT LIABILITIES			
Accounts payable	95,603	726	96,329
Accrued payroll	9,875	-	9,875
Deferred revenue	-	10,400	10,400
Claims payable	-	300,000	300,000
Due to other funds	8,119	-	8,119
Compensated absences payable	37,398	-	37,398
Total current liabilities	150,995	311,126	462,121
NET ASSETS			
Unrestricted	28,110	2,401,544	2,429,654
TOTAL NET ASSETS	\$ 28,110	\$ 2,401,544	\$ 2,429,654

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, 2006

	Central Equipment	Self Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 1,464,604	\$ 5,176,344	\$ 6,640,948
Miscellaneous	172,533	9,284	181,817
Total operating revenues	1,637,137	5,185,628	6,822,765
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	1,546,816	4,122,341	5,669,157
Total operating expenses	1,546,816	4,122,341	5,669,157
OPERATING INCOME	90,321	1,063,287	1,153,608
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	116,604	116,604
Total nonoperating revenues (expenses)	-	116,604	116,604
CHANGE IN NET ASSETS	90,321	1,179,891	1,270,212
NET ASSETS (DEFICIT), JANUARY 1	(62,211)	1,221,653	1,159,442
NET ASSETS, DECEMBER 31	\$ 28,110	\$ 2,401,544	\$ 2,429,654

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2006

	Central Equipment	Self Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 190,255	\$ 663,323	\$ 853,578
Receipts from interfund services transactions	1,450,000	4,436,749	5,886,749
Payments to suppliers	(1,088,262)	(4,121,615)	(5,209,877)
Payments to employees	(437,908)	-	(437,908)
Net cash from operating activities	114,085	978,457	1,092,542
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(126,537)	(128,190)	(254,727)
Net cash from noncapital financing activities	(126,537)	(128,190)	(254,727)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
None	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	116,604	116,604
Net cash from investing activities	-	116,604	116,604
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,452)	966,871	954,419
CASH AND CASH EQUIVALENTS, JANUARY 1	12,452	1,641,724	1,654,176
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 2,608,595	\$ 2,608,595
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 90,321	\$ 1,063,287	\$ 1,153,608
Adjustments to reconcile operating income to net cash from operating activities			
(Increase) decrease in			
Other receivables	3,118	(95,956)	(92,838)
Inventories	(25,495)	-	(25,495)
Increase (decrease) in			
Accounts payable	38,941	726	39,667
Accrued payroll	105	-	105
Deferred revenue	-	10,400	10,400
Compensated absences payable	7,095	-	7,095
NET CASH FROM OPERATING ACTIVITIES	\$ 114,085	\$ 978,457	\$ 1,092,542

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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Vehicle maintenance	\$ 1,450,000	\$ 1,450,000
Printing and duplicating	24,000	14,604
Miscellaneous		
Refunds	12,000	11,368
Reimbursements	105,000	161,165
Total operating revenues	1,591,000	1,637,137
OPERATING EXPENSES		
Costs of sales and services		
Finance and operations		
General services	18,000	9,002
Public works		
Administrative fees- General fund	5,475	5,475
Building maintenance	15,500	11,966
Vehicle maintenance	1,368,760	1,520,373
Total operating expenses	1,407,735	1,546,816
CHANGE IN NET ASSETS	\$ 183,265	90,321
NET ASSETS (DEFICIT), JANUARY 1		(62,211)
NET ASSETS, DECEMBER 31		\$ 28,110

(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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Insurance fees and premiums		
Retiree	\$ 261,210	\$ 253,875
COBRA	-	12,096
Employee	420,860	473,624
Employer	4,701,900	4,436,749
Miscellaneous		
Reimbursements	2,000	9,284
Total operating revenues	5,385,970	5,185,628
OPERATING EXPENSES		
Administration	120,000	111,328
Insurance claims	5,266,970	4,011,013
Total operating expenses	5,386,970	4,122,341
OPERATING INCOME (LOSS)	(1,000)	1,063,287
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,000	116,604
CHANGE IN NET ASSETS	\$ -	1,179,891
NET ASSETS, JANUARY 1		1,221,653
NET ASSETS, DECEMBER 31		\$ 2,401,544

(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, 2006

	Pension Trust		Total	
	Police	Firefighters'	Pension	Agency
	Pension	Pension	Trust	Fund
ASSETS				
Cash and cash equivalents	\$ 898,815	\$ 976,374	\$ 1,875,189	\$ 21,055
Investments				
U.S. Treasury securities	12,596,862	5,458,120	18,054,982	-
U.S. Agency securities	2,236,113	14,326,549	16,562,662	-
Insurance contracts	1,109,853	-	1,109,853	-
Mutual funds	15,530,627	18,371,621	33,902,248	-
Receivables				
Property taxes	-	-	-	55,481
Accrued interest	155,877	268,462	424,339	-
Other	-	-	-	105,547
TOTAL ASSETS	\$ 32,528,147	\$ 39,401,126	\$ 71,929,273	\$ 182,083
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred property taxes	\$ -	\$ -	\$ -	\$ 55,481
Due to bondholders	-	-	-	21,055
Advances from primary government	-	-	-	105,547
Total liabilities	-	-	-	\$ 182,083
FUND BALANCES				
Reserved for employees' retirement system	32,528,147	39,401,126	71,929,273	
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,528,147	\$ 39,401,126	\$ 71,929,273	

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, 2006

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 1,101,037	\$ 986,399	\$ 2,087,436
Employee	828,207	682,102	1,510,309
Total contributions	1,929,244	1,668,501	3,597,745
Investment income			
Net appreciation in fair value of investments	893,155	2,511,879	3,405,034
Interest	1,140,825	926,959	2,067,784
Total investment income	2,033,980	3,438,838	5,472,818
Less investment expense	(124,607)	(64,796)	(189,403)
Net investment income	1,909,373	3,374,042	5,283,415
Miscellaneous	-	50	50
Total additions	3,838,617	5,042,593	8,881,210
DEDUCTIONS			
Administration	10,138	12,310	22,448
Benefits and refunds			
Retirement benefits	1,683,326	1,350,851	3,034,177
Total deductions	1,693,464	1,363,161	3,056,625
NET INCREASE	2,145,153	3,679,432	5,824,585
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	30,382,994	35,594,313	65,977,307
Prior period adjustment	-	127,381	127,381
January 1, restated	30,382,994	35,721,694	66,104,688
December 31	\$ 32,528,147	\$ 39,401,126	\$ 71,929,273

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, 2006

	Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 1,100,000	\$ 1,101,037
Employee	792,800	828,207
Total contributions	1,892,800	1,929,244
Investment income		
Net appreciation in fair value of investments	-	893,155
Interest	200,000	1,140,825
Total investment income	200,000	2,033,980
Less investment expense	(115,000)	(124,607)
Net investment income	85,000	1,909,373
Total additions	1,977,800	3,838,617
DEDUCTIONS		
Administration	18,850	10,138
Benefits and refunds		
Retirement benefits	1,742,000	1,683,326
Refunds of contributions	50,000	-
Total deductions	1,810,850	1,693,464
NET INCREASE	\$ 166,950	2,145,153
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		30,382,994
December 31		\$ 32,528,147

(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, 2006

	Final Budget	Actual
ADDITIONS		
Contributions		
Employer	\$ 1,000,000	\$ 986,399
Employee	709,100	682,102
Total contributions	1,709,100	1,668,501
Investment income		
Net appreciation in fair value of investments	-	2,511,879
Interest	125,000	926,959
Total investment income	125,000	3,438,838
Less investment expense	(115,000)	(64,796)
Net investment income	10,000	3,374,042
Miscellaneous	-	50
Total additions	1,719,100	5,042,593
DEDUCTIONS		
Administration	15,850	12,310
Benefits and refunds		
Benefits	1,625,000	1,350,851
Refunds of contributions	50,000	-
Total deductions	1,690,850	1,363,161
NET INCREASE	\$ 28,250	3,679,432
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
January 1		35,594,313
Prior period adjustment		127,381
January 1, restated		35,721,694
December 31		\$ 39,401,126

(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, 2006

	Balances		Balances	
	January 1	Additions	Deletions	December 31
ASSETS				
Cash and cash equivalents	\$ 18,795	\$ 55,707	\$ 53,447	\$ 21,055
Receivables				
Property taxes	51,853	55,481	51,853	55,481
Due from residents	213,362	-	107,815	105,547
TOTAL ASSETS	\$ 284,010	\$ 111,188	\$ 213,115	\$ 182,083
LIABILITIES				
Deferred property taxes	\$ 51,853	\$ 55,481	\$ 51,853	\$ 55,481
Due to bondholders	103,589	-	82,534	21,055
Advances from other funds	128,568	-	23,021	105,547
TOTAL LIABILITIES	\$ 284,010	\$ 55,481	\$ 157,408	\$ 182,083

(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, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
TAXES				
Property tax				
Police protection	\$ 3,956,800	\$ 3,956,800	\$ 3,938,381	\$ (18,419)
Fire protection	6,645,700	6,645,700	6,614,411	(31,289)
FICA	1,911,000	1,911,000	1,901,537	(9,463)
IMRF	1,032,000	1,032,000	1,027,327	(4,673)
Police pension	1,100,000	1,100,000	1,094,984	(5,016)
Fire pension	1,000,000	1,000,000	986,399	(13,601)
Township road and bridge	575,000	575,000	606,504	31,504
Personal property replacement tax	80,200	80,200	112,583	32,383
State sales tax	7,921,800	7,921,800	8,100,869	179,069
Home rule sales tax	4,580,600	4,580,600	4,622,302	41,702
Local use tax	729,730	729,730	864,346	134,616
Motel occupancy tax	280,000	280,000	334,913	54,913
Food and beverage	980,000	980,000	1,047,248	67,248
Total taxes	30,792,830	30,792,830	31,251,804	458,974
LICENSES AND PERMITS				
Liquor licenses	300,000	300,000	297,322	(2,678)
Business licenses	200,000	200,000	253,242	53,242
Animal licenses	24,000	24,000	28,882	4,882
Cable television fees	435,000	435,000	508,039	73,039
Vehicle licenses	975,000	975,000	1,022,958	47,958
Building permits and fees	812,500	812,500	867,537	55,037
Other licenses and permits	192,500	192,500	264,715	72,215
Total licenses and permits	2,939,000	2,939,000	3,242,695	303,695
INTERGOVERNMENTAL				
State income tax	4,751,510	4,751,510	5,403,355	651,845
Auto rental tax	16,000	16,000	13,249	(2,751)
Foreign fire insurance tax	45,000	45,000	43,032	(1,968)
Park district reimbursement	29,500	29,500	30,639	1,139
Fire protection district reimbursement	200,000	200,000	329,958	129,958
State highway maintenance	101,000	101,000	129,990	28,990
Public safety training reimbursement	20,000	20,000	27,774	7,774
Police consultant - schools	346,255	346,255	373,560	27,305
Other grants	24,250	95,820	239,212	143,392
Total intergovernmental	5,533,515	5,605,085	6,590,769	985,684

(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, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
CHARGES FOR SERVICES				
Plan review fees	\$ 230,000	\$ 230,000	\$ 239,715	\$ 9,715
Ambulance fees	750,000	750,000	808,680	58,680
Inspection fees	377,500	377,500	440,768	63,268
Special police service	100,000	100,000	108,335	8,335
Other charges for services	234,500	240,295	171,073	(69,222)
Total charges for services	1,692,000	1,697,795	1,768,571	70,776
FINES AND FORFEITS				
Circuit court fines	325,000	325,000	506,203	181,203
Parking fines	210,000	210,000	154,054	(55,946)
Compliance fines	150,000	150,000	173,655	23,655
Adjudication and other fines	60,250	60,250	51,106	(9,144)
Total fines and forfeits	745,250	745,250	885,018	139,768
INVESTMENT INCOME	125,000	125,000	1,137,974	1,012,974
MISCELLANEOUS				
Rental income	10,000	10,000	-	(10,000)
Reimbursements and refunds	110,000	110,960	138,626	27,666
Street fest revenue	119,150	119,150	150,494	31,344
Private activity bonds	50,000	50,000	68,121	18,121
Donations	-	8,965	9,266	301
Other	-	-	4,546	4,546
Total miscellaneous	289,150	299,075	371,053	71,978
TOTAL REVENUES	<u>\$ 42,116,745</u>	<u>\$ 42,204,035</u>	<u>\$ 45,247,884</u>	<u>\$ 3,043,849</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT				
Mayor and council	\$ 318,340	\$ 318,340	\$ 311,889	\$ (6,451)
Boards and commissions				
Planning commission	5,505	5,505	5,082	(423)
Zoning board	6,835	6,835	5,602	(1,233)
Fire and police commission	14,310	14,310	17,874	3,564
Beautification commission	20,300	23,800	23,214	(586)
Administration				
Village manager	806,720	854,385	835,621	(18,764)
Human resources	447,855	447,855	414,872	(32,983)
Liability insurance	1,709,575	1,709,575	1,653,535	(56,040)
Village events				
Special Events	527,985	485,620	400,877	(84,743)
Village clerk	168,510	186,375	169,087	(17,288)
Legal services				
Village attorney	385,670	385,670	322,705	(62,965)
Village prosecutor	40,000	40,000	40,000	-
Administrative adjudication hearing body	23,500	23,500	15,487	(8,013)
Finance and operations				
Financial administration	288,495	288,495	302,302	13,807
Customer services	471,375	471,375	394,566	(76,809)
Accounting	406,610	409,190	326,932	(82,258)
Customer services reimbursement	(5,475)	(5,475)	(5,475)	-
Information systems				
Information systems	812,225	813,000	805,815	(7,185)
GIS	189,445	189,445	140,326	(49,119)
Community services				
Administration	257,240	257,240	250,715	(6,525)
Permits and inspections	744,645	737,720	726,810	(10,910)
Code compliance	427,685	427,685	362,527	(65,158)
Health inspections	366,550	373,100	307,319	(65,781)
Wellness programs	4,995	4,995	4,705	(290)
Planning and economic development				
Planning and zoning	440,550	407,275	381,969	(25,306)
Community development	105,515	105,515	95,366	(10,149)
Community development reimbursement	(95,000)	(95,000)	(95,000)	-
Economic development	220,085	220,085	5,159	(214,926)
Less administrative fees				
Waterworks Fund	(50,000)	(50,000)	(50,000)	-
Sewerage Fund	(325,000)	(325,000)	(325,000)	-
Motor Vehicle Parking System Fund	(125,000)	(125,000)	(125,000)	-
Total general government	8,610,045	8,606,415	7,719,881	(886,534)

(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, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
PUBLIC SAFETY				
Police department				
Administration	\$ 842,915	\$ 858,415	\$ 887,102	\$ 28,687
Support services	2,414,000	2,389,616	2,369,620	(19,996)
Field operations	12,154,470	12,157,070	11,956,812	(200,258)
Total police department	15,411,385	15,405,101	15,213,534	(191,567)
Fire department				
Administration	591,020	591,020	577,851	(13,169)
Fire protection and paramedic services	10,761,625	10,769,682	10,566,858	(202,824)
Fire prevention	545,515	545,735	536,615	(9,120)
Fire training	241,515	241,515	244,050	2,535
Foreign fire insurance program	45,000	45,000	25,719	(19,281)
Total fire department	12,184,675	12,192,952	11,951,093	(241,859)
Emergency management				
Administration	129,855	131,717	133,020	1,303
Citizens corps	10,110	88,499	88,482	(17)
Total emergency management	139,965	220,216	221,502	1,286
Total public safety	27,736,025	27,818,269	27,386,129	(432,140)
PUBLIC WORKS				
Public works				
Administration	805,430	805,430	764,967	(40,463)
Building and grounds	537,795	532,520	542,729	10,209
Electrical maintenance	330,285	330,285	321,373	(8,912)
Forestry	963,565	963,565	886,153	(77,412)
Street maintenance	1,768,520	1,769,190	1,680,447	(88,743)
Engineering	477,140	477,140	461,453	(15,687)
Total public works	4,882,735	4,878,130	4,657,122	(221,008)
TOTAL EXPENDITURES	\$41,228,805	\$41,302,814	\$39,763,132	\$ (1,539,682)

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN TIF FUND

For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
ECONOMIC DEVELOPMENT				
Administration	\$ 46,500	\$ 46,000	\$ 32,054	\$ (13,946)
Project expenditures				
Palatine road reconstruction	-	3,765	3,764	(1)
Block 31 (Providence)	310,000	2,802,650	3,356,837	554,187
Block 10 (Colfax Condo)	-	500	1,568	1,068
Block 19 (Benchmark)	-	-	478,510	478,510
Block 26 (Emmetts)	-	-	8,367	8,367
MESS (Longfield)	5,000	12,500	1,750	(10,750)
Block 27 (Mia Cucina)	30,000	30,000	439,356	409,356
Toll	5,000	5,000	88	(4,912)
Plaza First Bank Block	290,000	250,000	171,198	(78,802)
Street improvements	-	3,885	3,884	(1)
19 S. Bothwell	-	18,320	190,963	172,643
Downtown improvements	-	40,000	21,100	(18,900)
Survey/appraisal fees	-	-	3,000	3,000
Total project expenditures	640,000	3,166,620	4,680,385	1,513,765
Development expenditures				
Developer payments	18,320	7,700	-	(7,700)
Total development expenditures	18,320	7,700	-	(7,700)
Land acquisition				
Block 27 (Mia Cucina)	-	2,601,000	-	(2,601,000)
Preserves of Palatine	-	400,000	400,000	-
Stratford	-	270,000	270,000	-
Total land acquisition	-	3,271,000	670,000	(2,601,000)
TOTAL EXPENDITURES	\$ 704,820	\$ 6,491,320	\$ 5,382,439	\$ (1,108,881)

(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, 2006

	Final Budget	Actual
REVENUES		
Property taxes	\$ 3,180,320	\$ 3,227,976
Investment income	15,000	165,404
Total revenues	3,195,320	3,393,380
EXPENDITURES		
Debt service		
Principal	2,798,860	2,797,280
Interest	1,136,215	1,136,213
Fiscal charges	15,000	6,780
Total expenditures	3,950,075	3,940,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(754,755)	(546,893)
OTHER FINANCING SOURCES (USES)		
Transfers in		
Sewerage Fund	754,755	754,755
Total other financing sources (uses)	754,755	754,755
NET CHANGE IN FUND BALANCE	\$ -	207,862
FUND BALANCE, JANUARY 1		2,072,121
FUND BALANCE, DECEMBER 31		\$ 2,279,983

(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, 2006

	Final Budget	Actual
DEBT SERVICE		
General obligation bond		
Series 1999		
Principal retirement	\$ 555,610	\$ 554,030
Interest	121,495	121,495
Total series 1999	677,105	675,525
Series 1999A		
Interest	11,105	11,105
Series 2000		
Principal retirement	1,233,000	1,233,000
Interest	422,655	422,655
Total series 2000	1,655,655	1,655,655
Series 2000B		
Principal retirement	66,730	66,730
Interest	44,300	44,298
Total series 2000B	111,030	111,028
Series 2002		
Principal retirement	370,000	370,000
Interest	384,755	384,755
Total series 2002	754,755	754,755
Refunding series 2003		
Principal retirement	353,520	353,520
Interest	78,555	78,555
Total refunding series 2003	432,075	432,075
Equipment series 2004		
Principal	85,000	85,000
Interest	8,875	8,875
Total equipment series 2004	93,875	93,875
Refunding series 2004C		
Principal retirement	130,000	130,000
Interest	50,535	50,535
Total refunding series 2004C	180,535	180,535
Refunding series 2005		
Principal retirement	5,000	5,000
Interest	13,940	13,940
Total refunding series 2005	18,940	18,940
Fiscal charges	15,000	6,780
TOTAL EXPENDITURES	\$ 3,950,075	\$ 3,940,273

(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, 2006

	Final Budget	Actual
REVENUES		
Property taxes	\$ 2,964,440	\$ 3,344,324
Investment income	250,000	427,912
Total revenues	3,214,440	3,772,236
EXPENDITURES		
Capital outlay	-	337,100
Debt service		
Principal	1,000,000	1,000,000
Interest	764,920	764,920
Fiscal charges	10,000	6,525
Total expenditures	1,774,920	2,108,545
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,439,520	1,663,691
OTHER FINANCING SOURCES (USES)		
Notes issued	-	337,100
NET CHANGE IN FUND BALANCE	\$ 1,439,520	2,000,791
FUND BALANCE, JANUARY 1		8,336,894
FUND BALANCE, DECEMBER 31		\$ 10,337,685

(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, 2006

	Program Account	Bond and Interest Account	Bond Reserve Account	Special Redemption Account	Incremental Property Tax Account	Totals
REVENUES						
Property taxes						
Dundee Road TIF	\$ -	\$ -	\$ -	\$ -	\$ 2,919,235	\$ 2,919,235
Rand/Dundee TIF	-	-	-	-	425,089	425,089
Investment income	507	81,107	137,437	133,959	74,902	427,912
Total revenues	507	81,107	137,437	133,959	3,419,226	3,772,236
EXPENDITURES						
Capital outlay	337,100	-	-	-	-	337,100
Debt service						
Principal	-	1,000,000	-	-	-	1,000,000
Interest	-	764,920	-	-	-	764,920
Fiscal charges	-	6,525	-	-	-	6,525
Total expenditures	337,100	1,771,445	-	-	-	2,108,545
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(336,593)	(1,690,338)	137,437	133,959	3,419,226	1,663,691
OTHER FINANCING SOURCES (USES)						
Notes issued	337,100	-	-	-	-	337,100
Transfers in (out)	(6,525)	33,207	(202,393)	3,634,430	(3,458,719)	-
NET CHANGE IN FUND BALANCE	(6,018)	(1,657,131)	(64,956)	3,768,389	(39,493)	2,000,791
FUND BALANCE, JANUARY 1	14,085	3,380,951	2,495,433	2,406,911	39,514	8,336,894
FUND BALANCE, DECEMBER 31	\$ 8,067	\$ 1,723,820	\$ 2,430,477	\$ 6,175,300	\$ 21	\$ 10,337,685

(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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 6,418,700	\$ 5,880,400
Miscellaneous	35,831	54,439
Total operating revenues	6,454,531	5,934,839
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	4,819,161	4,742,994
Total operating expenses excluding depreciation	4,819,161	4,742,994
OPERATING INCOME BEFORE DEPRECIATION	1,635,370	1,191,845
DEPRECIATION AND AMORTIZATION	-	436,050
OPERATING INCOME	1,635,370	755,795
NONOPERATING REVENUES (EXPENSES)		
Investment income	8,000	24,827
Interest expense	(1,031,100)	(513,544)
Gain on sale of capital assets	-	22,000
Income (loss) from joint venture	2,500	(89,098)
Total nonoperating revenues (expenses)	(1,020,600)	(555,815)
CHANGE IN NET ASSETS	\$ 614,770	199,980
NET ASSETS, JANUARY 1		14,575,540
NET ASSETS, DECEMBER 31		\$ 14,775,520

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2006

	Final Budget	Actual
CHARGES FOR SERVICES		
Water use fees		
Incorporated	\$ 4,560,000	\$ 4,236,240
Unincorporated	1,050,000	811,868
Other	25,800	25,345
Water penalties		
Incorporated	65,000	55,793
Unincorporated	8,000	8,972
User charge		
Incorporated	356,000	341,776
Unincorporated	15,900	20,527
Water surcharge	85,000	109,720
Water extension fee	150,000	160,284
Water tap fees	52,000	33,667
Water meter sales	47,500	70,408
Turn-on/service fees	3,500	5,800
Total charges for services	6,418,700	5,880,400
MISCELLANEOUS		
Park district fees	21,500	22,875
Reimbursements	14,331	31,564
Total miscellaneous	35,831	54,439
TOTAL OPERATING REVENUES	\$ 6,454,531	\$ 5,934,839

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2006

	Final Budget	Actual
COSTS OF SALES AND SERVICES		
Finance and operations		
Financial administration	\$ 500	\$ 514
Customer services	366,795	341,520
Accounting services	40,500	12,859
Total finance and operations	407,795	354,893
Public works		
Administration	21,050	20,119
Engineering	93,065	93,102
Building and grounds maintenance		
Mechanical equipment maintenance	25,200	24,442
Custodial general maintenance	105,931	72,090
Electrical maintenance		
Water system maintenance	3,500	1,448
Building maintenance	187,170	135,706
Water maintenance		
Supply maintenance	632,880	588,752
Distribution maintenance	435,900	489,999
Service and meter maintenance	180,730	227,799
Forestry		
Landscape - beautification	5,000	5,000
Northwest Water Commission - water purchase	2,400,000	2,467,304
Total public works	4,090,426	4,125,761
Operations - other		
Administrative fees		
General Fund	50,000	50,000
Capital projects		
Village wide watermain	331,902	408,184
Pump station upgrades	122,000	120,849
Water tank maintenance	38,300	9,000
Alternative water supply	10,580	10,580
Well and pump station improvements	30,140	30,139
Watermain extensions	64,966	121,298
Village facility landscaping	10,000	7,507
Programmable logic control	10,000	10,080
Pump station security system	10,000	9,190
Countryside site fencing	25,000	14,995
Vehicle replacement	95,000	80,080
Less nonoperating items - capital assets	(476,948)	(609,562)
Total operations - other	320,940	262,340
TOTAL OPERATING EXPENSES	\$ 4,819,161	\$ 4,742,994

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
WATERWORKS FUND

For the Year Ended December 31, 2006

	Capital Assets				
	Balances	Additions	Retirements	Balances	
	January 1			December 31	
Land	\$ 740,200	\$ -	\$ -	\$ 740,200	
Machinery and equipment	363,155	102,080	61,350	403,885	
Water system	21,551,965	529,482	-	22,081,447	
TOTAL	\$ 22,655,320	\$ 631,562	\$ 61,350	\$ 23,225,532	

	Accumulated Depreciation				Net Capital Assets
	Balances	Provisions	Retirements	Balances	
	January 1			December 31	
Land	\$ -	\$ -	\$ -	\$ -	\$ 740,200
Machinery and equipment	216,605	58,440	61,350	213,695	190,190
Water system	11,021,265	377,610	-	11,398,875	10,682,572
TOTAL	\$ 11,237,870	\$ 436,050	\$ 61,350	\$ 11,612,570	\$ 11,612,962

(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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 2,283,480	\$ 2,255,012
Miscellaneous	30,500	2,265
Total operating revenues	2,313,980	2,257,277
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	1,654,019	1,312,761
Total operating expenses	1,654,019	1,312,761
OPERATING INCOME BEFORE DEPRECIATION	659,961	944,516
DEPRECIATION AND AMORTIZATION	-	410,187
OPERATING INCOME	659,961	534,329
NONOPERATING REVENUES (EXPENSES)		
Investment income	15,000	123,139
Interest and fiscal charges	(131,000)	(65,056)
Total nonoperating revenues (expenses)	(116,000)	58,083
NET INCOME BEFORE TRANSFERS	543,961	592,412
TRANSFERS (OUT)		
General Obligation Bond Fund	(760,000)	(754,755)
Total transfers (out)	(760,000)	(754,755)
CHANGE IN NET ASSETS	\$ (216,039)	(162,343)
NET ASSETS, JANUARY 1		11,827,844
NET ASSETS, DECEMBER 31		\$ 11,665,501

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2006

	Final Budget	Actual
<hr/>		
OPERATING REVENUES		
Charges for services		
Sewer use fees		
Incorporated	\$ 1,072,450	\$ 1,077,266
Unincorporated	268,830	196,532
Sewer penalties		
Incorporated	22,900	26,316
Unincorporated	1,000	2,155
Sewer connection fees	25,000	20,385
50/50 sewer extension fees	-	15,500
Surcharges		
Sewer separation surcharge	131,000	141,354
Dunhaven surcharge	800	698
Fair Meadows surcharge	1,500	1,688
Flood control surcharge	760,000	773,118
Miscellaneous	30,500	2,265
	<hr/>	
TOTAL OPERATING REVENUES	\$ 2,313,980	\$ 2,257,277
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(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2006

	Final Budget	Actual
OPERATING EXPENSES		
Costs of sales and services		
Public works		
Water system maintenance	\$ 1,500	\$ 2,573
Sewer maintenance		
Collection system	429,050	415,314
Flood control	134,325	126,080
Engineering	80,475	81,335
Total public works	645,350	625,302
Operations - other		
Administrative fees - General Fund	325,000	325,000
Capital Projects		
Sanitary lift station improvements	68,833	40,444
Sanitary sewer sliplining	536,000	256,978
50/50 sewer extension project	103,205	139,594
Storm inlet construction program	70,000	63,906
Sanitary sewer repair and improvement	8,000	8,000
Salt Creek outfall structure	20,000	9,279
Imperial/Glade detention pond	30,000	-
Gilbert/Glade detention pond	2,100	2,100
Flood mitigation	39,566	39,566
Bridges and culverts	73,965	59,570
Less nonoperating items - capital assets	(268,000)	(256,978)
Total operations - other	1,008,669	687,459
TOTAL OPERATING EXPENSES	\$ 1,654,019	\$ 1,312,761

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
SEWERAGE FUND

For the Year Ended December 31, 2006

	Capital Assets				
	Balances	Additions	Retirements	Balances	
	January 1			December 31	
Machinery and equipment	\$ 106,760	\$ -	\$ -	\$ 106,760	
Sewer system	18,950,845	256,578	-	19,207,423	
TOTAL	\$ 19,057,605	\$ 256,578	\$ -	\$ 19,314,183	

	Accumulated Depreciation				Net Capital Assets
	Balances	Provisions	Retirements	Balances	
	January 1			December 31	
Machinery and equipment	\$ 54,595	\$ 8,030	\$ -	\$ 62,625	\$ 44,135
Sewer system	8,813,490	401,570	-	9,215,060	9,992,363
TOTAL	\$ 8,868,085	\$ 409,600	\$ -	\$ 9,277,685	\$ 10,036,498

(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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Parking fees	\$ 558,050	\$ 603,147
Miscellaneous	16,000	18,164
Total operating revenues	574,050	621,311
OPERATING EXPENSES EXCLUDING DEPRECIATION		
Costs of sales and services	664,473	624,699
Total operating expenses	664,473	624,699
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(90,423)	(3,388)
DEPRECIATION	-	770,370
OPERATING INCOME (LOSS)	(90,423)	(773,758)
NONOPERATING REVENUES (EXPENSES)		
Investment income	12,000	62,653
CHANGE IN NET ASSETS	<u>\$ (78,423)</u>	(711,105)
NET ASSETS, JANUARY 1		<u>16,440,972</u>
NET ASSETS, DECEMBER 31		<u>\$ 15,729,867</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, 2006

	Final Budget	Actual
<hr/>		
COSTS OF SALES AND SERVICES		
Motor vehicle parking		
Commuter station	\$ 427,250	\$ 402,271
Finance- Customer services	84,050	69,298
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Total motor vehicle parking	511,300	471,569
	<hr/>	
Operations- other		
Administrative fees - General Fund	125,000	125,000
Capital projects		
Parking deck/platform improvements	12,214	12,214
Parking deck maintenance	15,959	15,916
Parking lot- 50 W. Wood Street	535,000	566,813
Less nonoperating items- capital assets	(535,000)	(566,813)
	<hr/>	
Total operations- other	153,173	153,130
	<hr/>	
TOTAL OPERATING EXPENSES	\$ 664,473	\$ 624,699
	<hr/>	

(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, 2006

	Capital Assets				
	Balances	Additions	Retirements	Balances	
	January 1			December 31	
Land	\$ 1,730,500	\$ 435,438	\$ -	\$ 2,165,938	
Improvements	15,541,755	131,375	-	15,673,130	
TOTAL	<u>\$ 17,272,255</u>	<u>\$ 566,813</u>	<u>\$ -</u>	<u>\$ 17,839,068</u>	

	Accumulated Depreciation				Net Capital Assets
	Balances	Provisions	Retirements	Balances	
	January 1			December 31	
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,165,938
Improvements	2,501,270	770,370	-	3,271,640	12,401,490
TOTAL	<u>\$ 2,501,270</u>	<u>\$ 770,370</u>	<u>\$ -</u>	<u>\$ 3,271,640</u>	<u>\$ 14,567,428</u>

(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, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services		
Refuse billing	\$ 4,031,090	\$ 4,083,059
Total operating revenues	4,031,090	4,083,059
OPERATING EXPENSES		
Refuse collection	4,176,880	4,006,515
Total operating expenses	4,176,880	4,006,515
OPERATING INCOME (LOSS)	(145,790)	76,544
NONOPERATING REVENUES		
Investment income	20,000	28,034
CHANGE IN NET ASSETS	\$ (125,790)	104,578
NET ASSETS, JANUARY 1		511,198
NET ASSETS, DECEMBER 31		\$ 615,776

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 1989
CAPITAL APPRECIATION BONDS

December 31, 2006

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	U. S. Bank

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	\$ 1,870,742	2007	\$ 3,750,450
1998	2,005,492	2008	4,020,594
1999	2,149,948	2009	4,310,197
2000	2,304,808	2010	4,620,661
2001	2,470,824	2011	4,953,487
2002	2,648,797	2012	5,310,287
2003	2,839,590	2013	5,692,787
2004	3,044,126	2014	6,102,837
2005	3,263,394	2015	4,725,348
2006	3,498,456	2016	1,855,000

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION BOND SERIES OF 1999

December 31, 2006

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
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>\$ 3,335,000</u>	<u>\$ 698,435</u>	<u>\$ 4,033,435</u>		<u>\$ 349,218</u>		<u>\$ 349,217</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS
LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 1999A

December 31, 2006

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
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>\$ 141,364</u>	<u>\$ 576,364</u>		<u>\$ 70,682</u>		<u>\$ 70,682</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2000

December 31, 2006

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
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>\$ 9,780,000</u>	<u>\$ 1,535,036</u>	<u>\$ 11,315,036</u>		<u>\$ 767,518</u>		<u>\$ 767,518</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2000B

December 31, 2006

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
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>\$ 1,355,000</u>	<u>\$ 405,946</u>	<u>\$ 1,760,946</u>		<u>\$ 202,973</u>		<u>\$ 202,973</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2001

December 31, 2006

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
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>\$ 4,962,841</u>	<u>\$ 19,527,841</u>		<u>\$ 2,481,424</u>		<u>\$ 2,481,417</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, 2006

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
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>\$ 2,455,000</u>	<u>\$ 276,640</u>	<u>\$ 2,731,640</u>		<u>\$ 138,320</u>		<u>\$ 138,320</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2002

December 31, 2006

Date of Issue	July 1, 2002
Date of Maturity	December 1, 2022
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
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>\$ 8,600,000</u>	<u>\$ 3,553,283</u>	<u>\$ 12,153,283</u>		<u>\$ 1,776,642</u>		<u>\$ 1,776,641</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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
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>\$ 2,320,000</u>	<u>\$ 388,175</u>	<u>\$ 2,708,175</u>		<u>\$ 194,087</u>		<u>\$ 194,088</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, 2006

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
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>\$ 3,425,000</u>	<u>\$ 394,525</u>	<u>\$ 3,819,525</u>		<u>\$ 197,262</u>		<u>\$ 197,263</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, 2006

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
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>\$ 795,269</u>	<u>\$ 105,416</u>	<u>\$ 900,685</u>		<u>\$ 56,070</u>		<u>\$ 49,346</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2004

December 31, 2006

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
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>\$ 1,750,000</u>	<u>\$ 371,067</u>	<u>\$ 2,121,067</u>		<u>\$ 185,533</u>		<u>\$ 185,534</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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
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>\$ 7,200,000</u>	<u>\$ 3,342,985</u>	<u>\$ 10,542,985</u>		<u>\$ 1,671,493</u>		<u>\$ 1,671,492</u>

(See independent auditor's report.)

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

December 31, 2006

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
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>\$ 2,525,000</u>	<u>\$ 119,719</u>	<u>\$ 2,644,719</u>		<u>\$ 59,860</u>		<u>\$ 59,859</u>

(See independent auditor's report.)

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

December 31, 2006

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
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>\$ 270,000</u>	<u>\$ 13,500</u>	<u>\$ 283,500</u>		<u>\$ 6,750</u>		<u>\$ 6,750</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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
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>\$ 1,990,000</u>	<u>\$ 446,726</u>	<u>\$ 2,436,726</u>		<u>\$ 223,363</u>		<u>\$ 223,363</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, 2006

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
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>\$ 5,005,000</u>	<u>\$ 2,081,288</u>	<u>\$ 7,086,288</u>		<u>\$ 1,040,644</u>		<u>\$ 1,040,644</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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
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>\$ 860,000</u>	<u>\$ 236,600</u>	<u>\$ 1,096,600</u>		<u>\$ 118,300</u>		<u>\$ 118,300</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

Date of Issue	July 30, 1998
Date of Maturity	January 1, 2015
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
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>\$ 14,570,000</u>	<u>\$ 3,771,180</u>	<u>\$ 18,341,180</u>		<u>\$ 2,069,320</u>		<u>\$ 1,701,860</u>

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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

Requirements*		
Principal	Interest**	Totals
\$ 380,000	\$ 139,059	\$ 519,059

* This note is subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. The source of repayment of this note is limited to the incremental taxes generated by the redevelopment project it was issued to fund. Therefore, there is no established payment schedule

** Simple interest accrued from issuance through December 31, 2006

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2006

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

Requirements*		
Principal	Interest**	Totals
\$ 100,000	\$ 38,228	\$ 138,228

* This note is subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. The source of repayment of this note is limited to the incremental taxes generated by the redevelopment project it was issued to fund. Therefore, there is no established payment schedule

** Simple interest accrued from issuance through December 31, 2006

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
LIMITED OBLIGATION REDEVELOPMENT NOTE SERIES 2006A

December 31, 2006

Date of Issue	April 3, 2006
Date of Maturity	December 31, 2026
Amount Issued	\$3,500,000
Interest Rate	4.00% simple
Paying Agent	Village of Palatine

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Requirements*		
Principal	Interest**	Totals
\$ 3,337,447	\$ 122,375	\$ 3,459,822

* The source of repayment of this note is limited to the incremental taxes generated by the redevelopment project it was issued to fund. Therefore, there is no established payment schedule.

** Simple interest accrued from issuance through December 31, 2006.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS
LONG-TERM DEBT REQUIREMENTS
LIMITED OBLIGATION REDEVELOPMENT NOTE SERIES 2006B

December 31, 2006

Date of Issue	April 3, 2006
Date of Maturity	January 31, 2022
Amount Issued	\$190,000
Interest Rate	2.50% simple
Paying Agent	Village of Palatine

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Requirements*		
Principal	Interest**	Totals
\$ 173,993	-	\$ 173,993

* The source of repayment of this note is limited to the incremental taxes generated by the redevelopment project it was issued to fund. Therefore, there is no established payment schedule.

** Simple interest accrued from issuance through December 31, 2006.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
LIMITED OBLIGATION SUBORDINATED REDEVELOPMENT NOTE SERIES 2006A

December 31, 2006

Date of Issue	October 16, 2006
Date of Maturity	July 24, 2014
Amount Issued	\$337,100
Interest Rate	7.00% simple
Paying Agent	Village of Palatine

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Requirements*		
Principal	Interest**	Totals
\$ 337,100	\$ 83,414	\$ 420,514

* This note is subordinated to the Tax Increment Revenue Refunding Bond Series of 1998. The source of repayment of this note is limited to the incremental taxes generated by the redevelopment project it was issued to fund. Therefore, there is no established payment schedule.

** Simple interest accrued from issuance through December 31, 2006.

(See independent auditor's report.)

STATISTICAL SECTION

This part of the Village's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information displays about the Village's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have been changed over time.	134-139
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	140-143
Debt Capacity The schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	144-148
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	149-150
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	151-153

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Village implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

VILLAGE OF PALATINE, ILLINOIS

NET ASSETS BY COMPONENT

Last four Fiscal Years

Fiscal Year	2003	2004	2005	2006
GOVERNMENTAL ACTIVITIES				
Invested in capital assets				
net of related debt	\$ 13,245,415	\$ 101,812,134	\$ 100,693,938	\$ 105,405,740
Restricted	16,555,350	14,477,732	19,730,260	21,578,252
Unrestricted	(68,086,523)	988,732	15,647,897	14,979,825
TOTAL GOVERNMENTAL ACTIVITIES	\$ (38,285,758)	\$ 117,278,598	\$ 136,072,095	\$ 141,963,817
BUSINESS-TYPE ACTIVITIES				
Invested in capital assets				
net of related debt	\$ 38,317,989	\$ 37,852,794	\$ 26,012,558	\$ 37,479,931
Restricted	-	-	-	-
Unrestricted	5,080,603	4,153,291	17,342,996	5,306,733
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 43,398,592	\$ 42,006,085	\$ 43,355,554	\$ 42,786,664
PRIMARY GOVERNMENT				
Invested in capital assets				
net of related debt	\$ 51,563,404	\$ 139,664,928	\$ 126,706,496	\$ 142,885,671
Restricted	16,555,350	14,477,732	19,730,260	21,578,252
Unrestricted	(63,005,920)	5,142,023	32,990,893	20,286,558
TOTAL PRIMARY GOVERNMENT	\$ 5,112,834	\$ 159,284,683	\$ 179,427,649	\$ 184,750,481

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET ASSETS

Last Four Fiscal Years

Fiscal Year	2003	2004	2005	2006
EXPENSES				
Governmental activities				
General government	\$ 14,030,449	\$ 7,296,867	\$ 6,932,885	\$ 7,346,275
Public safety	23,580,798	25,265,921	26,321,237	28,713,081
Public works	5,502,174	8,251,434	9,713,501	8,643,238
Economic development	2,465,912	7,870,270	3,743,670	9,779,022
Interest and fiscal charges	4,069,311	3,804,206	3,762,226	4,295,123
Total governemntal activities expenses	49,648,644	52,488,698	50,473,519	58,776,739
Business-type activities				
Water	5,589,517	6,214,408	5,862,991	5,692,588
Sewer	1,449,894	1,666,910	1,716,882	1,788,004
Parking system	1,076,518	1,283,080	1,348,318	1,395,069
Refuse collection	3,737,144	3,889,091	4,137,678	4,006,515
Total business-type activities expenses	11,853,073	13,053,489	13,065,869	12,882,176
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 61,501,717	\$ 65,542,187	\$ 63,539,388	\$ 71,658,915
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 3,838,926	\$ 4,680,502	\$ 4,369,604	\$ 4,379,572
Public safety	1,320,488	2,016,434	2,231,093	2,518,276
Other activities	183,702	222,263	194,548	263,374
Operating grants and contributions	2,317,615	2,141,380	2,282,683	2,244,660
Capital grants and contributions	665,597	386,201	461,311	479,231
Total governmental activities program revenues	8,326,328.00	9,446,780	9,539,239	9,885,113
Business-type activities				
Charges for services				
Water	5,277,097	5,579,599	6,329,850	5,934,839
Sewer	2,028,924	2,072,020	2,169,364	2,257,277
Parking system	573,827	562,039	607,332	621,311
Refuse collection	3,992,404	3,949,680	4,043,296	4,083,059
Total business-type activities program revenues	11,872,252	12,163,338	13,149,842	12,896,486
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 20,198,580	\$ 21,610,118	\$ 22,689,081	\$ 22,781,599
NET (EXPENSE) REVENUES				
Governmental activities	\$ (41,322,316)	\$ (43,041,918)	\$ (40,934,280)	\$ (48,891,626)
Business-type activities	19,179	(890,151)	83,973	14,310
TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE	\$ (41,303,137)	\$ (43,932,069)	\$ (40,850,307)	\$ (48,877,316)

VILLAGE OF PALATINE, ILLINOIS
CHANGES IN NET ASSETS (Continued)

Last Four Fiscal Years

Fiscal Year	2003	2004	2005	2006
GENERAL REVENUES AND OTHER				
CHANGES IN NET ASSETS				
Governmental activities				
Taxes				
Property and replacement	\$ 20,579,767	\$ 22,567,392	\$ 25,279,383	\$ 29,044,078
Sales	9,009,385	11,743,223	12,503,160	12,723,171
Use	591,093	692,011	771,761	864,346
Telecommunications	1,888,270	2,011,046	2,125,860	2,378,621
Income	4,057,697	4,189,384	4,919,232	5,403,355
Hotel/Motel	271,047	263,437	284,961	334,913
Food and beverage	-	925,786	1,017,298	1,047,248
Other	54,755	63,178	58,995	56,281
Investment income	884,162	452,726	824,104	1,928,010
Miscellaneous	313,933	1,034,092	208,006	248,570
Gain (loss) on sale of capital assets	2,895,511	-	72,191	-
Special item	(900,000)	-	-	-
Transfers	2,190,650	762,795	(1,192,800)	754,755
Total governmental activities	41,836,270	44,705,070	46,872,151	54,783,348
Business-type activities				
Investment income	40,366	42,908	101,978	238,653
Miscellaneous	66,974	49,581	-	-
Income from joint venture	146,470	97,950	(40,927)	(89,098)
Contributions	150,000	70,000	-	-
Gain (loss) on sale of capital assets	-	-	11,645	22,000
Transfers	(2,190,650)	(762,795)	1,192,800	(754,755)
Total business-type activities	(1,786,840)	(502,356)	1,265,496	(583,200)
TOTAL PRIMARY GOVERNMENT	\$ 40,049,430	\$ 44,202,714	\$ 48,137,647	\$ 54,200,148
CHANGE IN NET ASSETS				
Governmental activities	\$ 513,954	\$ 87,746,988	\$ 5,937,871	\$ 5,891,722
Business-type activities	(1,767,661)	387,795	1,349,469	(568,890)
TOTAL PRIMARY GOVERNMENT				
CHANGE IN NET ASSETS	\$ (1,253,707)	\$ 88,134,783	\$ 7,287,340	\$ 5,322,832

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Fiscal Year	1998	1998 (1)	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL FUND										
Reserved	\$ 1,462,693	\$ 1,344,614	\$ 1,235,349	\$ 1,307,906	\$ 1,275,091	\$ 1,383,209	\$ 21,885	\$ 25,965	\$ 26,470	\$ 5,042,920
Unreserved	4,972,288	7,273,463	9,207,357	12,444,095	11,986,664	9,673,963	7,800,804	12,316,855	16,285,665	12,604,862
TOTAL GENERAL FUND	\$ 6,434,981	\$ 8,618,077	\$ 10,442,706	\$ 13,752,001	\$ 13,261,755	\$ 11,057,172	\$ 7,822,689	\$ 12,342,820	\$ 16,312,135	\$ 17,647,782
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 45,213,981	\$ 47,908,813	\$ 41,689,029	\$ 15,235,667	\$ 18,987,663	\$ 19,961,905	\$ 19,172,957	\$ 21,650,756	\$ 19,858,828	\$ 28,720,235
Unreserved, reported in										
Special Revenue Funds	2,281,216	678,528	1,138,032	6,031,271	1,510,336	(279,188)	(2,426,919)	-	-	(5,267,911)
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Capital Project Funds	1,434,293	2,895,160	4,875,832	4,356,059	15,043,209	8,568,070	4,454,190	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 48,929,490	\$ 51,482,501	\$ 47,702,893	\$ 25,622,997	\$ 35,541,208	\$ 28,250,787	\$ 21,200,228	\$ 21,650,756	\$ 19,858,828	\$ 23,452,324

(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

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	1998	1998 (1)	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Taxes	\$ 19,526,857	\$ 13,533,803	\$ 22,740,900	\$ 25,135,847	\$ 27,045,125	\$ 28,187,497	\$ 32,339,563	\$ 38,202,894	\$ 41,982,423	\$ 46,392,377
Licenses and permits	2,110,707	1,775,811	2,493,959	2,754,074	2,798,962	3,078,192	2,686,698	3,212,245	3,121,288	3,242,695
Intergovernmental	5,964,040	4,106,710	6,912,958	9,726,646	9,331,928	9,738,719	7,587,384	7,326,489	8,355,118	9,075,448
Fines and forfeitures	647,505	446,283	798,091	774,611	767,792	707,736	1,091,158	716,827	741,524	885,018
Charges for services	1,224,974	933,060	1,160,156	2,091,451	1,924,754	2,250,890	763,501	2,051,636	2,021,009	1,842,979
Investment income	2,664,096	2,479,542	2,593,568	1,538,454	970,729	1,068,113	633,457	452,727	824,104	1,928,007
Miscellaneous	601,169	465,473	454,354	1,808,166	433,489	631,708	561,739	1,509,635	486,533	547,182
Total revenues	32,739,348	23,740,682	37,153,986	43,829,249	43,272,779	45,662,855	45,663,500	53,472,453	57,531,999	63,913,706
EXPENDITURES										
General government	4,885,610	3,737,542	4,919,625	5,473,452	6,231,283	7,131,726	7,276,925	6,198,790	7,125,694	7,814,881
Public safety	13,521,095	9,872,100	15,364,848	16,258,744	19,728,921	22,243,996	23,025,770	24,522,768	25,640,194	27,386,129
Public works	-	-	3,907,218	3,811,513	4,145,245	4,384,748	4,837,569	7,179,264	7,217,325	6,729,375
Highways and streets	2,880,330	2,246,839	-	-	-	-	-	-	-	-
Health	397,965	262,763	427,310	515,201	545,794	619,770	-	-	-	-
Retirement systems	2,472,627	1,639,509	2,736,204	2,968,967	1,615,194	-	-	-	-	-
Economic development	-	-	-	-	-	-	1,960,467	7,656,265	2,984,458	9,264,353
Capital outlay	5,784,341	519,329	3,499,470	7,994,093	13,520,873	23,766,467	8,925,400	3,886,664	2,796,534	2,874,863
Debt service										
Principal	1,353,753	13,086,786	1,190,000	32,701,750	2,570,000	2,750,000	3,081,780	8,957,650	4,175,070	5,814,851
Interest	6,243,774	8,563,340	6,082,942	3,111,589	4,020,448	4,498,071	4,200,613	4,195,440	3,769,464	3,957,332
Other charges	-	-	-	-	-	-	-	-	9,373	-
Total expenditures	37,539,495	39,928,208	38,127,617	72,835,309	52,377,758	65,394,778	53,308,524	62,596,841	53,718,112	63,841,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,800,147)	(16,187,526)	(973,631)	(29,006,060)	(9,104,979)	(19,731,923)	(7,645,024)	(9,124,388)	3,813,887	71,922

Fiscal Year	1998	1998 (1)	1999	2000	2001	2002	2003	2004	2005	2006
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 4,582,024	\$ 4,182,584	\$ 3,825,128	\$ 5,109,644	\$ 6,231,327	\$ 4,558,187	\$ 2,827,749	\$ 2,396,555	\$ 1,558,530	\$ 4,903,860
Transfers (out)	(3,618,585)	(3,552,090)	(2,666,619)	(4,355,514)	(5,607,677)	(3,568,847)	(2,778,585)	(1,633,760)	(2,746,330)	(4,149,105)
Discount on bonds issued	-	-	-	-	-	-	-	(76,534)	-	-
Premium on bonds issued	-	-	-	-	-	-	-	109,363	17,014	-
Bonds issued at par	5,975,000	31,205,000	24,150,000	9,380,000	17,770,000	10,000,000	7,194,920	19,707,949	645,200	4,027,100
Payment to bond escrow agent	-	(11,237,901)	(21,276,282)	-	-	-	(6,100,499)	(6,858,647)	(653,227)	-
Proceeds from sales of capital assets	-	-	-	101,329	61,055	(607,273)	2,057,743	77,343	(608,839)	75,366
Total other financing sources (uses)	6,938,439	20,597,593	4,032,227	10,235,459	18,454,705	10,382,067	3,201,328	13,722,269	(1,787,652)	4,857,221
NET CHANGE IN FUND BALANCES	\$ 2,138,292	\$ 4,410,067	\$ 3,058,596	\$(18,770,601)	\$ 9,349,726	\$ (9,349,856)	\$ (4,443,696)	\$ 4,597,881	\$ 2,026,235	\$ 4,929,143
Debt Service as a Percentage of Noncapital Expenditures	23.93%	54.94%	21.00%	55.23%	16.96%	17.41%	16.41%	22.40%	15.60%	16.03%

(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

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable Value
1996	\$ 534,862,034	\$ 242,669,333	\$ 117,942,181	NA	\$ 895,473,548	1.1954	\$ 2,686,420,644	33.333%
1997	NA	NA	NA	NA	900,025,000	1.2088	2,700,075,000	33.333%
1998	630,614,336	279,465,703	85,849,961	NA	995,930,000	1.2664	2,987,790,000	33.333%
1999	NA	NA	NA	NA	1,062,327,000	1.2300	3,186,981,000	33.333%
2000	NA	NA	NA	NA	1,107,343,935	1.2906	3,322,031,805	33.333%
2001	862,113,017	343,541,840	123,932,195	NA	1,329,587,052	1.1358	3,988,761,156	33.333%
2002	949,368,098	350,040,146	132,887,479	NA	1,432,295,723	1.1335	4,296,887,169	33.333%
2003	963,534,181	345,997,963	129,079,407	NA	1,438,611,551	1.1856	4,315,834,653	33.333%
2004	1,138,490,510	394,146,124	145,875,016	NA	1,678,511,650	1.0834	5,035,534,950	33.333%
2005	NA	NA	NA	NA	1,814,735,721	0.0000	5,444,207,163	33.333%

Note: Property in the Village is reassessed each year. Property is assessed at 33% of actual value.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

Tax Levy Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
TAX RATES										
Village										
Village of Palatine	1.209	1.267	1.230	1.226	1.291	1.136	1.134	1.186	1.084	1.052
School Districts										
Palatine C. C. S. D. #15	3.686	3.827	3.662	3.611	3.749	3.289	3.185	3.313	2.925	2.840
Junior College #512	0.281	0.292	0.277	0.270	0.347	0.308	0.295	0.310	0.279	0.281
Township H. S. D. #211	2.517	2.595	2.464	2.418	2.450	2.147	2.067	2.165	2.158	2.191
Park District	0.518	0.534	0.483	0.481	0.505	0.455	0.422	0.482	0.437	0.422
Library District	0.369	0.385	0.359	0.361	0.381	0.322	0.310	0.315	0.280	0.271
County										
Hospital	0.295	0.285	0.238	0.236	0.219	0.201	0.156	0.141	0.122	0.112
County of Cook	0.694	0.634	0.673	0.619	0.605	0.545	0.534	0.489	0.471	0.421
Forest Preserve	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060	0.060
Township										
Palatine Township	0.075	0.078	0.057	0.052	0.050	0.042	0.041	0.042	0.038	0.037
General Assistance	0.014	0.014	0.011	0.010	0.009	0.008	0.008	0.009	0.008	0.008
Road and Bridge	0.097	0.102	0.084	0.087	0.086	0.077	0.074	0.078	0.070	0.069
Other Districts										
Special Service Area #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Special Service Area #2	0.851	0.788	0.647	0.590	0.565	0.140	0.000	0.000	0.000	0.000
Special Service Area #3	0.000	0.000	0.277	0.273	0.268	0.251	0.223	0.217	0.180	0.180
Suburban T.B. Sanitarium	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001	0.005
Northwest Mosquito	0.010	0.011	0.010	0.010	0.011	0.010	0.009	0.010	0.009	0.009
Sanitary District	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347	0.315
Elections (ELCO)	0.000	0.027	0.000	0.023	0.000	0.032	0.000	0.029	0.000	0.014
TOTAL TAX RATES	11.190	11.372	10.996	10.764	11.028	9.438	8.896	9.210	8.469	8.287
SHARE OF TOTAL TAX LEVIED BY THE VILLAGE	10.80%	11.14%	11.19%	11.39%	11.71%	12.04%	12.75%	12.88%	12.80%	12.69%

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Mid America Park Place	\$ 32,743,370	1	1.70%	11,289,707	3	1.27%
PFC Marquette Company	24,914,641	2	1.30%	NA	NA	NA
AL LH DB LP Apartments	22,843,014	3	1.20%	NA	NA	NA
Individual Taxpayer	18,525,219	4	1.00%	NA	NA	NA
Brookbind Corporation	16,655,220	5	0.90%	\$ 26,286,322	1	2.97%
Concord Mills Estates	15,098,447	6	0.80%	NA	NA	NA
Village Park Palatine 300 Apartments	13,521,515	7	0.70%	NA	NA	NA
Regency Plaza Partners	11,258,307	8	0.60%	NA	NA	NA
Square D Corporation	9,671,187	9	0.50%	8,220,826	5	0.93%
Hamilton Partners	8,742,397	10	0.50%	NA	NA	NA
Infinity Management Co.	NA	NA	NA	12,230,655	2	1.38%
Illinois Housing Development Authority	NA	NA	NA	8,653,168	4	0.98%
Berkshire Mtg I Olson	NA	NA	NA	7,862,478	6	0.89%
Wyndam Court Apartments	NA	NA	NA	7,325,585	7	0.83%
W & M Property Foxfire	NA	NA	NA	6,166,119	8	0.70%
Camco Palatine Plaza	NA	NA	NA	5,877,254	9	0.66%
Weber Stephen Products	NA	NA	NA	4,579,419	10	0.52%
	<u>\$ 173,973,317</u>		<u>9.20%</u>	<u>\$ 98,491,533</u>		<u>11.13%</u>

Note:

Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 10,737,453	\$ 10,444,159	97.27%	\$ 284,105	\$ 10,728,264	99.91%
1997	11,136,333	11,238,398	100.92%	97,772	11,336,170	101.79%
1998	12,250,351	11,650,751	95.11%	593,733	12,244,484	99.95%
1999	13,026,896	12,497,266	95.93%	605,188	13,102,454	100.58%
2000	14,291,249	14,291,249	100.00%	121,639	14,412,888	100.85%
2001	15,103,536	14,744,923	97.63%	415,020	15,159,943	100.37%
2002	16,235,180	16,051,558	98.87%	83,574	16,135,132	99.38%
2003	17,055,996	16,440,571	96.39%	442,422	16,882,993	98.99%
2004	18,185,665	18,031,579	99.15%	-	18,031,579	99.15%
2005	19,090,228	17,804,616	93.27%	884,990	18,689,606	97.90%

Note: Property in the Village is reassessed each year. Property is assessed at 33% of actual value.

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	TIF Revenue Bonds	Tax Increment Notes	Net Pension Obligation	Installment Contracts	Compensated Absences	General Obligation Bonds	Installment Contracts	Compensated Absences			
1997	\$ 66,287,790	\$ 11,520,000	\$ -	\$ -	\$ 150,729	\$ 686,588	\$ 105,000	\$ 634,793	\$ -	\$ 79,384,900	0.06	1,391
1998	66,027,790	16,500,000	-	-	56,789	847,373	-	522,304	59,652	84,013,908	0.05	1,472
1998 (1)	66,177,790	24,290,000	-	369,829	-	760,136	-	338,556	69,832	92,006,143	0.06	1,612
1999	69,542,325	24,290,000	-	531,164	-	747,246	-	169,278	56,669	95,336,682	0.06	1,671
2000	47,128,328	24,150,000	-	776,666	-	933,693	-	-	76,301	73,064,988	0.04	1,116
2001	62,836,325	23,820,000	-	633,514	-	1,145,025	-	-	35,270	88,470,134	0.04	1,351
2002	70,682,189	23,415,000	480,000	814,239	-	1,144,710	-	-	17,145	96,553,283	0.05	1,475
2003	57,823,030	22,760,000	480,000	967,720	-	1,296,510	11,463,816	-	36,225	94,827,301	0.05	1,448
2004	68,701,360	16,280,000	480,000	-	-	-	10,919,926	-	-	96,381,286	0.05	1,462
2005	65,270,470	15,570,000	480,000	987,340	166,164	1,495,097	10,365,397	-	46,720	94,381,188	0.05	1,432
2006	60,634,279	14,570,000	4,328,540	1,351,297	83,574	1,658,370	9,781,440	-	55,440	92,462,940	0.05	1,403

Note: Details of the Village's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Demographic and Economic Statistics on page 150 for personal income and population data.

Personal income is the largest sole source income type, usually either property or sales tax. In the case of special districts, it may be fees.

(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.

VILLAGE OF PALATINE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita
1997	\$ 66,392,790	\$ 32,467,800	\$ 33,924,990	1.28%	\$ 594.49
1998	66,027,790	32,155,222	33,872,568	1.25%	593.57
1998 (1)	66,177,790	29,928,725	36,249,065	1.34%	635.21
1999	69,542,325	29,777,576	39,764,749	1.33%	696.82
2000	47,128,328	1,450,191	45,678,137	1.43%	697.60
2001	62,836,325	4,116,243	58,720,082	1.77%	896.78
2002	70,682,189	3,320,141	67,362,048	1.99%	1,118.64
2003	57,823,030	2,289,239	55,533,791	1.29%	1,023.19
2004	68,701,360	1,886,525	66,814,835	1.55%	1,013.57
2005	65,270,570	2,072,121	63,198,449	3.77%	958.71
2006	60,634,279	2,279,983	58,354,296	3.22%	885.23

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Actual Value of Taxable Property on page 141 for property value data.

(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.

VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2006

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Palatine (1)	Village of Palatine Share of Debt
Village of Palatine	\$ 67,808,059	100.00%	\$ 67,808,059
<u>School Districts:</u>			
Palatine Community District No. 15	42,364,901	49.2%	20,843,531
Township highschool District No. 211	61,255,000	22.2%	13,598,610
Township High School District No. 214	12,078,195	0.2%	24,156
Harper Community College	65,860,000	9.0%	5,927,400
Total Schools:	<u>181,558,096</u>		<u>40,393,697</u>
<u>Other than Schools:</u>			
Cook County Forest Preserve District	3,130,980,000	1.40%	43,833,720
Metropolitan Water Reclamation District	1,521,282,085	1.40%	21,297,949
<u>Park Districts:</u>			
Palatine Park District	11,450,000	74.8%	8,564,600
Arlington Heights Park District	22,395,649	0.6%	134,374
Palatine Public Library District	12,225,000	76.3%	9,327,675
	<u>4,698,332,734</u>		<u>83,158,318</u>
	<u>4,879,890,830</u>		<u>123,552,015</u>
	<u>\$ 4,947,698,889</u>		<u>\$ 191,360,074</u>

- (1) Determined by ratio of assessed valuation of property subject to taxation in the City of Palatine to valuation of property subject to taxation in overlapping unit.

VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2006

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

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Water General Obligation Bonds						Sewer General Obligation Bonds					
	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
1997	\$ 6,998,754	\$ 5,492,806	\$ 1,505,948	\$ 105,000	\$ 7,927	13.34	N/A	N/A	N/A	\$ -	\$ -	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	5,447,511	5,442,994	4,517	339,350	245,650	-	1,810,558	812,944	997,614	61,690	78,310	7.13
2003	5,469,202	4,801,357	667,845	366,190	228,810	1.12	2,063,402	988,162	1,125,240	65,310	74,690	8.04
2004	5,714,010	5,265,847	448,163	699,020	337,980	0.43	2,090,222	1,188,941	901,281	73,330	66,670	6.44
2005	6,341,671	4,920,219	1,421,452	725,930	297,985	1.39	2,212,350	1,245,336	967,014	74,850	56,150	7.38
2006	5,981,666	4,742,994	1,238,672	762,960	268,140	1.20	2,380,416	1,312,761	1,067,655	78,180	52,820	8.15

Note: Details of the Village's outstanding debt can be found in the notes to the financial statements.

Water Charges and Other includes investment earnings but not tap on fees.

Operating expenses do not include interest or depreciation.

(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.

VILLAGE OF PALATINE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2006	65,920	\$ 2,021,173,120	\$ 30,661	6.7
2005	65,920	2,021,173,120	30,661	6.7
2004	65,920	2,021,173,120	30,661	6.7
2003	65,479	2,007,651,619	30,661	6.8
2002	65,479	2,007,651,619	30,661	6.8
2001	65,479	2,007,651,619	30,661	5.1
2000	65,479	2,003,657,400	30,600	4.1
1999	57,066	1,694,860,200	29,700	4.1
1998 (1)	57,066	1,643,500,800	28,800	4.2
1998	57,066	1,643,500,800	28,800	4.2
1997	57,066	1,403,310,006	24,591	5.1

(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.

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

2006			1997		
Employer	Rank	Percent of Total Village Population	Employer	Rank	Percent of Total Village Population
United Parcel Service	1	3.03%	United States Postal Service	1	3.42%
United States Postal Service	2	2.44%	United Parcel Service	2	2.63%
Palatine School District No. 15	3	1.82%	Palatine School District No. 15	3	1.93%
TownshipHigh School District No. 211	4	1.41%	Harper Community College No. 512	4	1.31%
Harper Community College No. 512	5	1.27%	TownshipHigh School District No. 211	5	1.14%
Village of Palatine	6	0.55%	Square D Company	6	0.61%
Arlington Plating	7	0.20%	Village of Palatine	7	0.53%
The Intec Group, Inc.	8	0.12%	Arlington Plating	8	0.30%

VILLAGE OF PALATINE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL GOVERNMENT										
Administration	9.5	9.5	10.5	12.0	12.0	12.0	12.0	12.0	10.0	11.0
Administrative Services	-	-	-	-	-	-	-	-	1.5	1.0
Village Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	17.5	19.5	19.5	19.0	19.0	19.0	19.0	17.0	17.0	18.0
Information Systems	5.5	5.5	6.5	6.5	6.5	9.5	9.5	7.5	8.0	8.0
Community Services	30.0	29.5	29.5	20.0	19.5	19.5	20.5	18.0	19.0	19.0
Planning/Zoning	NA	NA	NA	6.5	5.5	5.5	5.5	4.5	5.5	5.0
PUBLIC SAFETY										
Police										
Officers	90.0	94.0	98.0	110.0	111.0	111.0	110.0	106.0	107.0	109.0
Civilians	31.0	32.5	36.5	38.5	38.5	38.5	38.0	33.0	33.0	33.0
Fire										
Firefighters and officers	76.0	77.0	82.0	96.0	96.0	96.0	96.0	95.0	95.0	95.0
Civilians	12.5	12.5	13.0	11.5	12.5	12.0	12.5	9.5	11.0	11.0
Public Works	64.0	64.0	64.0	66.0	69.0	69.5	65.0	59.0	57.5	58.5
Engineering	NA	NA	NA	5.5	5.5	8.0	7.5	6.5	6.5	6.5

Data Source

Village budget office

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PUBLIC SAFETY										
Police										
Physical arrests	1,566	N/A	1,566	2,617	2,617	2,617	2,617	4,087	6,758	N/A
Parking violations	10,794	N/A	10,794	10,752	10,752	10,752	10,752	13,766	7,274	N/A
Traffic violations	14,235	N/A	14,235	14,937	14,937	14,937	14,937	10,264	19,199	N/A
Fire										
Emergency responses	1,566	N/A	1,566	6,752	6,752	6,752	6,752	6,277	6,568	6,891
WATER										
Number of connections	16,739	N/A	16,739	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Average daily consumption	7,300,000	N/A	7,300,000	7,300,000	7,779,205	7,856,301	7,470,575	7,090,082	7,679,562	6,772,164

Data Source

Various Village departments

(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.

VILLAGE OF PALATINE, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	N/A	16	16	16	20	20	22	28	NA
Fire										
Fire stations	3	3	3	5	5	5	5	5	5	5
Fire engines	6	6	6	7	7	7	7	7	7	7
PUBLIC WORKS										
Streets (miles)	160	N/A	160	160	160	160	160	160	160	160
Number of Bridges	4	4	5	5	6	6	6	6	6	6
Storm sewers (miles)	101	N/A	101	200	200	200	200	220	220	220
WATER										
Water mains (miles)	200	N/A	200	200	200	200	200	200	200	200
Fire hydrants	2,500	N/A	2,500	2,500	2,500	2,500	2,500	2,500	3,200	N/A
WASTEWATER										
Sanitary sewers (miles)	123	N/A	123	200	200	200	200	200	200	200

Data Source

Various Village departments

Additional Disclosures Required
by SEC Rule 15c2-12

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Statement of Indebtedness December 31, 2006

	Amount Applicable as of May 1, 2007	As Per Cent of		Per Capita (2000 Census Pop. 65,920)
		Assessed Value	Estimated True Value	
Assessed valuation of taxable real property, 2005 (3)	\$ 1,934,729,059	100.00%	33.33%	\$ 29,349.65
Estimated true value of taxable real property, 2005	5,804,187,177	300.00%	100.00%	88,048.96
Direct general obligation bonded debt (1):				
Payable from property taxes	\$ 15,419,010	0.80%	0.27%	\$ 233.90
Self-supporting	72,709,049	3.76%	1.25%	1,102.99
Total direct bonded debt	\$ 88,128,059	4.56%	1.52%	\$ 1,336.89
Overlapping bonded debt payable from property taxes (2):				
Schools	\$ 40,393,697	2.09%	0.70%	\$ 612.77
Other than schools	83,158,318	4.30%	1.43%	1,261.50
Total overlapping bonded debt	\$ 123,552,015	6.39%	2.13%	\$ 1,874.27
Total direct and overlapping bonded debt	\$ 211,680,074	10.94%	3.65%	\$ 3,211.17
Total direct and overlapping excl. self-supporting	\$ 138,971,025	7.18%	2.39%	\$ 2,108.18

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 \$72,709,049 or 82.5% is considered self-supporting.
2. See "Detailed Overlapping Bonded Indebtedness payable from Property Taxes at December 31, 2006."
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, 2006

Due 12/1	Principal Maturities (1)												Total Maturities (2)	
	Taxable												Amount	
	Series 1989 (3)	Series 1999	Series 1999A	Series 2000	Series 2000B	Series 2001	Series 2001	Series 2002	Series 2003	Series 2004	Series 2005	Series 2007		
2007	-	650,000	-	1,760,000	110,000	-	700,000	385,000	947,416	1,950,000	5,000	-	6,507,416	7.4%
2008	-	265,000	-	1,850,000	110,000	-	1,025,000	400,000	965,939	1,905,000	5,000	470,000	6,995,939	7.9%
2009	-	275,000	-	1,950,000	120,000	640,000	730,000	415,000	1,009,582	620,000	5,000	835,000	6,599,582	7.5%
2010	-	275,000	-	2,055,000	120,000	1,390,000	-	430,000	1,033,350	540,000	5,000	975,000	6,823,350	7.7%
2011	-	280,000	-	2,165,000	120,000	1,450,000	-	450,000	1,102,249	555,000	5,000	1,020,000	7,147,249	8.1%
2012	-	290,000	300,000	-	125,000	2,015,000	-	470,000	1,131,281	2,410,000	5,000	1,060,000	7,806,281	8.9%
2013	-	300,000	135,000	-	135,000	2,115,000	-	490,000	350,452	1,060,000	830,000	1,110,000	6,525,452	7.4%
2014	317,473	310,000	-	-	140,000	2,215,000	-	510,000	-	1,135,000	-	1,160,000	5,787,473	6.6%
2015	523,137	690,000	-	-	375,000	2,860,000	-	535,000	-	1,200,000	-	1,305,000	7,488,137	8.5%
2016	302,180	-	-	-	-	1,880,000	-	560,000	-	1,215,000	-	1,360,000	5,317,180	6.0%
2017	-	-	-	-	-	-	-	585,000	-	1,285,000	-	445,000	2,315,000	2.6%
2018	-	-	-	-	-	-	-	610,000	-	1,150,000	-	100,000	1,860,000	2.1%
2019	-	-	-	-	-	-	-	640,000	-	1,195,000	-	3,390,000	5,225,000	5.9%
2020	-	-	-	-	-	-	-	675,000	-	1,265,000	-	100,000	2,040,000	2.3%
2021	-	-	-	-	-	-	-	705,000	-	610,000	-	115,000	1,430,000	1.6%
2022	-	-	-	-	-	-	-	740,000	-	645,000	-	3,835,000	5,220,000	5.9%
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2026	-	-	-	-	-	-	-	-	-	-	-	3,040,000	3,040,000	3.4%
	\$ 1,142,790	\$ 3,335,000	\$ 435,000	\$ 9,780,000	\$ 1,355,000	\$ 14,565,000	\$ 2,455,000	\$ 8,600,000	\$ 6,540,269	\$ 18,740,000	\$ 860,000	\$ 20,320,000	\$ 88,128,059	100.0%

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. This table excludes the outstanding principal of the Village's Special Service Area Bonds (shown as overlapping debt); \$14,570,000 principal outstanding (as of December 31, 2006) 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 benefitting 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.
2. The Village has chosen to fund certain projects with general obligation bonds and abate the taxes thereon from other sources. Of the Village's \$67,808,059 principal outstanding at December 31, 2006, the Village estimates that \$62,389,049 (77.3%) is self-supporting from non-property tax sources.
3. The Series 1989 are capital appreciation bonds due January 1, 2014-2016.

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, 2006

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)	
Sale Date	Amount							
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
May 30, 2007	20,320,000	1.52%	0.27%	3.65%	2.39%	3,211.17	2,108.18	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 December 31, 2006

Governmental Unit	Percent of Village's 2005 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
School Districts				
Palatine C. C. S. D. #15	100.0%	\$ 42,364,901	49.200%	\$ 20,843,531
Township H. S. D. #211	99.9%	61,255,000	22.200%	13,598,610
Township H. S. D. #214	0.1%	12,078,195	0.200%	24,156
Harper Junior College #512	100.0%	65,860,000 (2)	9.000%	5,927,400
Total School Districts				<u>\$ 40,393,697</u>
Other Than School Districts				
Cook County and				
Forest Preserve District	100.0%	3,130,980,000	1.400%	43,833,720
Sanitary District	100.0%	1,521,282,085	1.400%	21,297,949
Park Districts				
Palatine	94.2%	11,450,000 (2)	74.800%	8,564,600
Arlington Heights	0.1%	22,395,649 (2)	0.600%	134,374
Palatine Public Library District	99.9%	12,225,000	76.300%	9,327,675
Total Other Than School Districts				<u>\$ 83,158,318</u>

Notes:

1. Village's share based upon 2005 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 - \$2,265,000; Palatine Park District - \$1,235,000; and, Arlington Heights Park District - \$2,959,000.

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Equalized Assessed Valuation for Taxing Purposes December 31, 2006

Levy Year	Net for General Taxing Purposes	Plus Incremental Valuation	Total For All Taxing Purposes	Increase Over Prior Year
2001 (2)	\$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 (2)	1,678,511,650	100,006,109	1,778,517,759	18.5%
2005	1,814,735,721	119,993,338	1,934,729,059	8.8%

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.
3. 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, 2006

	Levy Years				
	2001	2002	2003	2004	2005
Village of Palatine (1):					
Corporate	\$ 0.155	\$ 0.226	\$ 0.249	\$ 0.229	\$ 0.220
Bonds and interest	0.251	0.241	0.242	0.195	0.181
Pensions (Police, Fire, IMRF and Soc. Sec.)	0.221	0.228	0.286	0.275	0.281
Fire Protection	0.423	0.439	0.409	0.385	0.370
Water and sewerage	0.086	-	-	-	-
Total Village of Palatine	1.136	1.134	1.186	1.084	1.052
Cook County (Incl. Forest Preserve)	0.813	0.751	0.689	0.653	0.593
Sanitary District	0.401	0.371	0.361	0.347	0.315
Palatine Park District	0.455	0.422	0.482	0.437	0.422
Palatine Library District	0.322	0.310	0.315	0.280	0.271
Palatine C. C. S. D. #15	3.289	3.185	3.313	2.925	2.840
Junior College #512	0.308	0.295	0.310	0.279	0.281
Township H. S. D. #211	2.147	2.067	2.165	2.158	2.191
Township and all other	0.176	0.138	0.172	0.126	0.142
Total (2)	\$ 9.047	\$ 8.673	\$ 8.993	\$ 8.289	\$ 8.107
Village rate as a percent of total	12.6%	13.1%	13.2%	13.1%	13.0%

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 78.5% of the Village's 2005 equalized assessed valuation.

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Tax Extensions and Collections December 31, 2006

Levy Year	Collection Year	Total Taxes Extended	Total Taxes Collected	
			Amount	Percent (2)
2001	2002	\$ 15,104,109	14,954,154	99.01%
2002	2003	16,242,234	16,135,132	99.34%
2003	2004	17,061,932	16,882,993	98.95%
2004	2005	18,187,861	17,943,439	98.66%
2005	2006	19,090,228	18,689,606	97.90%
2006	2007	19,798,958	----- In Process -----	

Notes:

1. Source: Cook County Treasurer's Office.
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.

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Tax Base Distribution by Property Classification December 31, 2006

Property Classification	Levy Years				
	2001	2002	2003	2004	2005
Residential	\$ 862,113,017	\$ 949,368,098	\$ 963,534,181	\$ 1,138,490,510	NA
Commercial	343,541,840	350,040,146	345,997,963	394,146,124	NA
Industrial	123,621,909	132,519,388	128,678,367	145,428,977	NA
Railroad	308,241	366,046	395,865	445,859	NA
Farm	2,045	2,045	5,175	180	NA
Net for Gen'l Taxing Purposes	\$ 1,329,587,052	\$ 1,432,295,723	\$ 1,438,611,551	\$ 1,678,511,650	\$ 1,814,735,721
Incremental Valuation (2)	31,571,463	48,520,555	62,457,767	100,006,109	119,993,338
Total for all Taxing Purposes	\$ 1,361,158,515	\$ 1,480,816,278	\$ 1,501,069,318	\$ 1,778,517,759	\$ 1,934,729,059
Percentage Increase	20.4%	8.8%	1.4%	18.5%	8.8%

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.
2. 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 Ten Largest Taxpayers December 31, 2006

Rank	Taxpayer	Business/Properties	Equalized Assessed Valuation (1)	Percent of Village (2)
1	Mid America Park Place	Park Place Shopping Center	\$ 32,743,370	1.7%
2	PFC Marquette Company	Apartments	24,914,641	1.3%
3	AL LH DB LP	Apartments	22,843,014	1.2%
4	Individual Taxpayer	Shopping Center	18,525,219	1.0%
5	Brookind Corp.	United Parcel Service	16,655,220	0.9%
6	Concord Mills Estates	Various Real Property	15,098,447	0.8%
7	Village Park Palatine 300	Apartments	13,521,515	0.7%
8	Regency Plaza Partners	Shopping Center	11,258,307	0.6%
9	Square D Company	Corporate Headquarters	9,671,187	0.5%
10	Hamilton Partners	Commercial Building	8,742,397	0.5%
Total Ten Largest Taxpayers			<u>\$ 173,973,317</u>	<u>9.2%</u>

Notes:

1. Valuations for 2005 taxing purposes.
2. Total 2005 Village valuation of \$1,934,729,059 (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, 2006

Summary Statement of Revenue, Expenditures and Changes in Fund Balance

	Audited (Note 1)					
	Dec. 31					Dec. 31, 2007
	2002	2003	2004	2005	2006	Budget (2)
Revenue (3):						
Taxes						
Property taxes	\$ 10,377,518	\$ 12,632,584	\$ 13,629,102	\$ 15,362,641	\$ 16,169,543	\$ 16,607,585
Sales tax	8,934,817	9,009,385	11,743,223	12,503,160	12,723,170	12,358,900
Other taxes	1,408,485	1,466,048	1,959,056	2,181,131	2,359,091	2,212,790
Licenses and permits	2,665,519	2,686,698	3,212,245	3,121,288	3,242,695	3,064,000
Intergovernmental						
State income tax	4,350,481	4,057,697	4,189,384	4,919,232	5,403,355	4,932,080
Other	874,343	683,014	789,750	868,098	1,187,414	2,170,405
Charges for services	2,167,080	1,043,774	1,969,394	1,950,734	1,768,571	2,069,000
Fines and forfeits	707,736	763,501	716,827	741,524	885,018	837,000
Interest income	156,565	67,631	69,190	348,592	1,137,974	250,000
Transfers-in	-	1,643,440	1,766,675	93,530	600,475	5,725
All other revenues	512,680	344,070	469,046	338,619	371,053	293,150
Total revenues	32,155,224	34,397,842	40,513,892	42,428,549	45,848,359	44,800,635
Expenditures						
General Government						
Finance/Data Proc.	1,948,193	1,783,746	1,609,058	1,862,200	1,969,941	2,286,645
Community Services	2,414,036	2,025,024	2,049,548	1,989,349	1,652,076	1,920,115
Insurance	836,072	997,313	1,101,123	1,329,771	1,653,535	2,437,980
All Other	2,462,695	2,316,229	2,011,583	1,526,531	3,044,804	3,573,815
Total General Gov't	7,660,996	7,122,312	6,771,312	6,707,851	8,320,356	10,218,555
Public Safety						
Police	12,652,417	12,817,742	13,674,135	14,413,178	15,213,534	16,574,360
Fire	9,564,127	10,208,028	10,848,633	11,089,532	11,951,093	13,051,387
Civil Defense	27,452	48,313	80,627	137,744	221,502	-
Total Public Safety	22,243,996	23,074,083	24,603,395	25,640,454	27,386,129	29,625,747
Public Works	3,946,316	4,556,489	4,625,704	4,710,929	4,657,122	5,444,430
Transfers-out	317,200	2,329,486	48,925	1,400,000	4,149,105	-
Total Expenditures	34,168,508	37,082,370	36,049,336	38,459,234	44,512,712	45,288,732
Revenues over (under) expenditures	(2,013,284)	(2,684,528)	4,464,556	3,969,315	1,335,647	(488,097)
Adjustments to fund balance	(191,299)	(549,955)	55,575	-	-	
Fund balance-ending	11,057,172	7,822,689	12,342,820	16,312,135	17,647,782	

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12

General Fund

December 31, 2006

Balance Sheet

	Dec. 31				
	2002	2003	2004	2005	2006
Assets:					
Cash and investments	\$ 8,233,409	\$ 5,086,606	\$ 10,698,069	\$ 15,123,023	\$ 11,622,670
Receivables:					
Property tax	12,652,000	13,433,500	14,759,690	15,645,500	16,607,585
All other	257,386	523,827	692,886	541,668	751,540
Prepaid items	1,362,464	-	-	26,470	-
Due from other governments	2,247,790	2,757,394	3,287,266	3,433,314	3,058,700
Due from other funds	1,621,154	2,210,292	258,130	219,252	5,042,920
All other assets	20,745	21,885	25,965	-	-
Total assets	<u>\$ 26,394,948</u>	<u>\$ 24,033,504</u>	<u>\$ 29,722,006</u>	<u>\$ 34,989,227</u>	<u>\$ 37,083,415</u>
Liabilities and Fund Balance					
Accounts payable	\$ 336,620	\$ 428,930	\$ 332,281	\$ 212,728	\$ 266,919
Deferred revenues	12,826,424	13,806,670	14,966,556	16,090,618	17,016,788
All other liabilities	2,174,732	1,975,215	2,080,349	2,373,746	2,151,926
Total liabilities	<u>15,337,776</u>	<u>16,210,815</u>	<u>17,379,186</u>	<u>18,677,092</u>	<u>19,435,633</u>
Fund Balance					
Reserved	1,383,209	21,885	25,965	26,470	5,042,920
Unreserved	9,673,963	7,800,804	12,316,855	16,285,665	12,604,862
Total fund balance	<u>11,057,172</u>	<u>7,822,689</u>	<u>12,342,820</u>	<u>16,312,135</u>	<u>17,647,782</u>
Total liabilities and fund balance	<u>\$ 26,394,948</u>	<u>\$ 24,033,504</u>	<u>\$ 29,722,006</u>	<u>\$ 34,989,227</u>	<u>\$ 37,083,415</u>

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, 2006

Fund Balances 2002 - 2006					
	Dec. 31				
	2002	2003	2004	2005	2006
Governmental Fund Types					
General	\$ 11,057,172	\$ 7,822,689	\$ 12,342,820	\$ 16,312,135	\$ 17,647,782
Special Revenue					
Motor Fuel Tax	1,317,567	1,433,992	849,535	353,229	262,620
Comm. Dev. Blk Grnt	-	-	-	-	-
Downtown TIF	(205,515)	1,812,321	7,109,515	3,749,848	(731,475)
Rand Rd Corridor TIF	-	141,884	2,575,013	3,661,519	5,175,681
Total Special Revenue	1,112,052	3,388,197	10,534,063	7,764,596	4,706,826
Debt Service	18,349,344	13,167,153	8,274,820	10,409,015	12,617,668
Capital Projects	8,789,391	4,644,878	2,841,873	1,685,217	6,127,830
Total Governmental	39,307,959	29,022,917	33,993,576	36,170,963	41,100,106
Proprietary Fund Types (2):					
Enterprise Funds					
Waterworks	14,542,500	13,568,185	13,137,787	14,575,540	14,775,520
Sewerage	11,877,201	11,479,059	11,139,576	11,827,844	11,665,501
Motor Veh Pkg Syst	18,492,412	17,838,167	17,145,072	16,440,972	15,729,867
Refuse Collection	254,140	513,181	583,650	511,198	615,776
Total Enterprise	45,166,253	43,398,592	42,006,085	43,355,554	42,786,664
Internal Service Funds					
Self Insurance	(347,908)	-	446,526	1,221,653	2,401,544
Central Equipment	(50,213)	(231,496)	(123,827)	(62,211)	28,110
Total Proprietary	44,768,132	43,167,096	42,328,784	44,514,996	45,216,318
Fiduciary Fund Types (3):					
Pension Trust					
Police Pension	24,025,255	26,339,997	28,578,027	30,382,994	32,528,147
Firefighters' Pension	27,458,820	31,110,180	33,612,547	35,594,313	39,401,126
Total Fiduciary	51,484,075	57,450,177	62,190,574	65,977,307	71,929,273
Total All Funds (Memo Only)	\$ 135,560,166	\$ 129,640,190	\$ 138,512,934	\$ 146,663,266	\$ 158,245,697

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Combined Statement - All Funds (Note 1) December 31, 2006

Cash and Investments

	December 31				
	2002	2003	2004	2005	2006
Fund:					
General	\$ 8,233,409	\$ 5,086,606	\$ 10,698,069	\$ 15,123,023	\$ 11,622,670
Special Revenue	1,427,567	1,692,959	2,609,912	2,341,408	2,858,328
Debt Service	3,336,187	13,169,679	8,296,390	10,410,715	12,619,368
Capital Projects	8,745,568	3,940,034	2,207,095	1,268,425	5,797,507
Enterprise Funds	5,484,439	4,453,710	3,024,363	6,024,238	5,201,496
Internal Service Funds	113,227	211,551	768,879	1,654,176	2,608,595
Pension Trust	51,407,555	57,371,199	62,111,900	65,900,784	71,504,934
Total cash and investments	<u>\$ 78,747,952</u>	<u>\$ 85,925,738</u>	<u>\$ 89,716,608</u>	<u>\$ 102,722,769</u>	<u>\$ 112,212,898</u>

Notes:

1. These condensed financial statements for the years ending December 31, 2002 - 2006, 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, 2006, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2002 - 2005. 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, 2006, 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, 2006, 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 net assets and the amounts shown as "Revenues over Expenditures" represent the change in that amount. "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, 2006

Governmental Activities		Business Type Activities	
	Amount		Amount
Land	\$ 2,967,075	Land	\$ 2,906,138
Land right of ways	139,482,627	Improvements	15,673,130
Buildings	13,590,791	Machinery and equipment	571,995
Machinery and equipment	6,665,143	System lines	41,227,920
Storm sewer	28,726,850	Total	60,379,183
Streets	23,681,430		
Bridges	1,596,735		
Total	216,710,651		
Less Accumulated Depreciation	35,713,818	Less Accumulated Depreciation	24,161,895
Net Capital Assets	\$ 180,996,833	Net Capital Assets	\$ 36,217,288