



VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2007

VILLAGE OF PALATINE, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
December 31, 2007

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, 2007

MAYOR

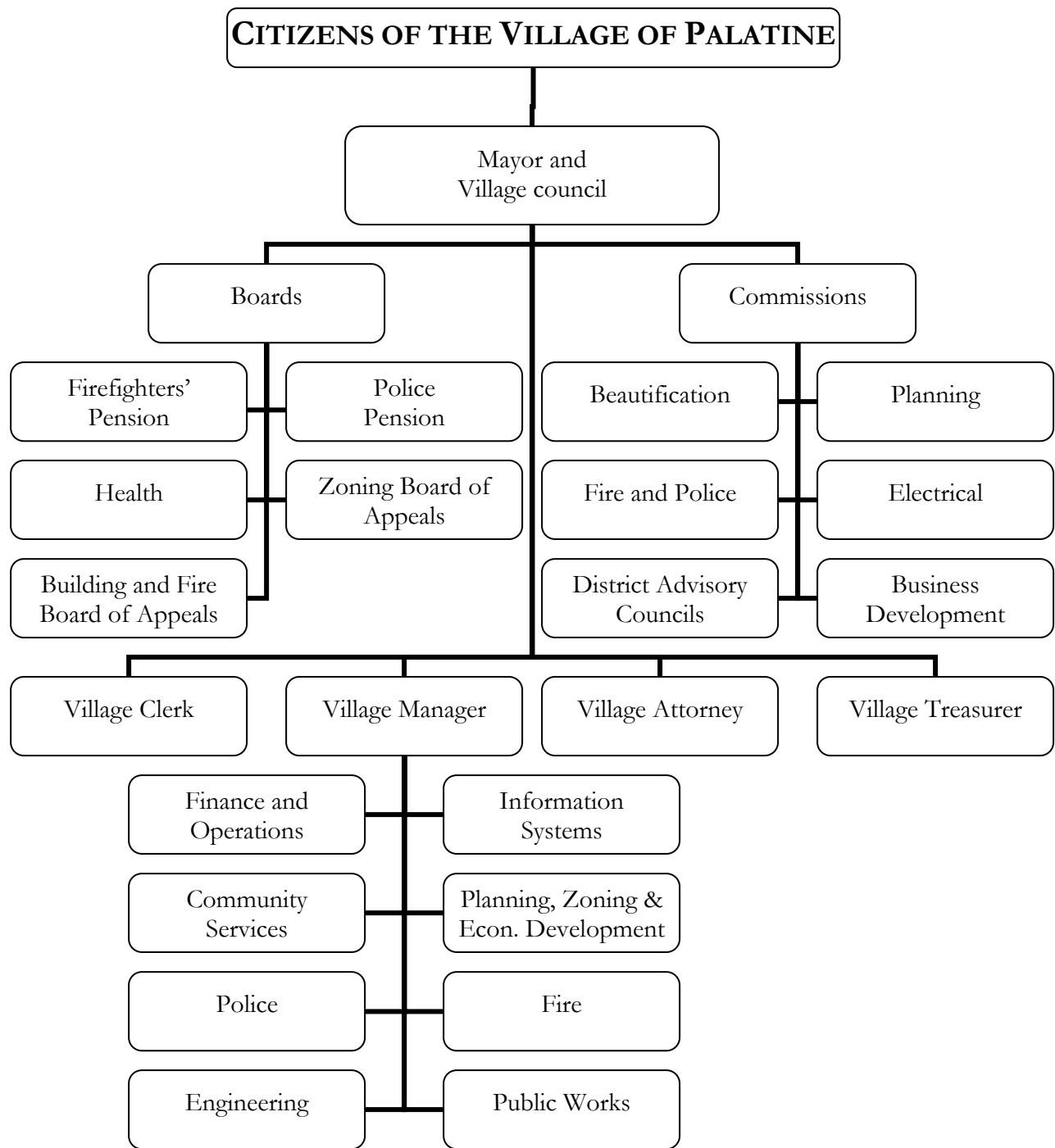
Rita L. Mullins

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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Enen

Executive Director



FINANCE & OPERATIONS

VILLAGE OF PALATINE

200 E. Wood Street × Palatine, IL 60067-5339

Telephone (847) 359-9088 × Fax (847) 202-6672

www.palatine.il.us

June 12, 2008

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, 2007.

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, 2007, 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, 2007, 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.

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 62 and 63 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 71.

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 2007 increased by approximately 2.6% 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:

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.

Arlington Toyota – This approved project locates an automotive dealership on what was previously a mainly vacant tract of land at a major intersection along Rand Road. The project will consist initially of a new car Toyota dealership building with approximately 82,000 square feet of interior space. The dealership will be a state of the art facility designed and constructed to be compliant with the Toyota 2012 Facility Standards and Toyota Image II Facility Design Guidelines.

City Limits Harley Davidson – This approved project consists of the development, construction, financing, and completion of a commercial building consisting of approximately 40,000 square feet for purposes of operating a Harley Davidson Motorcycle Dealership, and the potential future phase consisting of a not less than five thousand square foot related themed restaurant.

Long-term financial planning

In addition to the economic development projects mentioned above, the Village has demonstrated a commitment to maintaining its infrastructure. In 2007, the Village spent over \$6.1 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. Additionally, a major improvement to the intersection of Palatine and Plum Grove Roads is in the planning stages. This is 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

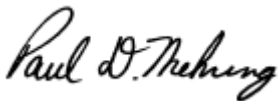
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palatine for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2006. This was the eighth consecutive year that the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village 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 Accounting Manager, Nikki Winikates. I would also like to thank the staff at Sikich LLP, for their 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,

A handwritten signature in black ink, reading "Paul D. Mehring". The signature is written in a cursive, flowing style.

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, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village of Palatine, Illinois' nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2007, 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 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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palatine, Illinois, as of December 31, 2007, 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, 2007, and the respective changes in financial position of such funds 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 June 12, 2008 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 and schedules taken as a whole. The accompanying financial information listed as supplemental and schedules in the table of contents are presented for purposes of additional analysis and are 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.

A handwritten signature in dark ink, appearing to read "Sikich LLP", is positioned above the date and location. The signature is written in a cursive, flowing style.

Aurora, Illinois
June 12, 2008

General Purpose External Financial Statements

**VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

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 \$10.4 million (5.4%) during the fiscal year ending December 31, 2007. The governmental net assets increased by \$10.5 million from operations. Business-type activities net assets decreased by \$0.1 million.
- The Village's combined Governmental Funds ending fund balance increased \$19.7 million (47.9%) as of December 31, 2007, mainly due to the issuance of \$18.8 million in General Obligation Bonds.
- At the end of the current fiscal year, unreserved - undesignated fund balance for the General Fund was \$13.1 million or 30.25% of General Fund expenditures.
- During the current year, the Village issued \$20,320,000 in General Obligation Bonds Series 2007A through Series 2007E to finance road improvements, water system improvements, and development projects within the Downtown and Rand Corridor TIF Districts.

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 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

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

analysis of the cost of various government services and/or subsidy to various business-type activities.

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. 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, the Tax Increment Revenue Refunding Bond Fund, and Rand Road Corridor TIF 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

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

functions and have been included with Governmental Activities in the Government-Wide Financial Statements.

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

Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension Fund and Firefighters Pension Fund, see pages 18 - 19). 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 20 - 61 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 62 - 71 of this report. The combining and individual fund statements for nonmajor governmental, enterprise, and internal service funds are presented on pages 72 - 89 of this report, immediately following the required supplementary information.

Infrastructure Assets

The Village has chosen to depreciate infrastructure 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 \$200 million as of December 31, 2007. Net assets have increased by \$15.5 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 2007</i> | <i>Business- type Activities 2007</i> | <i>Total 2007</i> | <i>Govern- mental Activities 2006</i> | <i>Business- type Activities 2006</i> | <i>Total 2006</i> |
|-----------------------------|--|--|------------------------------|--|--|------------------------------|
| Current and other assets | \$ 89,669,354 | \$ 20,026,131 | \$109,695,485 | \$ 68,115,671 | \$ 17,861,904 | \$ 85,977,575 |
| Capital assets | 182,129,001 | 40,509,238 | 222,638,239 | 181,046,833 | 36,217,288 | 217,264,121 |
| Total assets | 271,798,355 | 60,535,369 | 332,333,724 | 249,162,504 | 54,079,192 | 303,241,696 |
| Long term liabilities | 93,104,857 | 10,827,469 | 103,932,326 | 74,745,564 | 8,978,537 | 83,724,101 |
| Other liabilities | 26,257,916 | 2,083,258 | 28,341,174 | 32,453,123 | 2,313,991 | 34,767,114 |
| Total liabilities | 119,362,773 | 12,910,727 | 132,273,500 | 107,198,687 | 11,292,528 | 118,491,215 |
| Net assets | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 92,401,441 | 32,624,663 | 125,026,104 | 105,405,740 | 37,479,931 | 142,885,671 |
| Restricted | 24,347,626 | - | 24,347,626 | 21,578,252 | - | 21,578,252 |
| Unrestricted | 35,686,515 | 14,999,979 | 50,686,494 | 14,979,825 | 5,306,733 | 20,286,558 |
| Total net assets | \$152,435,582 | \$ 47,624,642 | \$200,060,224 | \$141,963,817 | \$ 42,786,664 | \$184,750,481 |

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 \$35.7 million. 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 \$47.6 million. The Village can use the unrestricted net assets of \$14,999,979 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.

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

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

Current Year Impacts

During the current year, the Village issued \$20,320,000 in General Obligation Bonds Series 2007A through Series 2007E to finance road improvements, water system improvements, and development projects within the Downtown and Rand Corridor TIF Districts.

Changes in Net Assets

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

| | <i>Govern- mental Activities 2007</i> | <i>Business- type Activities 2007</i> | <i>Total 2007</i> | <i>Govern- mental Activities 2006</i> | <i>Business- type Activities 2006</i> | <i>Total 2006</i> |
|--|--|--|------------------------------|--|--|------------------------------|
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 7,198,922 | \$ 14,187,091 | \$ 21,386,013 | \$ 7,161,222 | \$ 12,896,486 | \$ 20,057,708 |
| Operating grants | 2,248,482 | - | 2,248,482 | 2,244,660 | - | 2,244,660 |
| Capital grants | 880,338 | - | 880,338 | 479,231 | - | 479,231 |
| General revenues | | | | | | |
| Property and replacement taxes | 30,267,938 | - | 30,267,938 | 29,044,078 | - | 29,044,078 |
| Other taxes | 24,248,544 | - | 24,248,544 | 22,807,935 | - | 22,807,935 |
| Other revenues | 2,657,584 | 513,390 | 3,170,974 | 2,176,580 | 171,555 | 2,348,135 |
| Total revenues | 67,501,808 | 14,700,481 | 82,202,289 | 63,913,706 | 13,068,041 | 76,981,747 |
| Expenses | | | | | | |
| Governmental activities | | | | | | |
| General government | 9,008,572 | - | 9,008,572 | 7,346,275 | - | 7,346,275 |
| Public safety | 29,416,464 | - | 29,416,464 | 28,713,081 | - | 28,713,081 |
| Public works | 9,080,835 | - | 9,080,835 | 8,643,238 | - | 8,643,238 |
| Economic development | 5,943,316 | - | 5,943,316 | 9,779,022 | - | 9,779,022 |
| Interest & fiscal charges | 4,340,856 | - | 4,340,856 | 4,295,123 | - | 4,295,123 |
| Business-type | | | | | | |
| Waterworks | - | 5,876,757 | 5,876,757 | - | 5,692,588 | 5,692,588 |
| Sewerage | - | 2,468,787 | 2,468,787 | - | 1,788,004 | 1,788,004 |
| Refuse collection | - | 1,535,188 | 1,535,188 | - | 1,395,069 | 1,395,069 |
| Motor vehicle parking | - | 4,178,546 | 4,178,546 | - | 4,006,515 | 4,006,515 |
| Total expenses | 57,790,043 | 14,059,278 | 71,849,321 | 58,776,739 | 12,882,176 | 71,658,915 |
| Change in net assets before transfers | 9,711,765 | 641,203 | 10,352,968 | 5,136,967 | 185,865 | 5,322,832 |
| Transfers | 760,000 | (760,000) | - | 754,755 | (754,755) | - |
| Change in net assets | 10,471,765 | (118,797) | 10,352,968 | 5,891,722 | (568,890) | 5,322,832 |
| Net assets – beginning, restated | 141,963,817 | 47,743,439 | 189,707,256 | 136,072,095 | 43,355,554 | 179,427,649 |
| Net assets – ending | \$ 152,435,582 | \$ 47,624,642 | \$ 200,060,224 | \$ 141,963,817 | \$ 42,786,664 | \$ 184,750,481 |

Normal Impacts

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

Revenues:

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

(See independent auditor's report)

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

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

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

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

Expenses:

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

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

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

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

Current Year Impacts

Governmental Activities

Revenues:

For the fiscal year ended December 31, 2007, revenues from Governmental Activities totaled \$67.5 million. During the fiscal year property taxes continue to be the Village's largest revenue source coming in at \$30.3 million and representing 45% of total Governmental Activity revenue. Sales tax revenues combined with the telecommunications tax, and shared state income tax revenues total \$22.8 million representing 34% of the total Governmental Activity revenue.

Expenses

For the fiscal year ended December 31, 2007, expenses from Governmental Activities totaled \$57.8 million. This represents a \$1.0 million (1.7%) decrease over the prior year. This decrease is the net result of a total increase in general government, public safety, and public works expenses of \$4 million that were offset by a \$5 million decrease in economic development expenses in the Village's four tax increment financing districts.

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

Business-Type Activities

Revenues

This fiscal year saw a combined \$0.11 increase in water and sewer rates a \$0.75 increase in refuse collection rates and no increase in commuter parking lot fees; as a result, combined revenues increased by \$1.6 million (12.5%).

Expenses

Operating expenses from all Business-Type Activities increased by approximately \$1.2 million (9.1%) as a result of cost increases due to collectively bargained personnel expenses, contractual cost increases, and an increase in maintenance activities in the Sewerage Fund.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

At December 31, 2007, the Governmental Funds (as presented on page 6-9) reported a combined fund balance of \$60.8 million, which is a 47.9% increase from the beginning of the year of \$41.1 million. This increase is mainly attributable to the issuance of \$18.8 million in General Obligation Bonds for development activities. Of the total fund balance, \$13.9 million is unreserved indicating availability for continuing Village services. Reserved fund balance of \$46.9 million includes \$5.4 million for advances, \$17.2 million for land held for resale, \$0.3 million for maintenance of roadways, \$2.1 million for economic development, \$7.1 million for special projects, and \$14.8 million 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 \$0.7 million (3.9%) from calendar year 2006; whereas, the fund balance for calendar year 2006 showed an increase of \$1.3 million. The net change in fund balance for calendar year 2007 represents a \$3.3 million increase in operations before a \$2.6 million in other financing uses (transfer to the Village's capital program that was made in accordance with the adopted Reserve Policy). Revenues increased by \$1.4 million and expenditures also increased by \$3.5 million, resulting in a \$3.3 million positive outcome from operations as compared to the \$5.5 million positive outcome in the prior year, both before other financing uses (transfers). Net financing uses decreased by \$1.5 million, which had a positive 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 2007 Original Budget</i> | <i>CY 2007 Final Budget</i> | <i>CY 2007 Actual</i> | <i>CY 2006 Actual</i> |
|--------------------------------------|------------------------------------|---------------------------------|---------------------------|---------------------------|
| Revenues | \$ 44,309,995 | \$ 44,515,853 | \$ 46,627,273 | \$ 45,247,884 |
| Expenditures | 44,507,395 | 44,801,756 | 43,314,322 | 39,763,132 |
| Excess of revenues over expenditures | (197,400) | (285,903) | 3,312,951 | 5,484,752 |
| Other financing sources (uses) | - | - | (2,616,733) | (4,149,105) |
| Net change in fund balance | \$ (197,400) | \$ (285,903) | \$ 696,218 | \$ 1,335,647 |

(See independent auditor's report)
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VILLAGE OF PALATINE, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Many revenues performed well in the fiscal year and include:

| | <i>Calendar Year 2007</i> | <i>Calendar Year 2006</i> | <i>Increase/(Decrease)</i> |
|---------------------|---------------------------|---------------------------|----------------------------|
| Municipal sales tax | \$ 8,271,034 | \$ 8,100,869 | \$ 170,165 |
| Home rule sales tax | 4,788,068 | 4,622,302 | 165,766 |
| State income tax | 5,863,302 | 5,403,355 | 459,947 |

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

General Fund actual revenues were \$2.2 million greater than the final budgeted amounts. Approximately 59% this overage was due to state income taxes and interest income surpassing our estimates due to economic factors.

The Downtown TIF Fund, General Obligation Bond Fund, Tax Increment Revenue Refunding Bond Fund, and Rand Road Corridor TIF Fund are also major governmental funds, and experienced net changes in fund balance of \$7,372,638, \$(26,045), \$2,251,050, and \$8,335,084, respectively.

Proprietary Funds

At December 31, 2007, the Enterprise Funds' (as presented on pages 12-17) total net assets decreased by \$118,797 (0.2%). This decrease is primarily due to depreciation of \$1.8 million of capital assets in the Enterprise Funds.

CAPITAL ASSETS

The Village's investment in capital assets for its Governmental and Business-Type Activities as of December 31, 2007, amounts to \$222,638,239. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a net increase (including additions and deductions) of \$467,343. 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 36 – 38.

The Governmental Activities net capital assets increased from last year by \$1,132,168. This is attributable to the fact that the net amount of additions and deletions was more than the amount of depreciation expensed this year. The material (\$2.15 million) capital addition for CY 2007 was a major refurbishment and addition to the Village's Fire Station #84. The Business-Type Activities net capital assets decreased by \$664,825 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 2007, the Village issued General Obligation Bonds Series A through Series E in the total amount of \$20,320,000.

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

The Village currently has twenty-three general obligation bond series, one tax increment revenue refunding bond series, and five tax increment revenue limited obligation redevelopment notes outstanding. \$84.5 million of general obligation bonds, \$13.6 million of tax increment revenue refunding bonds, and \$2.5 million of tax increment revenue limited obligation redevelopment notes are outstanding at December 31, 2007. Many of the General Obligation bonds (\$52.5 million outstanding at December 31, 2007) 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 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 38-50.

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. Sales tax revenues continue to show relative stability 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 2008 budget includes an increase in property tax revenues, due to the expected increase in equalized assessed value. Sales taxes are projected to decrease slightly due to the assumption that the economy will continue to slow; however, this also takes into account known economic development activities that will produce sales tax. Building permit revenues and planning and inspections fees were projected 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 \$0.11 increase in water and sewer rates and a \$0.25 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, 2007

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| ASSETS | | | |
| Cash and investments | \$ 30,919,874 | \$ 6,934,455 | \$ 37,854,329 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | |
| Property taxes | 22,607,093 | - | 22,607,093 |
| Accounts | - | 1,463,376 | 1,463,376 |
| Other | 915,111 | 207,639 | 1,122,750 |
| Prepaid expenses | 73,053 | 137,225 | 210,278 |
| Due from other governments | 4,350,197 | - | 4,350,197 |
| Advance to Fiduciary Fund | 84,415 | - | 84,415 |
| Deferred charges | 824,470 | 45,845 | 870,315 |
| Inventories | 167,601 | - | 167,601 |
| Land held for resale | 17,179,038 | - | 17,179,038 |
| Investment in joint venture | | | |
| Northwest Water Commission | - | 11,237,591 | 11,237,591 |
| Restricted assets | | | |
| Restricted cash and investments | 12,548,502 | - | 12,548,502 |
| Capital assets not being depreciated | 142,449,702 | 2,906,138 | 145,355,840 |
| Capital assets being depreciated | 39,679,299 | 37,603,100 | 77,282,399 |
| | | | |
| Total assets | 271,798,355 | 60,535,369 | 332,333,724 |
| LIABILITIES | | | |
| Accounts payable | 2,384,630 | 1,429,798 | 3,814,428 |
| Accrued payroll | 452,050 | 24,695 | 476,745 |
| Accrued interest payable | 975,454 | 25,830 | 1,001,284 |
| Due to other governments | 106,734 | - | 106,734 |
| Deposits payable | 1,310,343 | 198,737 | 1,509,080 |
| Claims payable | 300,000 | - | 300,000 |
| Other payables | 52,810 | - | 52,810 |
| Unearned property tax revenue | 20,437,810 | - | 20,437,810 |
| Other deferred revenues | 238,085 | 404,198 | 642,283 |
| Noncurrent liabilities | | | |
| Due within one year | 7,505,109 | 908,000 | 8,413,109 |
| Due in more than one year | 85,599,748 | 9,919,469 | 95,519,217 |
| | | | |
| Total liabilities | 119,362,773 | 12,910,727 | 132,273,500 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 92,401,441 | 32,624,663 | 125,026,104 |
| Restricted for | | | |
| Streets and highways | 320,875 | - | 320,875 |
| Economic development | 2,120,713 | - | 2,120,713 |
| Debt service | 14,842,673 | - | 14,842,673 |
| Special purposes | 7,063,365 | - | 7,063,365 |
| Unrestricted | 35,686,515 | 14,999,979 | 50,686,494 |
| | | | |
| TOTAL NET ASSETS | \$ 152,435,582 | \$ 47,624,642 | \$ 200,060,224 |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | |
|--------------------------------|---------------|-------------------------|---------------------|-------------------|
| | | Charges for Services | Operating Grants | Capital Grants |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General government | \$ 9,008,572 | \$ 4,135,624 | \$ - | \$ 770,511 |
| Public safety | 29,416,464 | 2,810,527 | 287,655 | - |
| Public works | 9,080,835 | 252,771 | 1,960,827 | - |
| Economic development | 5,943,316 | - | - | 109,827 |
| Interest and fiscal charges | 4,340,856 | - | - | - |
| Total governmental activities | 57,790,043 | 7,198,922 | 2,248,482 | 880,338 |
| Business-Type Activities | | | | |
| Waterworks | 5,876,757 | 6,471,798 | - | - |
| Sewerage | 2,468,787 | 2,681,760 | - | - |
| Motor vehicle parking system | 1,535,188 | 629,866 | - | - |
| Refuse collection | 4,178,546 | 4,403,667 | - | - |
| Total business-type activities | 14,059,278 | 14,187,091 | - | - |
| TOTAL PRIMARY GOVERNMENT | \$ 71,849,321 | \$ 21,386,013 | \$ 2,248,482 | \$ 880,338 |

| | Net (Expense) Revenue and Change in Net Assets | | |
|------------------------------------|--|-----------------------------|----------------|
| | Primary Government | | |
| | Governmental Activities | Business-Type Activities | Total |
| | \$ (4,102,437) | \$ - | \$ (4,102,437) |
| | (26,318,282) | - | (26,318,282) |
| | (6,867,237) | - | (6,867,237) |
| | (5,833,489) | - | (5,833,489) |
| | (4,340,856) | - | (4,340,856) |
| | (47,462,301) | - | (47,462,301) |
| | - | 595,041 | 595,041 |
| | - | 212,973 | 212,973 |
| | - | (905,322) | (905,322) |
| | - | 225,121 | 225,121 |
| | - | 127,813 | 127,813 |
| | (47,462,301) | 127,813 | (47,334,488) |
| General Revenues | | | |
| Taxes | | | |
| Property and replacement | 30,267,938 | - | 30,267,938 |
| Sales | 8,271,034 | - | 8,271,034 |
| Home rule sales | 4,788,068 | - | 4,788,068 |
| Use | 889,392 | - | 889,392 |
| Telecommunications | 2,987,002 | - | 2,987,002 |
| Income | 5,863,302 | - | 5,863,302 |
| Food and beverage | 1,029,233 | - | 1,029,233 |
| Other | 420,513 | - | 420,513 |
| Investment income | 2,211,847 | 291,401 | 2,503,248 |
| Miscellaneous | 214,546 | - | 214,546 |
| Income from joint venture | - | 221,989 | 221,989 |
| Gain on disposal of capital assets | 231,191 | - | 231,191 |
| Transfers | 760,000 | (760,000) | - |
| Total | 57,934,066 | (246,610) | 57,687,456 |
| CHANGE IN NET ASSETS | 10,471,765 | (118,797) | 10,352,968 |
| NET ASSETS, JANUARY 1 | 141,963,817 | 42,786,664 | 184,750,481 |
| Prior period adjustment | - | 4,956,775 | 4,956,775 |
| NET ASSETS, JANUARY 1, AS RESTATED | 141,963,817 | 47,743,439 | 189,707,256 |
| NET ASSETS, DECEMBER 31 | \$ 152,435,582 | \$ 47,624,642 | \$ 200,060,224 |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2007

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|-------------------------------|---|------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 12,721,021 | \$ 5,826,641 | \$ 2,058,607 | \$ 3,000 | \$ 3,069,033 | \$ 4,365,641 | \$ 28,043,943 |
| Restricted cash and investments | 67,460 | - | - | 12,481,042 | - | - | 12,548,502 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | | | | | |
| Property taxes | 19,283,541 | 349,240 | 2,711,641 | 105,193 | 157,478 | - | 22,607,093 |
| Other | 856,853 | - | - | - | - | - | 856,853 |
| Due from other funds | - | - | - | - | - | 2,634,542 | 2,634,542 |
| Due from other governments | 3,286,734 | - | - | - | 34,977 | 1,028,486 | 4,350,197 |
| Advance to Fiduciary Fund | - | - | - | - | - | 84,415 | 84,415 |
| Prepaid items | 4,793 | - | - | - | - | - | 4,793 |
| Land held for resale | - | 5,788,986 | - | - | 11,390,052 | - | 17,179,038 |
| Advance to other funds | 5,287,920 | - | - | - | - | - | 5,287,920 |
| TOTAL ASSETS | \$ 41,508,322 | \$ 11,964,867 | \$ 4,770,248 | \$ 12,589,235 | \$ 14,651,540 | \$ 8,113,084 | \$ 93,597,296 |

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|-------------------------------|---|------------------------------|-----------------------------------|--------------------------------|
| LIABILITIES AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 819,796 | \$ 35,784 | \$ 300 | \$ 500 | \$ 1,034,041 | \$ 391,243 | \$ 2,281,664 |
| Accrued payroll | 442,840 | - | - | - | - | - | 442,840 |
| Deposits payable | 1,310,343 | - | - | - | - | - | 1,310,343 |
| Other payables | 52,810 | - | - | - | - | - | 52,810 |
| Due to other funds | 2,616,733 | - | - | - | - | 17,809 | 2,634,542 |
| Due to other governments | - | - | - | - | 106,734 | - | 106,734 |
| Deferred property taxes | 17,921,800 | - | 2,516,010 | - | - | - | 20,437,810 |
| Other deferred revenues | - | - | - | - | - | 235,377 | 235,377 |
| Advance from other funds | - | 5,287,920 | - | - | - | - | 5,287,920 |
| Total liabilities | 23,164,322 | 5,323,704 | 2,516,310 | 500 | 1,140,775 | 644,429 | 32,790,040 |
| FUND BALANCES | | | | | | | |
| Reserved for advances | 5,287,920 | - | - | - | - | 84,415 | 5,372,335 |
| Reserved for land held for resale | - | 5,788,986 | - | - | 11,390,052 | - | 17,179,038 |
| Reserved for maintenance of roadways | - | - | - | - | - | 320,875 | 320,875 |
| Reserved for economic development | - | - | - | - | 2,120,713 | - | 2,120,713 |
| Reserved for debt service | - | - | 2,253,938 | 12,588,735 | - | - | 14,842,673 |
| Reserved for special projects | - | - | - | - | - | 7,063,365 | 7,063,365 |
| Unreserved | | | | | | | |
| Undesignated - General Fund | 13,056,080 | - | - | - | - | - | 13,056,080 |
| Undesignated - Special Revenue Funds | - | 852,177 | - | - | - | - | 852,177 |
| Total fund balances | 18,344,000 | 6,641,163 | 2,253,938 | 12,588,735 | 13,510,765 | 7,468,655 | 60,807,256 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 41,508,322 | \$ 11,964,867 | \$ 4,770,248 | \$ 12,589,235 | \$ 14,651,540 | \$ 8,113,084 | \$ 93,597,296 |

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, 2007

| | |
|--|-----------------------|
| FUND BALANCES OF GOVERNMENTAL FUNDS | \$ 60,807,256 |
| 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 | 182,129,001 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds | (89,794,900) |
| 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 | 824,470 |
| 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 | 89,920 |
| 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 | (96,675) |
| Loss on refundings are reported as reduction of long-term debt on the statement of net assets | 74,095 |
| Accrued interest on long-term debt is reported as a liability on the statement of net assets | (975,454) |
| Compensated absences payable is not due and payable in the current period and, therefore, is not reported in governmental funds | (1,573,866) |
| The net assets of the internal service fund are included in the governmental activities in the statement of net assets | 2,712,585 |
| The net pension obligation is not a current financial resource and is therefore not reported in the governmental funds | <u>(1,760,850)</u> |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 152,435,582</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, 2007

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------|-----------------|-------------------------------|---|------------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 32,430,278 | \$ 4,247,090 | \$ 2,886,973 | \$ 3,448,785 | \$ 2,653,053 | \$ 2,987,002 | \$ 48,653,181 |
| Licenses and permits | 3,061,764 | - | - | - | - | - | 3,061,764 |
| Intergovernmental | 7,083,356 | - | - | - | - | 2,841,165 | 9,924,521 |
| Charges for services | 2,056,012 | - | - | - | - | 74,130 | 2,130,142 |
| Fines and forfeits | 893,496 | - | - | - | - | - | 893,496 |
| Investment income | 938,750 | 191,900 | 149,643 | 527,585 | 187,462 | 216,507 | 2,211,847 |
| Contributions | - | - | - | - | - | 26,254 | 26,254 |
| Miscellaneous | 163,617 | 800 | - | - | - | 204,995 | 369,412 |
| Total revenues | 46,627,273 | 4,439,790 | 3,036,616 | 3,976,370 | 2,840,515 | 6,350,053 | 67,270,617 |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | 8,838,522 | - | - | - | - | - | 8,838,522 |
| Public safety | 28,822,573 | - | - | - | - | - | 28,822,573 |
| Public works | 5,653,227 | - | - | - | - | 1,909,848 | 7,563,075 |
| Economic development | - | 1,033,836 | - | - | 1,833,633 | 84,919 | 2,952,388 |
| Capital outlay | - | - | - | - | - | 6,125,005 | 6,125,005 |
| Debt service | | | | | | | |
| Principal | - | 1,655,616 | 2,799,520 | 1,020,000 | 3,062,783 | - | 8,537,919 |
| Interest and fiscal charges | - | 2,000,923 | 1,023,141 | 705,320 | 600,845 | - | 4,330,229 |
| Issuance costs | - | 61,150 | - | - | 92,828 | - | 153,978 |
| Total expenditures | 43,314,322 | 4,751,525 | 3,822,661 | 1,725,320 | 5,590,089 | 8,119,772 | 67,323,689 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,312,951 | (311,735) | (786,045) | 2,251,050 | (2,749,574) | (1,769,719) | (53,072) |

| | General | Downtown TIF | General Obligation Bond | Tax Increment Revenue Refunding Bond | Rand Road Corridor TIF | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------|-----------------|-------------------------------|---|------------------------------|-----------------------------------|--------------------------------|
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bonds issued at par | \$ - | \$ 7,700,000 | \$ - | \$ - | \$ 11,100,000 | \$ - | \$ 18,800,000 |
| Premium on bonds | - | 2,885 | - | - | 9,605 | - | 12,490 |
| Discount on bonds | - | (18,512) | - | - | (24,947) | - | (43,459) |
| Proceeds from sale of capital assets | - | - | - | - | - | 231,191 | 231,191 |
| Transfers in | - | - | 760,000 | - | - | 2,616,733 | 3,376,733 |
| Transfers (out) | (2,616,733) | - | - | - | - | - | (2,616,733) |
| Total other financing sources (uses) | (2,616,733) | 7,684,373 | 760,000 | - | 11,084,658 | 2,847,924 | 19,760,222 |
| NET CHANGE IN FUND BALANCES | 696,218 | 7,372,638 | (26,045) | 2,251,050 | 8,335,084 | 1,078,205 | 19,707,150 |
| FUND BALANCES (DEFICIT), JANUARY 1 | 17,647,782 | (731,475) | 2,279,983 | 10,337,685 | 5,175,681 | 6,390,450 | 41,100,106 |
| FUND BALANCES, DECEMBER 31 | \$ 18,344,000 | \$ 6,641,163 | \$ 2,253,938 | \$ 12,588,735 | \$ 13,510,765 | \$ 7,468,655 | \$ 60,807,256 |

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, 2007

| | |
|--|----------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 19,707,150 |
| 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 | 3,048,703 |
| 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 | (1,916,535) |
| Certain revenues that are deferred in the governmental funds are recognized as revenue in the governmental activities | (226,236) |
| 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 | (18,800,000) |
| 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 | 8,623,293 |
| Issuance costs on bonds are reported as an expenditure in governmental funds | 181,031 |
| The amortization of issuance costs on long-term debt is reported as an expense on the statement of activities | (86,467) |
| Discount on bonds issued is reported as an other financing use in governmental funds | 43,459 |
| The amortization of discount on long-term debt is reported as an expense on the statement of activities | (8,916) |
| Premium on bonds issued is reported as an other financing source in governmental funds | (12,490) |
| The amortization of premium on long-term debt is reported as revenue on the statement of activities | 14,976 |
| The amortization of the loss on refunding on long-term debt is reported as an expense on the statement of activities | (12,349) |
| The change in the accrual of interest on long-term debt is reported as an expense on the statement of activities | (4,338) |
| The change in compensated absences payable is shown as an expense on the statement of activities | 47,106 |
| The change in net assets of certain activities of internal service funds is reported in governmental funds on the statement of activities | 282,931 |
| The change in net pension obligation is not a current financial resource and, therefore, is not reported in the governmental funds | (409,553) |
| CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 10,471,765</u> |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2007

| | Business-Type Activities | | | | | Governmental Activities |
|---|--------------------------|-------------------|---------------------------------|----------------------|-------------------|----------------------------|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| CURRENT ASSETS | | | | | | |
| Cash and investments | \$ 2,185,332 | \$ 2,283,323 | \$ 1,183,814 | \$ 1,281,986 | \$ 6,934,455 | \$ 2,875,931 |
| Receivables (net where applicable, of allowances for uncollectibles) | | | | | | |
| Accounts | 917,754 | 469,160 | - | 76,462 | 1,463,376 | - |
| Other | - | 20,569 | - | 187,070 | 207,639 | 58,258 |
| Due from other funds | - | - | - | - | - | 8,815 |
| Prepaid expenses | - | - | - | 137,225 | 137,225 | 68,260 |
| Inventories | - | - | - | - | - | 167,601 |
| Deferred charges | 42,575 | 3,270 | - | - | 45,845 | - |
| Total current assets | 3,145,661 | 2,776,322 | 1,183,814 | 1,682,743 | 8,788,540 | 3,178,865 |
| NONCURRENT ASSETS | | | | | | |
| Capital assets | | | | | | |
| Land | 740,200 | - | 2,165,938 | - | 2,906,138 | - |
| Systems and improvements | 21,964,645 | 24,710,910 | 15,673,130 | - | 62,348,685 | - |
| Machinery and equipment | 1,065,095 | 247,945 | - | - | 1,313,040 | - |
| Accumulated depreciation | (10,519,245) | (11,494,080) | (4,045,300) | - | (26,058,625) | - |
| Net capital assets | 13,250,695 | 13,464,775 | 13,793,768 | - | 40,509,238 | - |
| Other assets | | | | | | |
| Investment in joint venture Northwest Water Commission | 11,237,591 | - | - | - | 11,237,591 | - |
| Total noncurrent assets | 24,488,286 | 13,464,775 | 13,793,768 | - | 51,746,829 | - |
| Total assets | 27,633,947 | 16,241,097 | 14,977,582 | 1,682,743 | 60,535,369 | 3,178,865 |

| | Business-Type Activities | | | | | Governmental Activities |
|---|--------------------------|---------------|---------------------------------|----------------------|---------------|-------------------------|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | \$ 606,593 | \$ 75,688 | \$ 98,933 | \$ 648,584 | \$ 1,429,798 | \$ 102,966 |
| Accrued payroll | 18,200 | 6,495 | - | - | 24,695 | 9,210 |
| Accrued interest payable | 21,650 | 4,180 | - | - | 25,830 | - |
| Deposits payable | 198,737 | - | - | - | 198,737 | - |
| Claims payable | - | - | - | - | - | 300,000 |
| Deferred revenues | - | 257,278 | - | 146,920 | 404,198 | 2,708 |
| Due to other funds | - | - | - | - | - | 8,815 |
| Compensated absences payable | 11,695 | 1,375 | - | - | 13,070 | 8,535 |
| General obligation bonds payable | 813,880 | 81,050 | - | - | 894,930 | - |
| Total current liabilities | 1,670,755 | 426,066 | 98,933 | 795,504 | 2,991,258 | 432,234 |
| LONG-TERM LIABILITIES | | | | | | |
| Compensated absences payable | 46,597 | 5,423 | - | - | 52,020 | 34,046 |
| General obligation bonds payable | 9,099,850 | 767,599 | - | - | 9,867,449 | - |
| Total long-term liabilities | 9,146,447 | 773,022 | - | - | 9,919,469 | 34,046 |
| Total liabilities | 10,817,202 | 1,199,088 | 98,933 | 795,504 | 12,910,727 | 466,280 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 6,101,997 | 12,728,898 | 13,793,768 | - | 32,624,663 | - |
| Unrestricted | 10,714,748 | 2,313,111 | 1,084,881 | 887,239 | 14,999,979 | 2,712,585 |
| TOTAL NET ASSETS | \$ 16,816,745 | \$ 15,042,009 | \$ 14,878,649 | \$ 887,239 | \$ 47,624,642 | \$ 2,712,585 |

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, 2007

| | Business-Type Activities | | | | | Governmental Activities |
|---|--------------------------|--------------|---------------------------------|----------------------|---------------|----------------------------|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 6,421,308 | \$ 2,603,502 | \$ 611,914 | \$ 4,403,667 | \$ 14,040,391 | \$ 6,392,801 |
| Miscellaneous | 50,490 | 78,258 | 17,952 | - | 146,700 | 234,015 |
| Total operating revenues | 6,471,798 | 2,681,760 | 629,866 | 4,403,667 | 14,187,091 | 6,626,816 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | | | | |
| Costs of sales and services | 4,805,690 | 1,891,324 | 761,528 | 4,178,546 | 11,637,088 | 6,498,966 |
| Total operating expenses excluding depreciation | 4,805,690 | 1,891,324 | 761,528 | 4,178,546 | 11,637,088 | 6,498,966 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION | 1,666,108 | 790,436 | (131,662) | 225,121 | 2,550,003 | 127,850 |
| DEPRECIATION AND AMORTIZATION | 540,390 | 516,114 | 773,660 | - | 1,830,164 | - |
| OPERATING INCOME (LOSS) | 1,125,718 | 274,322 | (905,322) | 225,121 | 719,839 | 127,850 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment income | 69,632 | 121,323 | 54,104 | 46,342 | 291,401 | 155,081 |
| Interest expense | (530,677) | (61,349) | - | - | (592,026) | - |
| Income from joint venture | 221,989 | - | - | - | 221,989 | - |
| Total nonoperating revenues (expenses) | (239,056) | 59,974 | 54,104 | 46,342 | (78,636) | 155,081 |
| NET INCOME (LOSS) BEFORE TRANSFERS | 886,662 | 334,296 | (851,218) | 271,463 | 641,203 | 282,931 |

| | Business-Type Activities | | | | Governmental Activities | |
|------------------------------------|--------------------------|---------------|---------------------------------|----------------------|-------------------------|---------------------|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Total | Internal Service |
| TRANSFERS | | | | | | |
| Transfers (out) | \$ - | \$ (760,000) | \$ - | \$ - | \$ (760,000) | \$ - |
| Total transfers | - | (760,000) | - | - | (760,000) | - |
| CHANGE IN NET ASSETS | 886,662 | (425,704) | (851,218) | 271,463 | (118,797) | 282,931 |
| NET ASSETS, JANUARY 1 | 14,775,520 | 11,665,501 | 15,729,867 | 615,776 | 42,786,664 | 2,429,654 |
| Prior period adjustment | 1,154,563 | 3,802,212 | - | - | 4,956,775 | - |
| NET ASSETS, JANUARY 1, AS RESTATED | 15,930,083 | 15,467,713 | 15,729,867 | 615,776 | 47,743,439 | 2,429,654 |
| NET ASSETS, DECEMBER 31 | \$ 16,816,745 | \$ 15,042,009 | \$ 14,878,649 | \$ 887,239 | \$ 47,624,642 | \$ 2,712,585 |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2007

| | Business-Type Activities | | | | Governmental Activities |
|---|--------------------------|--------------|---------------------------------|----------------------|----------------------------|
| | Waterworks | Sewerage | Motor Vehicle Parking System | Refuse Collection | Internal Service |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 6,360,399 | \$ 2,563,196 | \$ 629,866 | \$ 4,450,276 | \$ 14,003,737 |
| Receipts from interfund services transactions | - | - | - | - | 960,389 |
| Payments to suppliers | (3,486,296) | (1,510,571) | (728,058) | (3,943,186) | 5,703,168 |
| Payments to employees | (969,476) | (372,697) | - | - | (6,085,285) |
| | | | | | (1,342,173) |
| Net cash from operating activities | 1,904,627 | 679,928 | (98,192) | 507,090 | 112,255 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Income from joint venture | 16,748 | - | - | - | 16,748 |
| Transfers (out) | - | (760,000) | - | - | (760,000) |
| Net cash from noncapital financing activities | 16,748 | (760,000) | - | - | (743,252) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Capital assets purchased | (1,023,560) | (141,185) | - | - | (1,164,745) |
| Principal payments on long-term debt | (755,240) | (69,751) | - | - | (824,991) |
| Interest paid on long-term debt | (289,674) | (61,249) | - | - | (350,923) |
| Premium on bond proceeds | 12,016 | - | - | - | 12,016 |
| Proceeds from issuance of long-term debt | 1,520,000 | - | - | - | 1,520,000 |
| Net cash from capital and related financing activities | (536,458) | (272,185) | - | - | (808,643) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 69,632 | 121,323 | 54,104 | 46,342 | 291,401 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,454,549 | (230,934) | (44,088) | 553,432 | 1,732,959 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 730,783 | 2,514,257 | 1,227,902 | 728,554 | 5,201,496 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 2,185,332 | \$ 2,283,323 | \$ 1,183,814 | \$ 1,281,986 | \$ 6,934,455 |
| | | | | | \$ 2,875,931 |

| | 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) | \$ 1,125,718 | \$ 274,322 | \$ (905,322) | \$ 225,121 | \$ 719,839 | \$ 127,850 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | | | | | | |
| Depreciation | 540,390 | 516,114 | 773,660 | - | 1,830,164 | - |
| (Increase) decrease in | | | | | | |
| Accounts receivables | (113,197) | (123,315) | - | (15,598) | (252,110) | - |
| Other receivables | 1,798 | 4,751 | - | 56,577 | 63,126 | 44,433 |
| Prepaid expenses | - | - | - | 8,802 | 8,802 | (68,260) |
| Inventories | - | - | - | - | - | 4,769 |
| Increase (decrease) in | | | | | | |
| Accounts payable | 353,634 | (1,333) | 33,470 | 226,558 | 612,329 | 6,637 |
| Accrued payroll | (1,425) | (1,420) | - | - | (2,845) | (665) |
| Deferred revenues | - | - | - | - | - | (7,692) |
| Deposits payable | (11,952) | - | - | - | (11,952) | - |
| Deferred revenues | - | 10,820 | - | 5,630 | 16,450 | - |
| Compensated absences payable | 9,661 | (11) | - | - | 9,650 | 5,183 |
| NET CASH FROM OPERATING ACTIVITIES | \$ 1,904,627 | \$ 679,928 | \$ (98,192) | \$ 507,090 | \$ 2,993,453 | \$ 112,255 |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2007

| | Pension Trust | Agency |
|--|----------------------|------------|
| <hr/> | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 3,131,680 | \$ 23,481 |
| Investments | | |
| U.S. Treasury securities | 15,382,935 | - |
| U.S. agency securities | 23,397,638 | - |
| Insurance contracts | 1,160,907 | - |
| Mutual funds | 34,291,332 | - |
| Receivables | | |
| Property taxes | - | 63,907 |
| Accrued interest | 506,132 | - |
| Other | - | 84,415 |
| | <hr/> | |
| Total assets | 77,870,624 | \$ 171,803 |
| | <hr/> | |
| LIABILITIES | | |
| Other liabilities | - | \$ 62,573 |
| Due to bondholders | - | 24,815 |
| Advances from other funds | - | 84,415 |
| | <hr/> | |
| Total liabilities | - | \$ 171,803 |
| | <hr/> | |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u>\$ 77,870,624</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, 2007

ADDITIONS

Contributions

| | |
|----------|------------------|
| Employer | \$ 2,430,930 |
| Employee | <u>1,570,278</u> |

| | |
|---------------------|------------------|
| Total contributions | <u>4,001,208</u> |
|---------------------|------------------|

Investment income

| | |
|--|------------------|
| Net appreciation in fair value of investments | 3,175,872 |
| Interest | <u>2,642,666</u> |

| | |
|-------------------------|-----------|
| Total investment income | 5,818,538 |
|-------------------------|-----------|

| | |
|-------------------------|------------------|
| Less investment expense | <u>(381,105)</u> |
|-------------------------|------------------|

| | |
|-----------------------|------------------|
| Net investment income | <u>5,437,433</u> |
|-----------------------|------------------|

| | |
|-----------------|------------------|
| Total additions | <u>9,438,641</u> |
|-----------------|------------------|

DEDUCTIONS

| | |
|---------------------|----------------|
| Administration | 22,435 |
| Benefits | 3,246,218 |
| Refunds of benefits | <u>228,637</u> |

| | |
|------------------|------------------|
| Total deductions | <u>3,497,290</u> |
|------------------|------------------|

| | |
|--------------|-----------|
| NET INCREASE | 5,941,351 |
|--------------|-----------|

NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS

| | |
|-----------|-------------------|
| January 1 | <u>71,929,273</u> |
|-----------|-------------------|

| | |
|-------------|-----------------------------|
| December 31 | <u><u>\$ 77,870,624</u></u> |
|-------------|-----------------------------|

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 NWWC beyond its representation on the Board of Directors. NWWC is reported as a proprietary joint venture.

Solid Waste Agency of Northern Cook County (SWANCC)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

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

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

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

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

c. Government-Wide and Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

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

The Village reports the following major proprietary funds:

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

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

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

Additionally, the Village reports the following proprietary fund:

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

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

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

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

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

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

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

g. Inventories

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

h. Restricted Assets

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

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 2008.

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, 2007, 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 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. As of December 31, 2007, the Village’s deposits were under collateralized by \$82,754.

The following table presents the investments and maturities of the Village’s debt securities as of December 31, 2007:

| Investment Type | Fair Value | Investment Maturities in Years | | | |
|---------------------------|----------------------|--------------------------------|----------------------|-------------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| Money market mutual funds | \$ 15,276,366 | \$ 4,643,756 | \$ 10,632,610 | \$ - | \$ - |
| Illinois Funds | 27,812,165 | 27,812,165 | - | - | - |
| TOTAL | \$ 43,088,531 | \$ 32,455,921 | \$ 10,632,610 | \$ - | \$ - |

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 Funds' share price, the price for which the investment could be sold.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment 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, 2007, the Village had greater than 5% of its overall portfolio invested in money market mutual funds and U.S. Treasury obligations. The Village's investment policy requires diversification of investment to avoid unreasonable risk but only has set percentage limits on investments by institution.

b. Police Pension Fund Investments

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

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, 2007 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, 2007:

| Investment Type | Fair Value | Investment Maturities in Years | | | |
|---------------------------|---------------|--------------------------------|--------------|------------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury obligations | \$ 7,320,541 | \$ - | \$ - | \$ - | \$ 7,320,541 |
| U.S. agency obligations | 9,156,438 | - | 4,516,783 | 193,660 | 4,445,995 |
| Mutual funds | 15,758,158 | 15,758,158 | - | - | - |
| Insurance contracts | 1,160,907 | 1,160,907 | - | - | - |
| Illinois Funds | 1,187,863 | 1,187,863 | - | - | - |
| IPPFA | 353,040 | 353,040 | - | - | - |
| TOTAL | \$ 34,936,947 | \$ 18,459,968 | \$ 4,516,783 | \$ 193,660 | \$ 11,766,536 |

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, 2007. At December 31, 2007, 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 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, 2007 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, 2007:

| Investment Type | Fair Value | Investment Maturities in Years | | | |
|---------------------------|----------------------|--------------------------------|----------------------|------------------|------------------|
| | | Less Than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury obligations | \$ 8,062,394 | \$ - | \$ 8,062,394 | \$ - | \$ - |
| U.S. agency obligations | 14,241,202 | - | 14,192,403 | 17,530 | 31,269 |
| Mutual funds | 18,854,666 | 18,854,666 | - | - | - |
| Illinois Funds | 1,084,467 | 1,084,467 | - | - | - |
| TOTAL | \$ 42,242,729 | \$ 19,939,133 | \$ 22,254,797 | \$ 17,530 | \$ 31,269 |

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, 2007. At December 31, 2007, 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 2007 attach as an enforceable lien on January 1, 2007, 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, 2008 and August 1, 2008 and are payable in two installments, on or about March 1, 2008 and September 1, 2008. 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 2007 tax levy has been recorded as unearned revenue on the financial statements.

b. Other Receivables

At December 31, 2007, the Village had other receivables as follows:

GOVERNMENTAL ACTIVITIES

| | |
|---|------------|
| Palatine Rural Fire Protection District | \$ 300,000 |
| Quarterly highway maintenance | 29,058 |
| Hotel occupancy tax | 17,271 |
| Insurance reimbursement | 49,828 |
| Ambulance service and fees | 81,000 |
| Illinois Department of Revenue | 226,000 |

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

3. RECEIVABLES (Continued)

b. Other Receivables (Continued)

GOVERNMENTAL ACTIVITIES (Continued)

| | |
|------------------------|---------------|
| Cable franchise fees | \$ 97,250 |
| Food and beverage tax | 101,620 |
| Employee computer loan | 2,241 |
| Other | <u>10,843</u> |

| | |
|-------------------------------|----------------|
| Total governmental activities | <u>915,111</u> |
|-------------------------------|----------------|

BUSINESS-TYPE ACTIVITIES

| | |
|--------------------|---------------|
| Disposal fees | 187,070 |
| Sewer loan program | <u>20,569</u> |

| | |
|--------------------------------|----------------|
| Total business-type activities | <u>207,639</u> |
|--------------------------------|----------------|

| | |
|-------------------------|----------------------------|
| TOTAL OTHER RECEIVABLES | <u><u>\$ 1,122,750</u></u> |
|-------------------------|----------------------------|

c. Due from Other Governments

At December 31, 2007, the Village had amounts due from other governments as follows:

| | |
|---------------------------|----------------|
| State sales tax | \$ 2,789,189 |
| Grants | 177,748 |
| Court fines | 113,825 |
| Cook County | 34,977 |
| Other State sources | 263,362 |
| Motor fuel tax allotments | 154,028 |
| Telecommunications tax | <u>817,068</u> |

| | |
|----------------------------------|----------------------------|
| TOTAL DUE FROM OTHER GOVERNMENTS | <u><u>\$ 4,350,197</u></u> |
|----------------------------------|----------------------------|

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 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 | 139,482,627 | - | - | 139,482,627 |
| Total capital assets not being depreciated | <u>142,449,702</u> | <u>-</u> | <u>-</u> | <u>142,449,702</u> |

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

4. CAPITAL ASSETS (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|--------------------------------------|---------------------|-------------|-----------------------|
| GOVERNMENTAL ACTIVITIES (Continued) | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$ 13,590,791 | \$ 2,153,886 | \$ - | \$ 15,744,677 |
| Machinery and equipment | 6,665,143 | 533,554 | 139,035 | 7,059,662 |
| Storm sewer | 28,726,850 | - | - | 28,726,850 |
| Streets | 23,681,430 | 361,263 | 34,116 | 24,008,577 |
| Bridges | 1,596,735 | - | - | 1,596,735 |
| Total capital assets being depreciated | 74,260,949 | 3,048,703 | 173,151 | 77,136,501 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 5,080,495 | 380,380 | - | 5,460,875 |
| Machinery and equipment | 4,429,685 | 430,030 | 139,035 | 4,720,680 |
| Storm sewer | 15,022,335 | 583,385 | - | 15,605,720 |
| Streets | 10,614,698 | 490,735 | 34,116 | 11,071,317 |
| Bridges | 566,605 | 32,005 | - | 598,610 |
| Total accumulated depreciation | 35,713,818 | 1,916,535 | 173,151 | 37,457,202 |
| Total capital assets being depreciated, net | 38,547,131 | 1,132,168 | - | 39,679,299 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | \$ 180,996,833 | \$ 1,132,168 | \$ - | \$ 182,129,001 |
| | Beginning Balance, as Restated | Increases | Decreases | Ending Balance |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,906,138 | \$ - | \$ - | \$ 2,906,138 |
| Total capital assets not being depreciated | 2,906,138 | - | - | 2,906,138 |
| Capital assets being depreciated | | | | |
| Equipment | 510,645 | 802,395 | - | 1,313,040 |
| Water system | 21,602,295 | 362,350 | - | 21,964,645 |
| Sewer system | 24,710,910 | - | - | 24,710,910 |
| Parking improvements | 15,673,130 | - | - | 15,673,130 |
| Total capital assets being depreciated | 62,496,980 | 1,164,745 | - | 63,661,725 |
| Less accumulated depreciation for | | | | |
| Equipment | 276,320 | 83,750 | - | 360,070 |
| Water system | 9,765,160 | 471,730 | - | 10,236,890 |
| Sewer system | 10,915,935 | 500,430 | - | 11,416,365 |
| Parking improvements | 3,271,640 | 773,660 | - | 4,045,300 |
| Total accumulated depreciation | 24,229,055 | 1,829,570 | - | 26,058,625 |
| Total capital assets being depreciated, net | 38,267,925 | (664,825) | - | 37,603,100 |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | \$ 41,174,063 | \$ (664,825) | \$ - | \$ 40,509,238 |

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

4. CAPITAL ASSETS (Continued)

The Water System beginning asset balance was restated by \$479,152. The Water System beginning accumulated depreciation balance was restated by \$1,633,715. The Sewer System beginning asset balance was restated by \$5,503,087. The Sewer System beginning accumulated depreciation balance was restated by \$1,700,875. These restatements are due to an adjustment from estimated water system costs in prior years to actual water system costs in the current year.

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

GOVERNMENTAL ACTIVITIES

| | |
|--------------------|----------------|
| General government | \$ 745,520 |
| Public safety | 306,850 |
| Public works | <u>864,165</u> |

| | |
|--|---------------------|
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | <u>\$ 1,916,535</u> |
|--|---------------------|

5. LONG-TERM DEBT

a. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding at December 31, 2007 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) | \$ 3,602,615 | \$ 259,495 | \$ - | \$ 3,862,110 | \$ - |
| | Sewer (1) | 147,835 | 10,649 | - | 158,484 | - |
| 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 | 835,080 | - | 162,760 | 672,320 | 66,410 |
| | Sewer | 214,750 | - | 21,650 | 193,100 | 18,510 |
| | Debt Service | 2,285,170 | - | 465,590 | 1,819,580 | 180,080 |

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 1999A (dated December 1, 1999; maturing December 1, 2013; original issue \$3,085,000; interest rate 5.15%; principal payable annually on December 1, 2012 - 2013). | Water | \$ 108,760 | \$ - | \$ - | \$ 108,760 | \$ - |
| | Sewer | 31,700 | - | - | 31,700 | - |
| | Debt Service | 294,540 | - | - | 294,540 | - |
| General Obligation Bond, Series 2000 (dated January 1, 2000; maturing December 1, 2011; original issue \$21,065,000; interest rates 4.75% to 5.10%; principal payable annually on December 1). | Water | 2,445,000 | - | 440,000 | 2,005,000 | 462,500 |
| | Sewer | 113,220 | - | 20,500 | 92,720 | 21,500 |
| | Debt Service | 7,221,780 | - | 1,299,500 | 5,922,280 | 1,366,000 |
| General Obligation Bond, Series 2000B (dated December 1, 2000; maturing December 1, 2015; original issue \$1,965,000; interest rates 4.625% to 5.250%; principal payable annually on December 1). | Water | 338,730 | - | 27,530 | 311,200 | 27,470 |
| | Sewer | 197,450 | - | 16,210 | 181,240 | 16,700 |
| | Debt Service | 818,820 | - | 66,260 | 752,560 | 65,830 |
| 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 | 2,455,000 | - | 700,000 | 1,755,000 | 1,025,000 |

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, 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 | \$ 8,600,000 | \$ - | \$ 385,000 | \$ 8,215,000 | \$ 400,000 |
| Taxable General Obligation Refunding Bond Series of 2003 (dated January 1, 2003; maturing December 1, 2012; original issue \$2,975,000; interest rate 2.85% to 4.90%; principal payable annually on December 1, 2005 - 2012). | Downtown TIF | 2,320,000 | - | 345,000 | 1,975,000 | 360,000 |
| 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 | 856,210 | - | 124,950 | 731,260 | 125,000 |
| | Sewer | 178,140 | - | 21,880 | 156,260 | 22,350 |
| | Debt Service | 2,390,650 | - | 353,170 | 2,037,480 | 352,650 |
| 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 | 795,269 | - | 102,416 | 692,853 | 105,939 |
| 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 | 1,750,000 | - | 150,000 | 1,600,000 | 150,000 |

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 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 | \$ 7,200,000 | \$ - | \$ 315,000 | \$ 6,885,000 | \$ 325,000 |
| General Obligation Bond, Taxable Series 2004B (dated March 1, 2004; maturing December 1, 2008; original issue \$3,025,000; interest rates 2.375% to 3.25%; principal payable annually on December 1). | Rand Road TIF | 2,525,000 | - | 1,225,000 | 1,300,000 | 1,300,000 |
| \$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 | 270,000 | - | 90,000 | 180,000 | 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 | 1,250 |
| | Sewer | 23,400 | - | - | 23,400 | 620 |
| | Debt Service | 1,502,850 | - | 135,000 | 1,367,850 | 3,130 |
| General Obligation Refunding Bond, Series 2004D (dated December 30, 2004; maturing December 1, 2020; original issue \$5,080,000; interest rates 3.00% to 4.00%; principal payable annually on December 1). | Downtown TIF | 5,005,000 | - | 35,000 | 4,970,000 | 35,000 |

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 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 | \$ 1,250 |
| | Sewer | 11,030 | - | - | 11,030 | 1,370 |
| | Debt Service | 635,200 | - | 5,000 | 630,200 | 2,380 |
| General Obligation Bond, Series 2007A (dated May 15, 2007; maturing December 1, 2017; original issue \$365,000; interest rate 4.00%; principal payable annually on December 1). | Downtown TIF | - | 365,000 | - | 365,000 | - |
| General Obligation Bond, Taxable Series 2007B (dated May 15, 2007; maturing December 1, 2022; original issue \$7,335,000; interest rate 4.00%; principal payable annually on December 1). | Downtown TIF | - | 7,335,000 | - | 7,335,000 | 340,000 |
| General Obligation Bond, Series 2007C (dated May 15, 2007; maturing December 1, 2021; original issue \$1,215,000; interest rate 4.00%; principal payable annually on December 1). | Rand Corridor TIF | - | 1,215,000 | - | 1,215,000 | - |
| General Obligation Bond, Taxable Series 2007D (dated May 15, 2007; maturing December 1, 2026; original issue \$9,885,000; interest rate 4.00%; principal payable annually on December 1). | Rand Corridor TIF | - | 9,885,000 | - | 9,885,000 | - |

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, Series 2007E (dated May 15, 2007; maturing December 1, 2026; original issue \$1,520,000; interest rate 4.00%; principal payable annually on December 1). | Water | \$ - | \$ 1,520,000 | \$ - | \$ 1,520,000 | \$ 130,000 |
| | | \$70,415,719 | \$20,590,144 | \$ 6,507,416 | \$84,498,447 | \$ 6,995,939 |

- (1) These bonds are capital appreciation bonds. The amount shown in the "Issuances" column includes \$270,144 of increase in the accreted value of the bonds during the fiscal year ended December 31, 2007. The carrying value of the accreted bonds is \$4,020,594 at December 31, 2007.

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 | \$ 14,570,000 | \$ - | \$ 1,020,000 | \$13,550,000 | \$ 1,080,000 |
| 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 | - |

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 |
|--|--|-----------------------|-------------|---------------------------|-------------------------|---------------------|
| Subordinated Limited Obligation Redevelopment Note Series 2000A (dated August 14, 2000; maturing July 24, 2018; original issue \$100,000; interest rate 7.0%; principal payable on July 24, 2018). | Rand/ Dundee Special Tax Allocation | \$ 100,000 | \$ - | \$ - | \$ 100,000 | \$ - |
| Limited Obligation Redevelopment Note Series 2006A (dated April 3, 2006; maturing December 31, 2026; original issue \$3,500,000; interest rate 4.0%; principal payable on December 31, 2026). | Rand Corridor Special Tax Allocation | 3,337,447 | - | 1,837,783 | 1,499,664 | - |
| 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 | 173,993 | - | 8,200 | 165,793 | - |
| 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 | - |
| | | <u>\$ 18,898,540</u> | <u>\$ -</u> | <u>\$ 2,865,983</u> | <u>\$16,032,557</u> | <u>\$ 1,080,000</u> |

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

5. LONG-TERM DEBT (Continued)

c. Legal Debt Margin

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

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

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

d. Debt Service to Maturity Schedules

The annual requirements to amortize to maturity serial debt outstanding as of December 31, 2007 are as follows:

| Fiscal Year Ending December 31, | General Obligation Bonds | | | | | |
|---------------------------------------|--------------------------|---------------|---------------|--------------------------|--------------|---------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ 5,664,782 | \$ 3,144,181 | \$ 8,808,963 | \$ 934,800 | \$ 270,500 | \$ 1,205,300 |
| 2009 | 5,854,480 | 2,886,029 | 8,740,509 | 968,870 | 230,130 | 1,199,000 |
| 2010 | 6,124,019 | 2,621,656 | 8,745,675 | 1,023,230 | 186,770 | 1,210,000 |
| 2011 | 6,763,811 | 2,354,595 | 9,118,406 | 1,042,470 | 125,530 | 1,168,000 |
| 2012 | 5,847,582 | 2,057,596 | 7,905,178 | 677,870 | 80,930 | 758,800 |
| 2013 | 5,140,940 | 1,796,506 | 6,937,446 | 646,533 | 1,430,667 | 2,077,200 |
| 2014 | 6,470,720 | 1,563,015 | 8,033,735 | 1,017,417 | 2,507,383 | 3,524,800 |
| 2015 | 4,845,000 | 1,264,298 | 6,109,298 | 472,180 | 1,566,820 | 2,039,000 |
| 2016 | 3,175,000 | 1,035,368 | 4,210,368 | 180,000 | 7,200 | 187,200 |
| 2017 | 2,955,000 | 889,914 | 3,844,914 | - | - | - |
| 2018 | 3,090,000 | 751,209 | 3,841,209 | - | - | - |
| 2019 | 3,255,000 | 604,521 | 3,859,521 | - | - | - |
| 2020 | 2,705,000 | 447,311 | 3,152,311 | - | - | - |
| 2021 | 2,730,000 | 310,080 | 3,040,080 | - | - | - |
| 2022 | 700,000 | 170,240 | 870,240 | - | - | - |
| 2023 | 740,000 | 131,040 | 871,040 | - | - | - |
| 2024 | 780,000 | 89,600 | 869,600 | - | - | - |
| 2025 | 820,000 | 45,920 | 865,920 | - | - | - |
| TOTAL | \$ 67,661,334 | \$ 22,163,079 | \$ 89,824,413 | \$ 6,963,370 | \$ 6,405,930 | \$ 13,369,300 |

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

5. LONG-TERM DEBT (Continued)

d. Debt Service to Maturity Schedules (Continued)

| Fiscal Year Ending December 31, | Revenue Bond | | | Redevelopment Notes | | |
|---------------------------------------|-------------------------|--------------|--------------|-------------------------|------------|--------------|
| | Governmental Activities | | | Governmental Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 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 | 354,869 | 1,171,969 |
| 2019 | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - |
| 2022 | - | - | - | 165,793 | - | 165,793 |
| 2023 | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | 1,499,664 | - | 1,499,664 |
| TOTAL | \$13,550,000 | \$ 3,066,860 | \$16,616,860 | \$ 2,482,557 | \$ 354,869 | \$ 2,837,426 |

The annual requirements to amortize to maturity capital appreciation bonds outstanding as of December 31, 2007 are as follows:

| Fiscal Year | Interest | |
|----------------|--------------|--------------|
| | Principal | Accretion |
| 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 | \$ 2,524,406 |

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

5. LONG-TERM DEBT (Continued)

e. Advance Refunding

On July 30, 1998, the Village issued \$24,290,000 Tax Increment Revenue Refunding of Series of 1998. Proceeds of \$13,528,308 were utilized to redeem the \$10,845,000 Limited Obligation Redevelopment Bond Series of 1995, and the \$675,000 Subordinated Limited Obligation Redevelopment Bond Series of 1996A. Proceeds of \$5,711,110 were used to purchase investments that were placed in an irrevocable trust with American National Bank and Trust Company of Chicago to provide for all future debt service payments on the \$4,980,000 Limited Obligation Tax Increment Revenue Bond Series of 1997. As a result, the Series 1997 Bonds are considered to be defeased and the liability has been removed from the Village's financial statements. The future requirement of the Limited Obligation Tax Increment Revenue Bond Series of 1997 to be paid from escrow is \$3,880,000.

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

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

Defeased bonds outstanding at December 31, 2007 will be redeemed as follows:

| Fiscal Year Ending December 31, | General Obligation Bond Series 1999A | General Obligation Bond Series 2000A | Total |
|---------------------------------------|---|---|--------------|
| 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 | \$ 2,950,000 | \$ 4,650,000 | \$ 7,600,000 |

5. LONG-TERM DEBT (Continued)

f. Non-Commitment Debt

Special service area bonds outstanding as of December 31, 2007 of this report totaled \$50,000. These bonds are not an obligation of the Village and are secured by the levy of an annual tax on the real property within the special service area. The Village is in no way liable for repayment, but is only acting as agent for the property owners in levying and collecting the tax, and forwarding the collections to bondholders.

g. Tax Increment Financing Bond Ordinance Disclosures

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

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

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

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

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, 2007.

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

5. LONG-TERM DEBT (Continued)

h. Tax Increment Financing Redevelopment Note Disclosures (Continued)

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, 2007.

i. Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended December 31, 2007:

| | January 1 | Additions | Refundings/ Reductions | December 31 | Current Portion |
|--|----------------------|----------------------|---------------------------|----------------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General obligation bonds | \$ 60,634,279 | \$ 18,800,000 | \$ 5,671,936 | \$ 73,762,343 | \$ 6,101,009 |
| TIF revenue bonds | 14,570,000 | - | 1,020,000 | 13,550,000 | 1,080,000 |
| Tax increment financing notes | 4,328,540 | - | 1,845,983 | 2,482,557 | - |
| Obligations under capital leases | 85,374 | - | 85,374 | - | - |
| Net pension obligation | 1,351,297 | 409,553 | - | 1,760,850 | - |
| Compensated absences* | 1,658,370 | - | 41,923 | 1,616,447 | 324,100 |
| Total long-term debt | 82,627,860 | 19,209,553 | 8,665,216 | 93,172,197 | 7,505,109 |
| Less deferred amounts | | | | | |
| Unamortized bond discount | (55,377) | (43,459) | (8,916) | (89,920) | - |
| Unamortized bond premium | 99,161 | 12,490 | 14,976 | 96,675 | - |
| Unamortized loss on refunding | (86,444) | - | (12,349) | (74,095) | - |
| Total deferred amount | (42,660) | (30,969) | (6,289) | (67,340) | - |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 82,585,200 | \$ 19,178,584 | \$ 8,658,927 | \$ 93,104,857 | \$ 7,505,109 |

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

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

5. LONG-TERM DEBT (Continued)

i. Changes in Long-Term Debt (Continued)

| | January 1 | Additions | Refundings/ Reductions | December 31 | Current Portion |
|---|---------------------|---------------------|---------------------------|----------------------|--------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| General obligation bonds | | | | | |
| Water | \$ 8,863,915 | \$ 1,779,495 | \$ 755,240 | \$ 9,888,170 | \$ 813,880 |
| Sewer | 917,525 | 10,649 | 80,240 | 847,934 | 81,050 |
| Compensated absences | | | | | |
| Water | 48,631 | 9,661 | - | 58,292 | 11,695 |
| Sewer | 6,809 | - | 11 | 6,798 | 1,375 |
| Total long-term debt | 9,836,880 | 1,799,805 | 835,491 | 10,801,194 | 908,000 |
| Unamortized bond premium | 18,147 | 12,016 | 3,888 | 26,275 | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ 9,855,027 | \$ 1,811,821 | \$ 839,379 | \$ 10,827,469 | \$ 908,000 |

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:

| | 2007 | 2006 |
|-----------------------------------|-------------|-------------|
| CLAIMS PAYABLE, BEGINNING OF YEAR | \$ 300,000 | \$ 300,000 |
| Add claims incurred | 3,879,504 | 3,373,489 |
| Less claims paid | (3,879,504) | (3,373,489) |
| CLAIMS PAYABLE, END OF YEAR | \$ 300,000 | \$ 300,000 |

6. RISK MANAGEMENT (Continued)

Intergovernmental Risk Management Agency (IRMA)

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

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

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

Initial contributions are determined in advance of each membership year based on the individual member's eligible revenue as defined in the bylaws of IRMA, and assessment factors based on past member experience and the funding need for the membership year. The Board of Directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. The Village is not aware of any additional amounts owed to IRMA for the current period or prior policy year at December 31, 2006.

As of December 31, 2007, the Village has elected to terminate its participation in IRMA. As of January 1, 2008, the Village became self-insured for first-party property losses, third-party liability claims, workers' compensation claims and public officials' liability claims.

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.

7. CONTINGENT LIABILITIES (Continued)

b. Grants

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

c. Northwest Water Commission (NWWC)

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

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

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

The Village's estimated payment for operations and maintenance costs for 2008 is \$1,485,520. This is based on an estimated tipping fee of \$52.35 per ton for 28,379 tons.

The Village's estimated payment of fixed costs for 2008 is \$146,963. This amount has been estimated using the Village's current allocation percentage of 10.32%. In future years this allocation percentage will be subject to change. The Village is obligated to pay its allocable share of fixed costs of SWANCC through December 31, 2015.

8. JOINT VENTURES

Solid Waste Agency of Northern Cook County (SWANCC)

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

8. JOINT VENTURES (Continued)

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

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

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

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

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

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

In accordance with the contract, the Village made payments totaling \$1,474,761 to SWANCC in 2007. The payments have been recorded in the Refuse Collection Fund. The Village does not have an equity interest in SWANCC at December 31, 2007.

8. JOINT VENTURES (Continued)

Northwest Water Commission (NWWC)

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

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

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

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

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

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

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

In accordance with the joint venture agreement, the Village remitted \$2,499,942 to NWWC for 2007. The Village's equity interest in NWWC was \$11,237,590 at December 31, 2007. The Village's net investment and its share of the operating results of NWWC are recorded in the Village's Waterworks Fund.

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

9. INDIVIDUAL FUND DISCLOSURES

a. Due From/To Other Funds

Due from/to other funds at December 31, 2007 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|--|--|----------------------------|
| Nonmajor Governmental Capital Equipment Acquisition Motor Fuel Tax | General Nonmajor Governmental Community Development Block Grant | \$ 2,616,733 17,809 |
| Internal Service Self Insurance | Internal Service Central Equipment | 8,815 |
| TOTAL | | <u>\$ 2,643,357</u> |

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

- \$2,616,733 is payable by the General Fund to the Capital Equipment Acquisition Fund for capital additions.
- \$17,809 is payable to the Motor Fuel Tax Fund by the Community Development Block Grant Fund for coverage of a cash shortfall.
- \$8,815 is payable to the Self Insurance Fund by the Central Equipment Fund for coverage of a cash shortfall.

b. Advances From/To Other Funds

Advances from/to other funds at December 31, 2007 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|---|--|----------------------------|
| General Nonmajor Governmental Capital Improvement | Downtown TIF Fiduciary Special Service Area #4 | \$ 5,287,920 84,415 |
| TOTAL | | <u>\$ 5,372,335</u> |

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

9. INDIVIDUAL FUND DISCLOSURES (Continued)

b. Advances From/To Other Funds (Continued)

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

- \$5,287,920 advanced to the Downtown TIF Fund from the General Fund. This balance relates to financing various redevelopment projects. Repayment is not expected within one year.
- \$84,415 advance to other funds from a Nonmajor Governmental Fund. This balance relates to the construction of storm sewer improvements. Repayment is not expected within one year.

c. Interfund Transfers

Interfund transfers between funds for the year ended December 31, 2007 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| MAJOR GOVERNMENTAL | | |
| General | | |
| Capital Equipment Acquisition | \$ - | \$ 2,616,733 |
| Debt Service | | |
| Major Enterprise | | |
| Sewerage | 760,000 | - |
| Total Major Governmental | 760,000 | 2,616,733 |
| NONMAJOR GOVERNMENTAL | | |
| Capital Equipment Acquisition | | |
| General | 2,616,733 | - |
| Sewerage | | |
| Debt Service | - | 760,000 |
| Total Nonmajor Governmental | 2,616,733 | 760,000 |
| TOTAL | \$ 3,376,733 | \$ 3,376,733 |

The purpose of significant transfers is as follows:

- \$2,616,733 transferred to a Nonmajor Governmental Fund from the General Fund for capital equipment acquisition. This transfer will not be repaid.

9. INDIVIDUAL FUND DISCLOSURES (Continued)

c. Interfund Transfers (Continued)

- \$760,000 transferred from the Sewerage Fund to the Debt Service Fund for the payment of flood control bond debt service from flood control fees. This transfer will not be repaid.

10. OTHER POST-RETIREMENT BENEFITS

In addition to providing pension benefits, 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 Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution rate for the calendar year ended 2007 was 12.24% of covered payroll.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions

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, 2007, the Police Pension Plan membership consisted of:

| | |
|--|-------|
| Retirees and beneficiaries currently receiving benefits | 42 |
| Terminated employees entitled to benefits but not yet receiving them | 2 |
| Current employees | |
| Vested | 72 |
| Nonvested | 38 |
| | <hr/> |
| TOTAL | 154 |
| | <hr/> |

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

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended December 31, 2007, the Village's contribution was 16.15% of covered payroll.

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2007, the Firefighters' Pension Plan membership consisted of:

| | |
|--|-------|
| Retirees and beneficiaries currently receiving benefits | 38 |
| Terminated employees entitled to benefits but not yet receiving them | 1 |
| Current employees | |
| Vested | 58 |
| Nonvested | 37 |
| | <hr/> |
| TOTAL | 134 |
| | <hr/> |

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, 2007, the Village's contribution was 14.25% of covered payroll.

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Significant Accounting Policies

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

c. Annual Pension Costs

Employer contributions have been determined as follows:

| | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|---|-------------------------------------|---------------------------------|---------------------------------|
| Actuarial valuation date | December 31, 2005 | January 1, 2007 | January 1, 2007 |
| 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 | 30 Years, Closed | 30 Years, Closed |
| Significant actuarial assumptions | | | |
| a) Inflation rate | 4.00% | 2.50% | 2.50% |
| b) Rate of return on investments | 7.50% Compounded Annually | 8.00% Compounded Annually | 8.00% Compounded Annually |
| c) Projected salary increases | .40% to 10.00% | 1.12% to 4.86% | 1.12% to 4.86% |
| d) Post-retirement benefit increases | 3.00% | 3.00% | 3.00% |

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

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Annual Pension Costs (Continued)

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

| | For Fiscal Year | Illinois Municipal Retirement | Police Pension | Firefighters' Pension |
|-------------------------------|-----------------------|-------------------------------------|-------------------|--------------------------|
| Annual pension cost (APC) | 2005 | \$ 881,725 | \$ 1,044,080 | \$ 934,483 |
| | 2006 | 1,128,178 | 1,379,223 | 1,066,117 |
| | 2007 | 1,192,374 | 1,675,991 | 1,164,489 |
| Actual contribution | 2005 | \$ 881,725 | \$ 1,177,460 | \$ 916,008 |
| | 2006 | 1,128,178 | 1,094,984 | 986,399 |
| | 2007 | 1,192,374 | 1,368,869 | 1,062,061 |
| Percentage of APC contributed | 2005 | 100.00% | 112.77% | 98.02% |
| | 2006 | 100.00 | 79.39 | 92.52 |
| | 2007 | 100.00 | 81.68 | 91.20 |
| NPO (asset) | 2005 | \$ - | \$ 609,359 | \$ 377,981 |
| | 2006 | - | 893,598 | 457,699 |
| | 2007 | - | 1,200,720 | 560,127 |

The NPO has been calculated as follows:

| | Police Pension | Firefighters' Pension |
|---|-------------------|--------------------------|
| Annual required contribution | \$ 1,677,795 | \$ 1,165,413 |
| Interest on net pension obligation | 71,487 | 36,616 |
| Adjustment to annual required contributions | (73,291) | (37,540) |
| Annual pension cost | 1,675,991 | 1,164,489 |
| Contributions made | 1,368,869 | 1,062,061 |
| Increase (decrease) in net pension obligation | 307,122 | 102,428 |
| Net pension obligation beginning of year | 893,598 | 457,699 |
| NET PENSION OBLIGATION END OF YEAR | \$ 1,200,720 | \$ 560,127 |

12. RESTATEMENT

Net assets of the Waterworks and Sewerage Funds were restated to account for an error in recognizing infrastructure assets. Net assets increased by \$1,154,563 and \$3,802,212, respectively.

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, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|--|--------------------|-----------------|---------------|-----------------------------|
| REVENUES | | | | |
| Taxes | \$ 31,860,275 | \$ 31,860,275 | \$ 32,430,278 | \$ 570,003 |
| Licenses and permits | 3,064,000 | 3,064,000 | 3,061,764 | (2,236) |
| Intergovernmental | 5,736,570 | 5,920,966 | 7,083,356 | 1,162,390 |
| Charges for services | 2,178,150 | 2,191,150 | 2,056,012 | (135,138) |
| Fines and forfeits | 837,000 | 837,000 | 893,496 | 56,496 |
| Investment income | 450,000 | 450,000 | 938,750 | 488,750 |
| Miscellaneous | 184,000 | 192,462 | 163,617 | (28,845) |
| Total revenues | 44,309,995 | 44,515,853 | 46,627,273 | 2,111,420 |
| EXPENDITURES | | | | |
| General government | 9,509,865 | 9,609,671 | 8,838,522 | (771,149) |
| Public safety | 29,558,375 | 29,784,685 | 28,822,573 | (962,112) |
| Public works | 5,439,155 | 5,407,400 | 5,653,227 | 245,827 |
| Total expenditures | 44,507,395 | 44,801,756 | 43,314,322 | (1,487,434) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (197,400) | (285,903) | 3,312,951 | 3,598,854 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (2,616,733) | (2,616,733) |
| NET CHANGE IN FUND BALANCE | \$ (197,400) | \$ (285,903) | 696,218 | \$ 982,121 |
| FUND BALANCE, JANUARY 1 | | | 17,647,782 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 18,344,000 | |

(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, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|--|----------------------|----------------------|---------------------|-----------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Incremental property taxes | \$ 4,989,765 | \$ 4,989,765 | \$ 4,247,090 | \$ (742,675) |
| Investment income | - | - | 191,900 | 191,900 |
| Miscellaneous | - | - | 800 | 800 |
| Total revenues | 4,989,765 | 4,989,765 | 4,439,790 | (549,975) |
| EXPENDITURES | | | | |
| Economic development | | | | |
| Administration | 50,000 | 50,000 | 43,446 | (6,554) |
| Project expenditures | 347,000 | 514,919 | 339,640 | (175,279) |
| Land acquisition | 127,805 | 1,435,073 | 650,750 | (784,323) |
| Debt service | | | | |
| Principal payments | 1,665,730 | 1,665,730 | 1,655,616 | (10,114) |
| Interest and fiscal charges | 1,554,255 | 1,827,255 | 2,000,923 | 173,668 |
| Issuance costs | - | - | 61,150 | 61,150 |
| Total expenditures | 3,744,790 | 5,492,977 | 4,751,525 | (741,452) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,244,975 | (503,212) | (311,735) | 191,477 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued at par | 7,700,000 | 7,700,000 | 7,700,000 | - |
| Premium on bonds | - | - | 2,885 | - |
| Discount on bonds | - | - | (18,512) | (18,512) |
| Gain on sale of capital assets | 3,270,000 | 3,270,000 | - | (3,270,000) |
| Total other financing sources (uses) | 10,970,000 | 10,970,000 | 7,684,373 | (3,288,512) |
| NET CHANGE IN FUND BALANCE | <u>\$ 12,214,975</u> | <u>\$ 10,466,788</u> | 7,372,638 | <u>\$ (3,094,150)</u> |
| FUND BALANCE (DEFICIT), JANUARY 1 | | | <u>(731,475)</u> | |
| FUND BALANCE, DECEMBER 31 | | | <u>\$ 6,641,163</u> | |

(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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|-----------------|---------------|
| REVENUES | | | |
| Taxes | | | |
| Incremental property taxes | \$ 2,205,765 | \$ 2,205,765 | \$ 2,653,053 |
| Investment income | - | - | 187,462 |
| | | | |
| Total revenues | 2,205,765 | 2,205,765 | 2,840,515 |
| EXPENDITURES | | | |
| Economic development | | | |
| Administration | - | 40,000 | 33,329 |
| Wal Mart project | 605,715 | 2,070,715 | 1,899 |
| Fox Fire/Caputo's project | 182,460 | 460 | 306 |
| Arlington Toyota project | - | 9,723,000 | 44,427 |
| Tore & Lukes project | - | 52,000 | 966,952 |
| Roadway improvements | 1,145,140 | 110,000 | 109,963 |
| Harley Davidson project | - | 672,000 | 671,788 |
| White Castle project | - | - | 1,519 |
| Thrifty Car sales project | - | - | 3,450 |
| Debt service | | | |
| Principal | 1,225,000 | 1,225,000 | 3,062,783 |
| Interest and fiscal charges | 78,070 | 478,070 | 600,845 |
| Issuance costs | - | - | 92,828 |
| | | | |
| Total expenditures | 3,236,385 | 14,371,245 | 5,590,089 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | |
| | (1,030,620) | (12,165,480) | (2,749,574) |
| OTHER FINANCING SOURCES (USES) | | | |
| Notes issued at par | - | 11,100,000 | 11,100,000 |
| Premium on bonds issued | - | - | 9,605 |
| Discount on bonds issued | - | - | (24,947) |
| | | | |
| Total other financing sources (uses) | - | 11,100,000 | 11,084,658 |
| NET CHANGE IN FUND BALANCE | | | |
| | \$ (1,030,620) | \$ (1,065,480) | 8,335,084 |
| FUND BALANCE, JANUARY 1 | | | |
| | | | 5,175,681 |
| FUND BALANCE, DECEMBER 31 | | | |
| | | | \$ 13,510,765 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2007

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | UAAL As a Percentage of Covered Payroll (4) / (5) |
|--|--|--|-------------------------------------|---|---------------------------|--|
| 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% |
| 2007 | 20,679,984 | 24,877,019 | 83.13% | 4,197,035 | 9,741,621 | 43.08% |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND

December 31, 2007

| 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) |
|--|--|--|-------------------------------------|---|---------------------------|--|
| 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% |
| 2007 | 40,307,394 | 50,689,201 | 79.52% | 10,381,807 | 8,476,021 | 122.48% |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND

December 31, 2007

| 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) |
|--|--|--|-------------------------------------|---|---------------------------|--|
| 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% |
| 2007 | 47,172,964 | 50,944,617 | 92.60% | 3,771,653 | 7,451,465 | 50.62% |

(See independent auditor's report.)

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

December 31, 2007

| <u>Calendar Year</u> | <u>Employer Contributions</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|--------------------------|-----------------------------------|---|-----------------------------------|
| 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% |
| 2007 | 1,192,374 | 1,192,374 | 100.00% |

(See independent auditor's report.)

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

December 31, 2007

| <u>Fiscal Year</u> | <u>Employer Contributions</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|------------------------|-----------------------------------|---|-----------------------------------|
| 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% |
| 2007 | 1,368,869 | 1,677,795 | 81.59% |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

December 31, 2007

| <u>Fiscal Year</u> | <u>Employer Contributions</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|------------------------|-----------------------------------|---|-----------------------------------|
| 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% |
| 2007 | 1,062,061 | 1,165,413 | 91.13% |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2007

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, 2007:

| Fund | Excess |
|-----------------------|------------|
| Central Equipment | \$ 139,081 |
| Motor Vehicle Parking | 84,645 |

Nonmajor Governmental Funds

VILLAGE OF PALATINE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2007

| | Special Revenue | Capital Project | Total Nonmajor Governmental |
|--|--------------------|--------------------|-----------------------------------|
| <hr/> | | | |
| ASSETS | | | |
| Cash and investments | \$ 152,888 | \$ 4,212,753 | \$ 4,365,641 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | |
| Due from other funds | 17,809 | 2,616,733 | 2,634,542 |
| Due from other governments | 211,418 | 817,068 | 1,028,486 |
| Advance to Fiduciary Fund | - | 84,415 | 84,415 |
| | <hr/> | | |
| TOTAL ASSETS | \$ 382,115 | \$ 7,730,969 | \$ 8,113,084 |
| <hr/> | | | |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 43,431 | \$ 347,812 | \$ 391,243 |
| Due to other funds | 17,809 | - | 17,809 |
| Other deferred revenue | - | 235,377 | 235,377 |
| | <hr/> | | |
| Total liabilities | 61,240 | 583,189 | 644,429 |
| <hr/> | | | |
| FUND BALANCES | | | |
| Reserved for advances | - | 84,415 | 84,415 |
| Reserved for maintenance of roadways | 320,875 | - | 320,875 |
| Reserved for special projects | - | 7,063,365 | 7,063,365 |
| | <hr/> | | |
| Total fund balances | 320,875 | 7,147,780 | 7,468,655 |
| <hr/> | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 382,115 | \$ 7,730,969 | \$ 8,113,084 |
| <hr/> | | | |

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, 2007

| | Special Revenue | Capital Project | Total Nonmajor Governmental |
|--|--------------------|--------------------|-----------------------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ 2,987,002 | \$ 2,987,002 |
| Intergovernmental | 2,731,338 | 109,827 | 2,841,165 |
| Charges for services | - | 74,130 | 74,130 |
| Investment income | 7,276 | 209,231 | 216,507 |
| Contributions | - | 26,254 | 26,254 |
| Miscellaneous | - | 204,995 | 204,995 |
| Total revenues | 2,738,614 | 3,611,439 | 6,350,053 |
| EXPENDITURES | | | |
| Current | | | |
| Public works | 1,909,848 | - | 1,909,848 |
| Economic development | 84,919 | - | 84,919 |
| Capital outlay | 685,592 | 5,439,413 | 6,125,005 |
| Total expenditures | 2,680,359 | 5,439,413 | 8,119,772 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 58,255 | (1,827,974) | (1,769,719) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | - | 231,191 | 231,191 |
| Transfers in | - | 2,616,733 | 2,616,733 |
| Total other financing sources (uses) | - | 2,847,924 | 2,847,924 |
| NET CHANGE IN FUND BALANCES | 58,255 | 1,019,950 | 1,078,205 |
| FUND BALANCES, JANUARY 1 | 262,620 | 6,127,830 | 6,390,450 |
| FUND BALANCES, DECEMBER 31 | \$ 320,875 | \$ 7,147,780 | \$ 7,468,655 |

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, 2007

| | Community Development Block Grant | Motor Fuel Tax | Total |
|--|---|-------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ - | \$ 152,888 | \$ 152,888 |
| Receivables (net, where applicable, of allowances for uncollectibles) | | | |
| Property taxes | - | - | - |
| Due from other funds | - | 17,809 | 17,809 |
| Due from other governments | 57,390 | 154,028 | 211,418 |
| TOTAL ASSETS | \$ 57,390 | \$ 324,725 | \$ 382,115 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 39,581 | \$ 3,850 | \$ 43,431 |
| Due to other funds | 17,809 | - | 17,809 |
| Total liabilities | 57,390 | 3,850 | 61,240 |
| FUND BALANCES | | | |
| Reserved for maintenance of roadways | - | 320,875 | 320,875 |
| Total fund balances | - | 320,875 | 320,875 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 57,390 | \$ 324,725 | \$ 382,115 |

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, 2007

| | Community Development Block Grant | Motor Fuel Tax | Total |
|-----------------------------|---|-------------------|--------------|
| REVENUES | | | |
| Intergovernmental | 770,511 | 1,960,827.00 | 2,731,338.00 |
| Investment income | - | 7,276 | 7,276 |
| Total revenues | 770,511 | 1,968,103 | 2,738,614 |
| EXPENDITURES | | | |
| Current | | | |
| Public works | - | 1,909,848 | 1,909,848 |
| Economic development | 84,919 | - | 84,919 |
| Capital outlay | 685,592 | - | 685,592 |
| Total expenditures | 770,511 | 1,909,848 | 2,680,359 |
| NET CHANGE IN FUND BALANCES | - | 58,255 | 58,255 |
| FUND BALANCES, JANUARY 1 | - | 262,620 | 262,620 |
| FUND BALANCES, DECEMBER 31 | \$ - | \$ 320,875 | \$ 320,875 |

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, 2007

| | Original Budget | Final Budget | Actual |
|-----------------------------|--------------------|-----------------|------------|
| REVENUES | | | |
| Intergovernmental Grants | \$ 614,610 | \$ 614,610 | \$ 770,511 |
| Total revenues | 614,610 | 614,610 | 770,511 |
| EXPENDITURES | | | |
| Economic development | | | |
| Administrative services | 84,915 | 84,915 | 84,919 |
| Capital outlay | 529,695 | 719,440 | 685,592 |
| Total expenditures | 614,610 | 804,355 | 770,511 |
| NET CHANGE IN FUND BALANCE | \$ - | \$ (189,745) | - |
| 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, 2007

| | Original Budget | Final Budget | Actual |
|----------------------------|--------------------|-----------------|--------------|
| REVENUES | | | |
| Intergovernmental | | | |
| Motor fuel tax allotment | \$ 1,911,680 | \$ 1,911,680 | \$ 1,960,827 |
| Investment income | - | - | 7,276 |
| Total revenues | 1,911,680 | 1,911,680 | 1,968,103 |
| EXPENDITURES | | | |
| Public works | | | |
| Highways and streets | 1,865,500 | 1,957,626 | 1,909,848 |
| Total expenditures | 1,865,500 | 1,957,626 | 1,909,848 |
| NET CHANGE IN FUND BALANCE | \$ 46,180 | \$ (45,946) | 58,255 |
| FUND BALANCE, JANUARY 1 | | | 262,620 |
| FUND BALANCE, DECEMBER 31 | | | \$ 320,875 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|-----------------|--------------|
| <hr/> | | | |
| PUBLIC WORKS | | | |
| Highways and streets | | | |
| Road resurfacing | \$ 1,640,000 | \$ 1,800,000 | \$ 1,757,549 |
| Streetlight cabling replacement | 25,000 | 25,000 | 19,674 |
| Curb and gutter extension | 110,500 | 110,500 | 110,500 |
| Intersection improvements - pedestrian | 90,000 | 22,126 | 22,125 |
| | <hr/> | | |
| TOTAL EXPENDITURES | \$ 1,865,500 | \$ 1,957,626 | \$ 1,909,848 |
| | <hr/> | | |

(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, 2007

| | Capital Improvement | Capital Equipment Acquisition | Total |
|--|------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,554,578 | \$ 2,658,175 | \$ 4,212,753 |
| Due from other governments | 544,712 | 272,356 | 817,068 |
| Due from other funds | - | 2,616,733 | 2,616,733 |
| Advances to fiduciary funds | 84,415 | - | 84,415 |
| TOTAL ASSETS | \$ 2,183,705 | \$ 5,547,264 | \$ 7,730,969 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 290,776 | \$ 57,036 | \$ 347,812 |
| Other deferred revenue | 205,270 | 30,107 | 235,377 |
| Total liabilities | 496,046 | 87,143 | 583,189 |
| FUND BALANCES | | | |
| Reserved for advances | 84,415 | - | 84,415 |
| Reserved for special projects | 1,603,244 | 5,460,121 | 7,063,365 |
| Total fund balances | 1,687,659 | 5,460,121 | 7,147,780 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,183,705 | \$ 5,547,264 | \$ 7,730,969 |

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, 2007

| | Capital Improvement | Capital Equipment Acquisition | Total |
|--|------------------------|-------------------------------------|--------------|
| REVENUES | | | |
| Taxes | \$ 1,991,332 | \$ 995,670 | \$ 2,987,002 |
| Charges for services | 74,130 | - | 74,130 |
| Intergovernmental | 109,827 | - | 109,827 |
| Investment income | 98,203 | 111,028 | 209,231 |
| Contributions | - | 26,254 | 26,254 |
| Miscellaneous | 8,190 | 196,805 | 204,995 |
| Total revenues | 2,281,682 | 1,329,757 | 3,611,439 |
| EXPENDITURES | | | |
| Capital outlay | 3,923,409 | 1,516,004 | 5,439,413 |
| Total expenditures | 3,923,409 | 1,516,004 | 5,439,413 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,641,727) | (186,247) | (1,827,974) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from the sale of capital assets | 62,590 | 168,601 | 231,191 |
| Transfers in | - | 2,616,733 | 2,616,733 |
| Total other financing sources (uses) | 62,590 | 2,785,334 | 2,847,924 |
| NET CHANGE IN FUND BALANCES | (1,579,137) | 2,599,087 | 1,019,950 |
| FUND BALANCES, JANUARY 1 | 3,266,796 | 2,861,034 | 6,127,830 |
| FUND BALANCES, DECEMBER 31 | \$ 1,687,659 | \$ 5,460,121 | \$ 7,147,780 |

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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|-----------------|--------------|
| REVENUES | | | |
| Taxes | | | |
| Telecommunications tax | \$ 2,343,750 | \$ 2,343,750 | \$ 1,991,332 |
| Charges for services | | | |
| 50/50 cost sharing programs | 82,000 | 82,000 | 74,130 |
| Intergovernmental | | | |
| Grants | - | 175,000 | 109,827 |
| Investment income | 1,500 | 13,360 | 98,203 |
| Miscellaneous | | | |
| Other | 5,800 | 7,450 | 8,190 |
| Total revenues | 2,433,050 | 2,621,560 | 2,281,682 |
| EXPENDITURES | | | |
| Capital outlay | | | |
| Village facilities | 1,816,750 | 2,190,121 | 2,319,112 |
| Road improvements | 1,726,800 | 1,510,477 | 1,326,808 |
| Sidewalks | 235,000 | 277,600 | 277,489 |
| Total expenditures | 3,778,550 | 3,978,198 | 3,923,409 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,345,500) | (1,356,638) | (1,641,727) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds issued at par | 1,700,000 | 1,700,000 | - |
| Proceeds from sale of capital assets | - | - | 62,590 |
| Total other financing sources (uses) | 1,700,000 | 1,700,000 | 62,590 |
| NET CHANGE IN FUND BALANCE | \$ 354,500 | \$ 343,362 | (1,579,137) |
| FUND BALANCE, JANUARY 1 | | | 3,266,796 |
| FUND BALANCE, DECEMBER 31 | | | \$ 1,687,659 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual |
|--|---------------------|---------------------|---------------------|
| CAPITAL OUTLAY | | | |
| Village facilities | | | |
| Community Center maintenance | \$ 26,000 | \$ 19,150 | \$ 25,034 |
| Gilbert/Glade stormwater | - | 109,827 | 109,827 |
| Tree plant program | 15,000 | 15,000 | 14,615 |
| Fire Station #84 modernization | 1,700,000 | 2,030,394 | 2,153,886 |
| Fire Station #82 remodeling | 15,750 | 15,750 | 15,750 |
| Gateway entrance program | 40,000 | - | - |
| Irrigation improvement | 20,000 | - | - |
| Total Village facilities | 1,816,750 | 2,190,121 | 2,319,112 |
| Road improvements | | | |
| Street light extension program | - | 18,350 | 18,350 |
| Arterial street light program | 90,000 | 18,000 | 17,938 |
| First Bank Drive/ North Court improvements | 40,000 | 40,000 | - |
| 50/50 apron/curb/gutter improvements | 144,000 | 125,130 | 125,130 |
| North Cedar Street improvements | 25,000 | 11,000 | 4,582 |
| South Cedar Street improvements | 470,000 | 382,038 | 361,263 |
| Dorget Street improvements | 50,000 | 3,000 | 2,500 |
| Palanois Park Street improvement | 147,000 | 139,275 | 139,275 |
| Palatine Road reconstruction | 450,000 | 297,194 | 281,282 |
| Road resurfacing | 310,800 | 153,490 | 153,488 |
| Winslow Drive improvements | - | 100,000 | - |
| Winston Park improvements | - | 223,000 | 223,000 |
| Total road improvements | 1,726,800 | 1,510,477 | 1,326,808 |
| Sidewalks | 235,000 | 277,600 | 277,489 |
| TOTAL EXPENDITURES | \$ 3,778,550 | \$ 3,978,198 | \$ 3,923,409 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|---------------------|---------------------|
| REVENUES | | | |
| Taxes | | | |
| Telecommunications | \$ 1,176,000 | \$ 1,176,000 | \$ 995,670 |
| Investment income | 7,200 | 7,200 | 111,028 |
| Contributions | - | 26,254 | 26,254 |
| Miscellaneous | | | |
| Rental income | 158,125 | 158,125 | 181,120 |
| Other | 5,000 | 15,550 | 15,685 |
| Total revenues | 1,346,325 | 1,383,129 | 1,329,757 |
| EXPENDITURES | | | |
| Capital outlay | | | |
| Motor vehicles | 921,050 | 1,076,813 | 1,045,052 |
| Office furniture and equipment | - | 40,000 | 23,060 |
| Communications/technology | 270,000 | 214,000 | 240,389 |
| Operating equipment | 205,335 | 238,029 | 207,503 |
| Total expenditures | 1,396,385 | 1,568,842 | 1,516,004 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (50,060) | (185,713) | (186,247) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | 60,000 | 71,505 | 168,601 |
| Transfers in | - | - | 2,616,733 |
| Total other financing sources (uses) | 60,000 | 71,505 | 2,785,334 |
| NET CHANGE IN FUND BALANCE | \$ 9,940 | \$ (114,208) | 2,599,087 |
| FUND BALANCE, JANUARY 1 | | | 2,861,034 |
| FUND BALANCE, DECEMBER 31 | | | \$ 5,460,121 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|---|---------------------|---------------------|---------------------|
| CAPITAL OUTLAY | | | |
| Motor vehicles | | | |
| Public works vehicle replacement | \$ 322,000 | \$ 297,505 | \$ 296,670 |
| Police and administrative vehicle replacement | 314,550 | 314,550 | 296,287 |
| Public works vehicle additions | 21,000 | 21,000 | 17,356 |
| Fire department replacement | 263,500 | 443,758 | 434,739 |
| Total motor vehicles | 921,050 | 1,076,813 | 1,045,052 |
| Office furniture and equipment | - | 40,000 | 23,060 |
| Communications/technology | | | |
| Computer hardware and software | 179,000 | 179,000 | 161,202 |
| GIS program | 6,000 | 6,000 | 6,000 |
| Public safety communication equipment | 85,000 | 29,000 | 73,187 |
| Total communications/technology | 270,000 | 214,000 | 240,389 |
| Operating equipment | | | |
| Other operating equipment | - | 26,254 | 13,783 |
| Public works equipment replacement | 162,335 | 162,335 | 144,748 |
| Fire department equipment | 43,000 | 49,440 | 48,972 |
| Total operating equipment | 205,335 | 238,029 | 207,503 |
| TOTAL EXPENDITURES | \$ 1,396,385 | \$ 1,568,842 | \$ 1,516,004 |

(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, 2007

| | Central Equipment | Self Insurance | Total |
|------------------------------|----------------------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and investments | \$ - | \$ 2,875,931 | \$ 2,875,931 |
| Receivables | | | |
| Other | 8,430 | 49,828 | 58,258 |
| Due from other funds | - | 8,815 | 8,815 |
| Inventories | 167,601 | - | 167,601 |
| Prepaid items | - | 68,260 | 68,260 |
| | | | |
| Total current assets | 176,031 | 3,002,834 | 3,178,865 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 91,150 | 11,816 | 102,966 |
| Accrued payroll | 9,210 | - | 9,210 |
| Due to other funds | 8,815 | - | 8,815 |
| Deferred revenue | - | 2,708 | 2,708 |
| Claims payable | - | 300,000 | 300,000 |
| Compensated absences payable | 8,535 | - | 8,535 |
| | | | |
| Total current liabilities | 117,710 | 314,524 | 432,234 |
| LONG-TERM LIABILITIES | | | |
| Compensated absences payable | 34,046 | - | 34,046 |
| | | | |
| Total liabilities | 151,756 | 314,524 | 466,280 |
| NET ASSETS | | | |
| Unrestricted | 24,275 | 2,688,310 | 2,712,585 |
| | | | |
| TOTAL NET ASSETS | \$ 24,275 | \$ 2,688,310 | \$ 2,712,585 |

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, 2007

| | Central Equipment | Self Insurance | Total |
|--|----------------------|-------------------|--------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,567,857 | \$ 4,824,944 | \$ 6,392,801 |
| Miscellaneous | 227,015 | 7,000 | 234,015 |
| Total operating revenues | 1,794,872 | 4,831,944 | 6,626,816 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | |
| Costs of sales and services | 1,798,996 | 4,699,970 | 6,498,966 |
| Total operating expenses | 1,798,996 | 4,699,970 | 6,498,966 |
| OPERATING INCOME (LOSS) | (4,124) | 131,974 | 127,850 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 289 | 154,792 | 155,081 |
| Total nonoperating revenues (expenses) | 289 | 154,792 | 155,081 |
| CHANGE IN NET ASSETS | (3,835) | 286,766 | 282,931 |
| NET ASSETS, JANUARY 1 | 28,110 | 2,401,544 | 2,429,654 |
| NET ASSETS, DECEMBER 31 | \$ 24,275 | \$ 2,688,310 | \$ 2,712,585 |

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2007

| | Central Equipment | Self Insurance | Total |
|--|----------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 239,092 | \$ 721,297 | \$ 960,389 |
| Receipts from interfund services transactions | 1,554,085 | 4,149,083 | 5,703,168 |
| Payments to suppliers | (1,328,145) | (4,757,140) | (6,085,285) |
| Payments to employees | (466,017) | - | (466,017) |
| Net cash from operating activities | (985) | 113,240 | 112,255 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to other funds | 696 | (696) | - |
| Net cash from noncapital financing activities | 696 | (696) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| None | - | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 289 | 154,792 | 155,081 |
| Net cash from investing activities | 289 | 154,792 | 155,081 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | - | 267,336 | 267,336 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | - | 2,608,595 | 2,608,595 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u>\$ -</u> | <u>\$ 2,875,931</u> | <u>\$ 2,875,931</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (4,124) | \$ 131,974 | \$ 127,850 |
| Adjustments to reconcile operating income to net cash from operating activities | | | |
| (Increase) decrease in | | | |
| Other receivables | (1,695) | 46,128 | 44,433 |
| Prepaid items | - | (68,260) | (68,260) |
| Inventories | 4,769 | - | 4,769 |
| Increase (decrease) in | | | |
| Accounts payable | (4,453) | 11,090 | 6,637 |
| Accrued payroll | (665) | - | (665) |
| Deferred revenue | - | (7,692) | (7,692) |
| Compensated absences payable | 5,183 | - | 5,183 |
| NET CASH FROM OPERATING ACTIVITIES | <u>\$ (985)</u> | <u>\$ 113,240</u> | <u>\$ 112,255</u> |

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, 2007

| | Original Budget | Final Budget | Actual |
|--------------------------------------|--------------------|-----------------|--------------|
| <hr/> | | | |
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Vehicle maintenance | \$ 1,554,085 | \$ 1,554,085 | \$ 1,554,085 |
| Printing and duplicating | 24,500 | 24,500 | 13,772 |
| Miscellaneous | | | |
| Refunds | 12,000 | 21,600 | 21,452 |
| Reimbursements | 111,600 | 111,600 | 205,563 |
| | <hr/> | | |
| Total operating revenues | 1,702,185 | 1,711,785 | 1,794,872 |
| | <hr/> | | |
| OPERATING EXPENSES | | | |
| Costs of sales and services | | | |
| Finance and operations | | | |
| General services | 18,250 | 18,250 | 7,570 |
| Public works | | | |
| Administrative fees - General Fund | 5,725 | 5,725 | 5,725 |
| Building maintenance | 15,810 | 15,810 | 10,638 |
| Vehicle maintenance | 1,581,010 | 1,589,980 | 1,775,063 |
| | <hr/> | | |
| Total operating expenses | 1,620,795 | 1,629,765 | 1,798,996 |
| | <hr/> | | |
| OPERATING INCOME (LOSS) | 81,390 | 82,020 | (4,124) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | - | - | 289 |
| | <hr/> | | |
| CHANGE IN NET ASSETS | \$ 81,390 | \$ 82,020 | (3,835) |
| | <hr/> | | |
| NET ASSETS, JANUARY 1 | | | 28,110 |
| | <hr/> | | |
| NET ASSETS, DECEMBER 31 | | | \$ 24,275 |
| | <hr/> | | |

(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, 2007

| | Final Budget | Actual |
|----------------------------------|-----------------|--------------|
| OPERATING REVENUES | | |
| Charges for services | | |
| Insurance fees and premiums | | |
| Retiree | \$ 260,000 | \$ 240,417 |
| COBRA | - | 9,230 |
| Employee | 470,000 | 426,214 |
| Employer | 4,832,170 | 4,149,083 |
| Miscellaneous | | |
| Reimbursements | - | 7,000 |
| Total operating revenues | 5,562,170 | 4,831,944 |
| OPERATING EXPENSES | | |
| Administration | 120,000 | 92,083 |
| Insurance claims | 5,444,670 | 4,607,887 |
| Total operating expenses | 5,564,670 | 4,699,970 |
| OPERATING INCOME (LOSS) | (2,500) | 131,974 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 10,000 | 154,792 |
| CHANGE IN NET ASSETS | \$ 7,500 | 286,766 |
| NET ASSETS, JANUARY 1 | | 2,401,544 |
| NET ASSETS, DECEMBER 31 | | \$ 2,688,310 |

(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, 2007

| | Pension Trust | | Total | |
|--|----------------------|----------------------|----------------------|-------------------|
| | Police | Firefighters' | Pension | Agency |
| | Pension | Pension | Trust | Fund |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,863,208 | \$ 1,268,472 | \$ 3,131,680 | \$ 23,481 |
| Investments | | | | |
| U.S. Treasury securities | 7,320,541 | 8,062,394 | 15,382,935 | - |
| U.S. agency securities | 9,156,436 | 14,241,202 | 23,397,638 | - |
| Insurance contracts | 1,160,907 | - | 1,160,907 | - |
| Mutual funds | 15,436,666 | 18,854,666 | 34,291,332 | - |
| Receivables | | | | |
| Property taxes | - | - | - | 63,907 |
| Accrued interest | 200,211 | 305,921 | 506,132 | - |
| Other | - | - | - | 84,415 |
| TOTAL ASSETS | \$ 35,137,969 | \$ 42,732,655 | \$ 77,870,624 | \$ 171,803 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Deferred property taxes | \$ - | \$ - | \$ - | \$ 62,573 |
| Due to bondholders | - | - | - | 24,815 |
| Advances from primary government | - | - | - | 84,415 |
| Total liabilities | - | - | - | \$ 171,803 |
| FUND BALANCES | | | | |
| Reserved for employees' retirement system | 35,137,969 | 42,732,655 | 77,870,624 | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 35,137,969 | \$ 42,732,655 | \$ 77,870,624 | |

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, 2007

| | Police Pension | Firefighters' Pension | Total |
|--|-------------------|--------------------------|---------------|
| <hr/> | | | |
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 1,368,869 | \$ 1,062,061 | \$ 2,430,930 |
| Employee | 840,418 | 729,860 | 1,570,278 |
| | <hr/> | | |
| Total contributions | 2,209,287 | 1,791,921 | 4,001,208 |
| | <hr/> | | |
| Investment income | | | |
| Net appreciation in fair value of investments | 1,353,421 | 1,822,451 | 3,175,872 |
| Interest | 1,203,646 | 1,439,020 | 2,642,666 |
| | <hr/> | | |
| Total investment income | 2,557,067 | 3,261,471 | 5,818,538 |
| Less investment expense | (189,287) | (191,818) | (381,105) |
| | <hr/> | | |
| Net investment income | 2,367,780 | 3,069,653 | 5,437,433 |
| | <hr/> | | |
| Total additions | 4,577,067 | 4,861,574 | 9,438,641 |
| | <hr/> | | |
| DEDUCTIONS | | | |
| Administration | 11,166 | 11,269 | 22,435 |
| Benefits and refunds | | | |
| Retirement benefits | 1,727,442 | 1,518,776 | 3,246,218 |
| Refunds of contributions | 228,637 | - | 228,637 |
| | <hr/> | | |
| Total deductions | 1,967,245 | 1,530,045 | 3,497,290 |
| | <hr/> | | |
| NET INCREASE | 2,609,822 | 3,331,529 | 5,941,351 |
| | <hr/> | | |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | | |
| January 1 | 32,528,147 | 39,401,126 | 71,929,273 |
| | <hr/> | | |
| December 31 | \$ 35,137,969 | \$ 42,732,655 | \$ 77,870,624 |
| | <hr/> | | |

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, 2007

| | Final Budget | Actual |
|--|-----------------|---------------|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 1,522,950 | \$ 1,368,869 |
| Employee | 826,500 | 840,418 |
| Total contributions | 2,349,450 | 2,209,287 |
| Investment income | | |
| Net appreciation in fair value of investments | - | 1,353,421 |
| Interest | 250,000 | 1,203,646 |
| Total investment income | 250,000 | 2,557,067 |
| Less investment expense | (117,500) | (189,287) |
| Net investment income | 132,500 | 2,367,780 |
| Total additions | 2,481,950 | 4,577,067 |
| DEDUCTIONS | | |
| Administration | 18,850 | 11,166 |
| Benefits and refunds | | |
| Retirement benefits | 2,000,000 | 1,727,442 |
| Refunds of contributions | 50,000 | 228,637 |
| Total deductions | 2,068,850 | 1,967,245 |
| NET INCREASE | \$ 413,100 | 2,609,822 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | |
| January 1 | | 32,528,147 |
| December 31 | | \$ 35,137,969 |

(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, 2007

| | Final Budget | Actual |
|--|-----------------|---------------|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 1,163,900 | \$ 1,062,061 |
| Employee | 705,000 | 729,860 |
| Total contributions | 1,868,900 | 1,791,921 |
| Investment income | | |
| Net appreciation in fair value of investments | - | 1,822,451 |
| Interest | 250,000 | 1,439,020 |
| Total investment income | 250,000 | 3,261,471 |
| Less investment expense | (117,500) | (191,818) |
| Net investment income | 132,500 | 3,069,653 |
| Total additions | 2,001,400 | 4,861,574 |
| DEDUCTIONS | | |
| Administration | 16,850 | 11,269 |
| Benefits and refunds | | |
| Benefits | 1,800,000 | 1,518,776 |
| Refunds of contributions | 50,000 | - |
| Total deductions | 1,866,850 | 1,530,045 |
| NET INCREASE | \$ 134,550 | 3,331,529 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | |
| January 1 | | 39,401,126 |
| December 31 | | \$ 42,732,655 |

(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, 2007

| | Balances January 1 | Additions | Deletions | Balances December 31 |
|---------------------------|-----------------------|------------------|-------------------|-------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 21,055 | \$ 25,861 | \$ 23,435 | \$ 23,481 |
| Receivables | | | | |
| Property taxes | 55,481 | 63,907 | 55,481 | 63,907 |
| Due from residents | 105,547 | - | 21,132 | 84,415 |
| TOTAL ASSETS | \$ 182,083 | \$ 89,768 | \$ 100,048 | \$ 171,803 |
| LIABILITIES | | | | |
| Other liabilities | \$ 55,481 | \$ 62,573 | \$ 55,481 | \$ 62,573 |
| Due to bondholders | 21,055 | 3,760 | - | 24,815 |
| Advances from other funds | 105,547 | - | 21,132 | 84,415 |
| TOTAL LIABILITIES | \$ 182,083 | \$ 66,333 | \$ 76,613 | \$ 171,803 |

(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, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|--|--------------------|-----------------|--------------|-----------------------------|
| TAXES | | | | |
| Property tax | | | | |
| Police protection | \$ 4,131,800 | \$ 4,131,800 | \$ 4,063,136 | \$ (68,664) |
| Fire protection | 6,745,700 | 6,745,700 | 6,563,909 | (181,791) |
| FICA | 2,000,000 | 2,000,000 | 1,945,055 | (54,945) |
| IMRF | 1,043,235 | 1,043,235 | 1,024,355 | (18,880) |
| Police pension | 1,522,950 | 1,522,950 | 1,504,648 | (18,302) |
| Fire pension | 1,163,900 | 1,163,900 | 1,153,102 | (10,798) |
| Township road and bridge | 620,000 | 620,000 | 640,942 | 20,942 |
| Personal property replacement tax | 95,360 | 95,360 | 136,891 | 41,531 |
| State sales tax | 7,763,700 | 7,763,700 | 8,271,034 | 507,334 |
| Home rule sales tax | 4,595,200 | 4,595,200 | 4,788,068 | 192,868 |
| Local use tax | 747,530 | 747,530 | 889,392 | 141,862 |
| Motel occupancy tax | 288,400 | 288,400 | 353,581 | 65,181 |
| Food and beverage | 1,081,500 | 1,081,500 | 1,029,233 | (52,267) |
| Auto rental tax | 16,000 | 16,000 | 10,379 | (5,621) |
| Foreign fire insurance tax | 45,000 | 45,000 | 56,553 | 11,553 |
| Total taxes | 31,860,275 | 31,860,275 | 32,430,278 | 570,003 |
| LICENSES AND PERMITS | | | | |
| Liquor licenses | 305,000 | 305,000 | 314,272 | 9,272 |
| Business licenses | 210,000 | 210,000 | 215,940 | 5,940 |
| Animal licenses | 24,000 | 24,000 | 29,256 | 5,256 |
| Cable television fees | 450,000 | 450,000 | 572,154 | 122,154 |
| Vehicle licenses | 970,000 | 970,000 | 1,029,069 | 59,069 |
| Building permits and fees | 900,000 | 900,000 | 615,996 | (284,004) |
| Other licenses and permits | 205,000 | 205,000 | 285,077 | 80,077 |
| Total licenses and permits | 3,064,000 | 3,064,000 | 3,061,764 | (2,236) |
| INTERGOVERNMENTAL | | | | |
| State income tax | 4,932,080 | 4,932,080 | 5,863,302 | 931,222 |
| Park district reimbursement | 29,500 | 29,500 | 32,859 | 3,359 |
| Fire protection district reimbursement | 240,000 | 240,000 | 382,000 | 142,000 |
| State highway maintenance | 102,000 | 102,000 | 111,539 | 9,539 |
| Public safety training reimbursement | 20,000 | 20,000 | 20,951 | 951 |
| Police consultant - schools | 391,990 | 391,990 | 385,050 | (6,940) |
| Other grants | 21,000 | 205,396 | 287,655 | 82,259 |
| Total intergovernmental | 5,736,570 | 5,920,966 | 7,083,356 | 1,162,390 |

(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, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|------------------------------|----------------------|----------------------|----------------------|-----------------------------|
| CHARGES FOR SERVICES | | | | |
| Plan review fees | \$ 250,000 | \$ 250,000 | \$ 196,252 | \$ (53,748) |
| Ambulance fees | 1,030,000 | 1,030,000 | 1,056,162 | 26,162 |
| Inspection fees | 450,000 | 450,000 | 314,308 | (135,692) |
| Special police service | 100,000 | 100,000 | 134,912 | 34,912 |
| Street fest revenue | 119,150 | 119,150 | 169,067 | 49,917 |
| Other charges for services | 229,000 | 242,000 | 185,311 | (56,689) |
| Total charges for services | 2,178,150 | 2,191,150 | 2,056,012 | (135,138) |
| FINES AND FORFEITS | | | | |
| Circuit court fines | 330,000 | 330,000 | 478,354 | 148,354 |
| Parking fines | 215,000 | 215,000 | 157,712 | (57,288) |
| Compliance fines | 130,000 | 130,000 | 173,926 | 43,926 |
| Adjudication and other fines | 162,000 | 162,000 | 83,504 | (78,496) |
| Total fines and forfeits | 837,000 | 837,000 | 893,496 | 56,496 |
| INVESTMENT INCOME | 450,000 | 450,000 | 938,750 | 488,750 |
| MISCELLANEOUS | | | | |
| Rental income | 10,000 | 10,000 | - | (10,000) |
| Reimbursements and refunds | 121,000 | 122,200 | 97,655 | (24,545) |
| Private activity bonds | 50,000 | 50,000 | 57,147 | 7,147 |
| Donations | - | 6,762 | 7,207 | 445 |
| Other | 3,000 | 3,500 | 1,608 | (1,892) |
| Total miscellaneous | 184,000 | 192,462 | 163,617 | (28,845) |
| TOTAL REVENUES | \$ 44,309,995 | \$ 44,515,853 | \$ 46,627,273 | \$ 2,111,420 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|-------------------------------------|--------------------|-----------------|------------|-----------------------------|
| GENERAL GOVERNMENT | | | | |
| Mayor and council | \$ 332,385 | \$ 321,885 | \$ 319,821 | \$ (2,064) |
| Boards and commissions | | | | |
| Planning commission | 6,390 | 6,390 | 4,110 | (2,280) |
| Zoning board | 7,690 | 7,690 | 7,228 | (462) |
| Fire and police commission | 18,940 | 18,940 | 26,060 | 7,120 |
| Beautification commission | 20,640 | 20,640 | 17,730 | (2,910) |
| Administration | | | | |
| Village manager | 707,710 | 706,210 | 748,428 | 42,218 |
| Human resources | 521,080 | 520,830 | 473,133 | (47,697) |
| Liability insurance | 2,437,980 | 2,437,980 | 1,995,842 | (442,138) |
| Administrative services | | | | |
| Administration | 147,760 | 147,010 | 145,177 | (1,833) |
| Streetfest | 179,175 | 179,175 | 217,728 | 38,553 |
| Cable TV | 36,150 | 43,010 | 13,496 | (29,514) |
| Village phone system | 183,420 | 241,150 | 243,176 | 2,026 |
| Special events | 25,250 | 25,250 | 17,117 | (8,133) |
| Village clerk | 192,430 | 192,430 | 167,224 | (25,206) |
| Legal services | | | | |
| Village attorney | 390,670 | 390,670 | 524,559 | 133,889 |
| Village prosecutor | 40,000 | 40,000 | 40,000 | - |
| Finance and operations | | | | |
| Financial administration | 449,210 | 460,810 | 379,031 | (81,779) |
| Customer services | 436,180 | 416,480 | 373,534 | (42,946) |
| Accounting | 325,355 | 320,155 | 288,969 | (31,186) |
| Customer services reimbursement | (5,725) | (5,725) | (5,725) | - |
| Information systems | | | | |
| Information systems | 846,100 | 855,255 | 861,372 | 6,117 |
| GIS | 174,800 | 174,800 | 162,257 | (12,543) |
| Community services | | | | |
| Administration | 268,575 | 268,105 | 258,101 | (10,004) |
| Permits and inspections | 855,945 | 862,936 | 803,069 | (59,867) |
| Code compliance | 435,110 | 433,290 | 396,745 | (36,545) |
| Health inspections | 342,345 | 340,525 | 345,124 | 4,599 |
| Wellness programs | 5,090 | 5,090 | 5,121 | 31 |
| Planning and economic development | | | | |
| Planning and zoning | 448,645 | 498,125 | 389,305 | (108,820) |
| Community development | 103,200 | 103,200 | 50,078 | (53,122) |
| Community development reimbursement | (84,915) | (84,915) | (84,919) | (4) |
| Economic development | 62,280 | 62,280 | 55,631 | (6,649) |
| Less administrative fees | | | | |
| Sewerage Fund | (300,000) | (300,000) | (300,000) | - |
| Motor Vehicle Parking System Fund | (100,000) | (100,000) | (100,000) | - |
| Total general government | 9,509,865 | 9,609,671 | 8,838,522 | (771,149) |

(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, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|--|----------------------|----------------------|----------------------|-----------------------------|
| PUBLIC SAFETY | | | | |
| Police department | | | | |
| Administration | \$ 932,955 | \$ 946,063 | \$ 927,723 | \$ (18,340) |
| Support services | 2,645,030 | 2,623,310 | 2,374,735 | (248,575) |
| Field operations | 12,975,455 | 13,041,165 | 12,711,694 | (329,471) |
| Total police department | 16,553,440 | 16,610,538 | 16,014,152 | (596,386) |
| Fire department | | | | |
| Administration | 606,850 | 605,725 | 607,949 | 2,224 |
| Fire protection and paramedic services | 11,379,400 | 11,368,860 | 11,105,543 | (263,317) |
| Fire prevention | 579,235 | 577,085 | 560,656 | (16,429) |
| Fire training | 249,515 | 247,660 | 240,721 | (6,939) |
| Foreign fire insurance program | 45,000 | 129,260 | 61,796 | (67,464) |
| Emergency management | 144,935 | 245,557 | 231,756 | (13,801) |
| Total fire department | 13,004,935 | 13,174,147 | 12,808,421 | (365,726) |
| Total public safety | 29,558,375 | 29,784,685 | 28,822,573 | (962,112) |
| PUBLIC WORKS | | | | |
| Public works | | | | |
| Administration | 822,655 | 820,765 | 819,272 | (1,493) |
| Building and grounds | 590,950 | 595,595 | 548,096 | (47,499) |
| Electrical maintenance | 391,900 | 391,270 | 390,710 | (560) |
| Forestry | 1,012,410 | 981,630 | 944,197 | (37,433) |
| Street maintenance | 2,120,965 | 2,119,705 | 2,481,269 | 361,564 |
| Engineering | 500,275 | 498,435 | 469,683 | (28,752) |
| Total public works | 5,439,155 | 5,407,400 | 5,653,227 | 245,827 |
| TOTAL EXPENDITURES | <u>\$ 44,507,395</u> | <u>\$ 44,801,756</u> | <u>\$ 43,314,322</u> | <u>\$ (1,487,434)</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN TIF FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|----------------------------------|---------------------|---------------------|---------------------|-----------------------------|
| ECONOMIC DEVELOPMENT | | | | |
| Administration | \$ 50,000 | \$ 50,000 | \$ 43,446 | \$ (6,554) |
| Project expenditures | | | | |
| Block 31 (Providence) | - | 340,000 | 33,692 | (306,308) |
| Block 10 (Metropolitan) | - | - | 58,465 | 58,465 |
| Block 22 (Smith/Wilson Deck) | - | - | 607 | 607 |
| Block 22 (CLU Building) | - | - | 2,527 | 2,527 |
| Block 26 (Hummel Building) | - | - | 875 | 875 |
| Block 27 (Palatine Place) | - | - | 62,748 | 62,748 |
| Blocks 4, 5 7 (Palatine Station) | - | - | 3,544 | 3,544 |
| Block 24 (Brockway/Slade Plaza) | - | - | 2,263 | 2,263 |
| Railwalk | 185,000 | 77,773 | 77,773 | - |
| Public improvements | 162,000 | 10,146 | 10,146 | - |
| Street improvements | - | 87,000 | 87,000 | - |
| Total project expenditures | 347,000 | 514,919 | 339,640 | (175,279) |
| Land acquisition | | | | |
| Block 3 (Preserves) | 127,805 | 400,000 | - | (400,000) |
| Block 19 (Stratford) | - | 540,000 | 270,000 | (270,000) |
| Block 18 (Heritage) | - | 350,000 | 350,000 | - |
| Block 27 (Palatine Place) | - | 1,397,623 | 1,283,300 | (114,323) |
| Less nonoperating items | | | | |
| Land held for resale | - | (1,252,550) | (1,252,550) | - |
| Total land acquisition | 127,805 | 1,435,073 | 650,750 | (784,323) |
| DEBT SERVICE | | | | |
| Principal payments | 1,665,730 | 1,665,730 | 1,655,616 | (10,114) |
| Interest and fiscal charges | 1,554,255 | 1,827,255 | 2,000,923 | 173,668 |
| Bond issuance costs | - | - | 61,150 | 61,150 |
| Total debt service | 3,219,985 | 3,492,985 | 3,717,689 | 224,704 |
| TOTAL EXPENDITURES | \$ 3,744,790 | \$ 5,492,977 | \$ 4,751,525 | \$ (741,452) |

(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, 2007

| | Original and Final Budget | Actual |
|--|---------------------------------|--------------|
| REVENUES | | |
| Property taxes | \$ 2,937,180 | \$ 2,886,973 |
| Investment income | 15,000 | 149,643 |
| Total revenues | 2,952,180 | 3,036,616 |
| EXPENDITURES | | |
| Debt service | | |
| Principal | 2,799,520 | 2,799,520 |
| Interest | 1,018,845 | 1,018,841 |
| Fiscal charges | 15,000 | 4,300 |
| Total expenditures | 3,833,365 | 3,822,661 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (881,185) | (786,045) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | | |
| Sewerage Fund | 760,000 | 760,000 |
| Total other financing sources (uses) | 760,000 | 760,000 |
| NET CHANGE IN FUND BALANCE | \$ (121,185) | (26,045) |
| FUND BALANCE, JANUARY 1 | | 2,279,983 |
| FUND BALANCE, DECEMBER 31 | | \$ 2,253,938 |

(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, 2007

| | Original and Final Budget | Actual |
|------------------------------|---------------------------------|--------------|
| DEBT SERVICE | | |
| General obligation bond | | |
| Series 1999 | | |
| Principal retirement | \$ 465,590 | \$ 465,590 |
| Interest | 97,945 | 97,945 |
| Total series 1999 | 563,535 | 563,535 |
| Series 1999A | | |
| Interest | 11,105 | 11,103 |
| Series 2000 | | |
| Principal retirement | 1,299,500 | 1,299,500 |
| Interest | 362,860 | 362,860 |
| Total series 2000 | 1,662,360 | 1,662,360 |
| Series 2000B | | |
| Principal retirement | 66,260 | 66,260 |
| Interest | 40,845 | 40,843 |
| Total series 2000B | 107,105 | 107,103 |
| Series 2002 | | |
| Principal retirement | 385,000 | 385,000 |
| Interest | 369,585 | 369,585 |
| Total series 2002 | 754,585 | 754,585 |
| Refunding series 2003 | | |
| Principal retirement | 353,170 | 353,170 |
| Interest | 69,605 | 69,605 |
| Total refunding series 2003 | 422,775 | 422,775 |
| Equipment series 2004 | | |
| Principal | 90,000 | 90,000 |
| Interest | 6,750 | 6,750 |
| Total equipment series 2004 | 96,750 | 96,750 |
| Refunding series 2004C | | |
| Principal retirement | 135,000 | 135,000 |
| Interest | 46,410 | 46,410 |
| Total refunding series 2004C | 181,410 | 181,410 |
| Refunding series 2005 | | |
| Principal retirement | 5,000 | 5,000 |
| Interest | 13,740 | 13,740 |
| Total refunding series 2005 | 18,740 | 18,740 |
| Fiscal charges | 15,000 | 4,300 |
| TOTAL EXPENDITURES | \$ 3,833,365 | \$ 3,822,661 |

(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, 2007

| | Final Budget | Actual |
|----------------------------|-----------------|---------------|
| REVENUES | | |
| Property taxes | \$ 3,464,560 | \$ 3,448,785 |
| Investment income | 250,000 | 527,585 |
| Total revenues | 3,714,560 | 3,976,370 |
| EXPENDITURES | | |
| Debt service | | |
| Principal | 1,020,000 | 1,020,000 |
| Interest | 704,320 | 704,320 |
| Fiscal charges | 7,500 | 1,000 |
| Total expenditures | 1,731,820 | 1,725,320 |
| NET CHANGE IN FUND BALANCE | \$ 1,982,740 | 2,251,050 |
| FUND BALANCE, JANUARY 1 | | 10,337,685 |
| FUND BALANCE, DECEMBER 31 | | \$ 12,588,735 |

(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, 2007

| | Program Account | Bond and Interest Account | Bond Reserve Account | Special Redemption Account | Incremental Property Tax Account | Totals |
|---|--------------------|---------------------------------|----------------------------|----------------------------------|--|---------------|
| REVENUES | | | | | | |
| Property taxes | | | | | | |
| Dundee Road TIF | \$ - | \$ - | \$ - | \$ - | \$ 3,029,037 | \$ 3,029,037 |
| Rand/Dundee TIF | - | - | - | - | 419,748 | 419,748 |
| Investment income | 341 | 18,954 | 135,306 | 317,876 | 55,108 | 527,585 |
| Total revenues | 341 | 18,954 | 135,306 | 317,876 | 3,503,893 | 3,976,370 |
| EXPENDITURES | | | | | | |
| Debt service | | | | | | |
| Principal | - | 1,020,000 | - | - | - | 1,020,000 |
| Interest | - | 704,320 | - | - | - | 704,320 |
| Fiscal charges | - | 1,000 | - | - | - | 1,000 |
| Total expenditures | - | 1,725,320 | - | - | - | 1,725,320 |
| EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES | 341 | (1,706,366) | 135,306 | 317,876 | 3,503,893 | 2,251,050 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 1,710,656 | - | 786,718 | - | 2,497,374 |
| Transfers (out) | (4,802) | - | (136,783) | - | (2,355,789) | (2,497,374) |
| Total other financing sources (uses) | (4,802) | 1,710,656 | (136,783) | 786,718 | (2,355,789) | - |
| NET CHANGE IN FUND BALANCE | (4,461) | 4,290 | (1,477) | 1,104,594 | 1,148,104 | 2,251,050 |
| FUND BALANCE, JANUARY 1 | 8,067 | 1,723,820 | 2,430,477 | 6,175,300 | 21 | 10,337,685 |
| FUND BALANCE, DECEMBER 31 | \$ 3,606 | \$ 1,728,110 | \$ 2,429,000 | \$ 7,279,894 | \$ 1,148,125 | \$ 12,588,735 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|---|--------------------|-----------------|---------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 6,631,700 | \$ 6,631,700 | \$ 6,421,308 |
| Miscellaneous | 21,900 | 21,900 | 50,490 |
| Total operating revenues | 6,653,600 | 6,653,600 | 6,471,798 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | |
| Costs of sales and services | 5,270,315 | 5,161,123 | 4,805,690 |
| Total operating expenses excluding depreciation | 5,270,315 | 5,161,123 | 4,805,690 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION | 1,383,285 | 1,492,477 | 1,666,108 |
| DEPRECIATION AND AMORTIZATION | - | - | 540,390 |
| OPERATING INCOME (LOSS) | 1,383,285 | 1,492,477 | 1,125,718 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 8,200 | 8,200 | 69,632 |
| Interest expense | (991,450) | (991,450) | (530,677) |
| Income from joint venture | 2,600 | 2,600 | 221,989 |
| Total nonoperating revenues (expenses) | (980,650) | (980,650) | (239,056) |
| CHANGE IN NET ASSETS | \$ 402,635 | \$ 511,827 | 886,662 |
| NET ASSETS, JANUARY 1 | | | 14,775,520 |
| Prior period adjustment | | | 1,154,563 |
| NET ASSETS, JANUARY 1, AS RESTATED | | | 15,930,083 |
| NET ASSETS, DECEMBER 31 | | | \$ 16,816,745 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual |
|---------------------------------|---------------------|---------------------|---------------------|
| CHARGES FOR SERVICES | | | |
| Water use fees | | | |
| Incorporated | \$ 4,667,900 | \$ 4,667,900 | \$ 4,654,356 |
| Unincorporated | 1,133,200 | 1,133,200 | 1,067,213 |
| Other | 26,300 | 26,300 | 8,439 |
| Water penalties | | | |
| Incorporated | 66,300 | 66,300 | 64,083 |
| Unincorporated | 8,200 | 8,200 | 9,160 |
| User charge | | | |
| Incorporated | 368,100 | 368,100 | 367,721 |
| Unincorporated | 16,900 | 16,900 | 22,380 |
| Water surcharge | 86,700 | 86,700 | 52,458 |
| Water extension fee | 153,000 | 153,000 | 84,528 |
| Water tap fees | 53,000 | 53,000 | 18,120 |
| Water meter sales | 48,500 | 48,500 | 66,000 |
| Turn-on/service fees | 3,600 | 3,600 | 6,850 |
| Total charges for services | 6,631,700 | 6,631,700 | 6,421,308 |
| MISCELLANEOUS | | | |
| Park district fees | 21,900 | 21,900 | 41,213 |
| Reimbursements | - | - | 9,277 |
| Total miscellaneous | 21,900 | 21,900 | 50,490 |
| TOTAL OPERATING REVENUES | \$ 6,653,600 | \$ 6,653,600 | \$ 6,471,798 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
WATERWORKS FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual |
|---|---------------------|---------------------|---------------------|
| COSTS OF SALES AND SERVICES | | | |
| Finance and operations | | | |
| Financial administration | \$ 1,000 | \$ 1,000 | \$ 936 |
| Customer services | 375,190 | 399,395 | 406,694 |
| Accounting services | 41,000 | 41,000 | 25,817 |
| Total finance and operations | 417,190 | 441,395 | 433,447 |
| Engineering | 95,855 | 95,855 | 92,828 |
| Public works | | | |
| Administration | 21,410 | 21,410 | 22,686 |
| Building and grounds maintenance | | | |
| Mechanical equipment maintenance | 21,240 | 21,240 | 19,436 |
| Custodial general maintenance | 99,210 | 99,210 | 76,444 |
| Electrical maintenance | | | |
| Water system maintenance | 3,510 | 3,510 | 1,852 |
| Building maintenance | 176,440 | 176,440 | 171,176 |
| Water maintenance | | | |
| Supply maintenance | 710,230 | 709,600 | 637,491 |
| Distribution maintenance | 473,425 | 472,795 | 490,682 |
| Service and meter maintenance | 186,805 | 186,175 | 178,239 |
| Forestry | | | |
| Landscape - beautification | 5,000 | 5,000 | 4,096 |
| Northwest Water Commission - water purchase | 2,560,000 | 2,560,000 | 2,499,942 |
| Total public works | 4,257,270 | 4,255,380 | 4,102,044 |
| Operations - other | | | |
| Capital projects | | | |
| Village wide watermain | 450,000 | 209,881 | 209,880 |
| Pump station upgrades | 20,000 | 20,000 | 18,083 |
| Water tank maintenance | 270,000 | 67,213 | 67,213 |
| Alternative water supply | 75,000 | 126,420 | 25,845 |
| Well and pump station improvements | 95,000 | 114,860 | 23,284 |
| Watermain extensions | 200,000 | 165,494 | 165,494 |
| Village facility landscaping | 10,000 | 10,000 | - |
| Utilities SCADA system | 1,650,000 | 531,634 | 661,208 |
| Quentin Road watermain | 30,000 | 30,000 | 29,924 |
| Less nonoperating items - capital assets | (2,300,000) | (907,009) | (1,023,560) |
| Total operations - other | 500,000 | 368,493 | 177,371 |
| TOTAL OPERATING EXPENSES | \$ 5,270,315 | \$ 5,161,123 | \$ 4,805,690 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
WATERWORKS FUND

For the Year Ended December 31, 2007

| | Capital Assets | | | |
|-------------------------|-----------------------|--------------|-------------|---------------|
| | Restated | Additions | Retirements | Balances |
| | Balances January 1 | | | December 31 |
| Land | \$ 740,200 | \$ - | \$ - | \$ 740,200 |
| Machinery and equipment | 403,885 | 661,210 | - | 1,065,095 |
| Water system | 21,602,295 | 362,350 | - | 21,964,645 |
| TOTAL | \$ 22,746,380 | \$ 1,023,560 | \$ - | \$ 23,769,940 |

| | Accumulated Depreciation | | | |
|-------------------------|--------------------------|------------|-------------|---------------|
| | Restated | Provisions | Retirements | Balances |
| | Balances January 1 | | | December 31 |
| Machinery and equipment | \$ 213,695 | \$ 68,660 | \$ - | \$ 282,355 |
| Water system | 9,765,160 | 471,730 | - | 10,236,890 |
| TOTAL | \$ 9,978,855 | \$ 540,390 | \$ - | \$ 10,519,245 |

| | | | | |
|-----------------|--|--|--|---------------|
| NET ASSET VALUE | | | | \$ 13,250,695 |
|-----------------|--|--|--|---------------|

(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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|-----------------|---------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 2,438,850 | \$ 2,438,850 | \$ 2,603,502 |
| Miscellaneous | 500 | 61,125 | 78,258 |
| Total operating revenues | 2,439,350 | 2,499,975 | 2,681,760 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | |
| Costs of sales and services | 2,056,375 | 1,913,713 | 1,891,324 |
| Total operating expenses | 2,056,375 | 1,913,713 | 1,891,324 |
| OPERATING INCOME BEFORE DEPRECIATION | 382,975 | 586,262 | 790,436 |
| DEPRECIATION AND AMORTIZATION | - | - | 516,114 |
| OPERATING INCOME | 382,975 | 586,262 | 274,322 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 15,300 | 15,300 | 121,323 |
| Interest and fiscal charges | (131,000) | (131,000) | (61,349) |
| Total nonoperating revenues (expenses) | (115,700) | (115,700) | 59,974 |
| NET INCOME BEFORE TRANSFERS | 267,275 | 470,562 | 334,296 |
| TRANSFERS (OUT) | | | |
| General Obligation Bond Fund | (760,000) | (760,000) | (760,000) |
| Total transfers (out) | (760,000) | (760,000) | (760,000) |
| CHANGE IN NET ASSETS | \$ (492,725) | \$ (289,438) | (425,704) |
| NET ASSETS, JANUARY 1 | | | 11,665,501 |
| Prior period adjustment | | | 3,802,212 |
| NET ASSETS, JANUARY 1, AS RESTATED | | | 15,467,713 |
| NET ASSETS, DECEMBER 31 | | | \$ 15,042,009 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual |
|----------------------------|--------------------|-----------------|--------------|
| <hr/> | | | |
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Sewer use fees | | | |
| Incorporated | \$ 1,206,000 | \$ 1,206,000 | \$ 1,313,341 |
| Unincorporated | 289,650 | 289,650 | 229,794 |
| Sewer penalties | | | |
| Incorporated | 23,400 | 23,400 | 29,369 |
| Unincorporated | 1,000 | 1,000 | 2,168 |
| Sewer connection fees | 25,500 | 25,500 | 7,973 |
| 50/50 sewer extension fees | - | - | 16,600 |
| Surcharges | | | |
| Sewer separation surcharge | 131,000 | 131,000 | 145,060 |
| Dunhaven surcharge | 800 | 800 | 754 |
| Fair Meadows surcharge | 1,500 | 1,500 | 1,825 |
| Flood control surcharge | 760,000 | 760,000 | 856,618 |
| Miscellaneous | 500 | 61,125 | 78,258 |
| | <hr/> | | |
| TOTAL OPERATING REVENUES | \$ 2,439,350 | \$ 2,499,975 | \$ 2,681,760 |
| | <hr/> | | |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
SEWERAGE FUND

For the Year Ended December 31, 2007

| | Original Budget | Final Budget | Actual |
|--|---------------------|---------------------|---------------------|
| OPERATING EXPENSES | | | |
| Costs of sales and services | | | |
| Public works | | | |
| Water system maintenance | \$ 1,530 | \$ 1,530 | \$ 846 |
| Sewer maintenance | | | |
| Collection system | 434,245 | 428,615 | 441,161 |
| Flood control | 140,335 | 140,335 | 151,251 |
| Total public works | 576,110 | 570,480 | 593,258 |
| Engineering | 83,265 | 83,265 | 82,117 |
| Operations - other | | | |
| Administrative fees - General Fund | 300,000 | 300,000 | 300,000 |
| Capital Projects | | | |
| Sanitary lift station improvements | - | 26,167 | 25,063 |
| Sanitary sewer sliplining | 125,000 | 122,000 | 114,218 |
| 50/50 sewer extension project | 75,000 | 125,638 | 125,638 |
| Storm inlet construction program | 75,000 | 60,000 | 45,522 |
| Sanitary sewer repair and improvement | 50,000 | - | - |
| Salt Creek outfall structure | 20,000 | 10,000 | 9,386 |
| Storm sewer replacement and extension | 300,000 | 32,005 | 32,005 |
| Storm sewer sliplining | 50,000 | 50,000 | 50,000 |
| Flood mitigation | - | 73,208 | 97,733 |
| Bridges and culverts | 60,000 | 55,000 | 48,634 |
| Winston Park flood improvements | - | 273,195 | 233,256 |
| Emergency power systems | - | 25,360 | 25,000 |
| Hilltop sanitary sewer | - | 100,000 | 100,268 |
| Rand Road sanitary sewer | 30,000 | 7,395 | 9,225 |
| Motor vehicles | 150,000 | 150,000 | 141,186 |
| Other projects | 312,000 | - | - |
| Less nonoperating items - capital assets | (150,000) | (150,000) | (141,185) |
| Total operations - other | 1,397,000 | 1,259,968 | 1,215,949 |
| TOTAL OPERATING EXPENSES | \$ 2,056,375 | \$ 1,913,713 | \$ 1,891,324 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION
SEWERAGE FUND

For the Year Ended December 31, 2007

| | Capital Assets | | | |
|-------------------------|--------------------------|------------|-------------|---------------|
| | Restated | Additions | Retirements | Balances |
| | Balances January 1 | | | December 31 |
| Machinery and equipment | \$ 106,760 | \$ 141,185 | \$ - | \$ 247,945 |
| Sewer system | 24,710,910 | - | - | 24,710,910 |
| TOTAL | \$ 24,817,670 | \$ 141,185 | \$ - | \$ 24,958,855 |
| | | | | |
| | Accumulated Depreciation | | | |
| | Restated | Provisions | Retirements | Balances |
| | Balances January 1 | | | December 31 |
| Machinery and equipment | \$ 62,625 | \$ 15,090 | \$ - | \$ 77,715 |
| Sewer system | 10,915,935 | 500,430 | - | 11,416,365 |
| TOTAL | \$ 10,978,560 | \$ 515,520 | \$ - | \$ 11,494,080 |
| | | | | |
| NET ASSET VALUE | | | | \$ 13,464,775 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|--|--------------------|-----------------|---------------|
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Parking fees | \$ 571,500 | \$ 571,500 | \$ 611,914 |
| Miscellaneous | 18,000 | 18,000 | 17,952 |
| Total operating revenues | 589,500 | 589,500 | 629,866 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | |
| Costs of sales and services | 667,775 | 676,883 | 761,528 |
| Total operating expenses | 667,775 | 676,883 | 761,528 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION | (78,275) | (87,383) | (131,662) |
| DEPRECIATION | - | - | 773,660 |
| OPERATING INCOME (LOSS) | (78,275) | (87,383) | (905,322) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 10,000 | 10,000 | 54,104 |
| CHANGE IN NET ASSETS | \$ (68,275) | \$ (77,383) | (851,218) |
| NET ASSETS, JANUARY 1 | | | 15,729,867 |
| NET ASSETS, DECEMBER 31 | | | \$ 14,878,649 |

(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, 2007

| | Original Budget | Final Budget | Actual |
|------------------------------------|--------------------|-------------------|-------------------|
| COSTS OF SALES AND SERVICES | | | |
| Motor vehicle parking | | | |
| Commuter station | \$ 451,475 | \$ 451,475 | \$ 572,483 |
| Finance - customer services | 84,300 | 84,300 | 74,298 |
| Total motor vehicle parking | 535,775 | 535,775 | 646,781 |
| Operations - other | | | |
| Administrative fees - General Fund | 100,000 | 100,000 | 100,000 |
| Capital projects | | | |
| Parking deck/platform improvements | - | 3,067 | 3,066 |
| Parking deck maintenance | 32,000 | 38,041 | 9,368 |
| Parking lot - 50 W. Wood Street | - | - | 2,313 |
| Total operations - other | 132,000 | 141,108 | 114,747 |
| TOTAL OPERATING EXPENSES | \$ 667,775 | \$ 676,883 | \$ 761,528 |

(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, 2007

| | Capital Assets | | | |
|-----------------|--------------------------|------------|-------------|-------------------------|
| | Balances January 1 | Additions | Retirements | Balances December 31 |
| Land | \$ 2,165,938 | \$ - | \$ - | \$ 2,165,938 |
| Improvements | 15,673,130 | - | - | 15,673,130 |
| TOTAL | \$ 17,839,068 | \$ - | \$ - | \$ 17,839,068 |
| | | | | |
| | Accumulated Depreciation | | | |
| | Balances January 1 | Provisions | Retirements | Balances December 31 |
| Improvements | \$ 3,271,640 | \$ 773,660 | \$ - | \$ 4,045,300 |
| NET ASSET VALUE | | | | <u>\$ 13,793,768</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, 2007

| | Final Budget | Actual |
|--------------------------|-----------------|--------------|
| OPERATING REVENUES | | |
| Charges for services | | |
| Refuse billing | \$ 4,201,960 | \$ 4,403,667 |
| Total operating revenues | 4,201,960 | 4,403,667 |
| OPERATING EXPENSES | | |
| Refuse collection | 4,278,970 | 4,178,546 |
| Total operating expenses | 4,278,970 | 4,178,546 |
| OPERATING INCOME (LOSS) | (77,010) | 225,121 |
| NONOPERATING REVENUES | | |
| Investment income | 17,500 | 46,342 |
| CHANGE IN NET ASSETS | \$ (59,510) | 271,463 |
| NET ASSETS, JANUARY 1 | | 615,776 |
| NET ASSETS, DECEMBER 31 | | \$ 887,239 |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|-----------------------------|
| 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 |
|-----------|--------------|-----------|--------------|
| 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 |
| 2007 | 3,750,450 | | |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 1999

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 2,685,000</u> | <u>\$ 561,700</u> | <u>\$ 3,246,700</u> | | <u>\$ 280,850</u> | | <u>\$ 280,850</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION BOND SERIES OF 1999A

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|-------------------|-------------------|-------------------|-----------------|------------------|------------|------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 118,962</u> | <u>\$ 553,962</u> | | <u>\$ 59,481</u> | | <u>\$ 59,481</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2000

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|---------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 8,020,000</u> | <u>\$ 1,043,576</u> | <u>\$ 9,063,576</u> | | <u>\$ 521,788</u> | | <u>\$ 521,788</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 1,245,000</u> | <u>\$ 338,144</u> | <u>\$ 1,583,144</u> | | <u>\$ 169,072</u> | | <u>\$ 169,072</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2001

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|----------------------|---------------------|----------------------|-----------------|---------------------|------------|---------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 4,271,378</u> | <u>\$ 18,836,378</u> | | <u>\$ 2,135,692</u> | | <u>\$ 2,135,686</u> |

Note: 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 TAXABLE BOND SERIES OF 2001

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|------------------|------------|------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 1,755,000</u> | <u>\$ 139,160</u> | <u>\$ 1,894,160</u> | | <u>\$ 69,580</u> | | <u>\$ 69,580</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2002

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|---------------------|----------------------|-----------------|---------------------|------------|---------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 8,215,000</u> | <u>\$ 3,183,698</u> | <u>\$ 11,398,698</u> | | <u>\$ 1,591,849</u> | | <u>\$ 1,591,849</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 1,975,000</u> | <u>\$ 286,080</u> | <u>\$ 2,261,080</u> | | <u>\$ 143,040</u> | | <u>\$ 143,040</u> |

Note: 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, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 2,925,000</u> | <u>\$ 295,950</u> | <u>\$ 3,220,950</u> | | <u>\$ 147,974</u> | | <u>\$ 147,976</u> |

Note: 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, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | | Interest Due On | | | |
|----------------|-------------------|------------------|-------------------|-----------------|------------------|------------|------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 692,853</u> | <u>\$ 79,163</u> | <u>\$ 772,016</u> | | <u>\$ 42,511</u> | | <u>\$ 36,652</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2004

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|-------------------|---------------------|-----------------|-------------------|------------|-------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 1,600,000</u> | <u>\$ 315,705</u> | <u>\$ 1,915,705</u> | | <u>\$ 157,852</u> | | <u>\$ 157,853</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION TAXABLE BOND SERIES OF 2004A

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|---------------------|---------------------|-----------------|---------------------|------------|---------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 6,885,000</u> | <u>\$ 3,004,555</u> | <u>\$ 9,889,555</u> | | <u>\$ 1,502,278</u> | | <u>\$ 1,502,277</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION TAXABLE BOND SERIES OF 2004B

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|---------------------|------------------|---------------------|-----------------|------------------|------------|------------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 2007 | \$ 1,300,000 | \$ 42,250 | \$ 1,342,250 | 2008 | \$ 21,125 | 2008 | \$ 21,125 |
| | <u>\$ 1,300,000</u> | <u>\$ 42,250</u> | <u>\$ 1,342,250</u> | | <u>\$ 21,125</u> | | <u>\$ 21,125</u> |

(See independent auditor's report.)

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

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Tax Levy Year | Tax Levy | | | Interest Due On | | | |
|---------------------|-------------------|-----------------|-------------------|-----------------|-----------------|------------|-----------------|
| | Principal | Interest | Totals | June 1 | Amount | December 1 | Amount |
| 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>\$ 180,000</u> | <u>\$ 6,750</u> | <u>\$ 186,750</u> | | <u>\$ 3,375</u> | | <u>\$ 3,375</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 |
| 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>\$ 1,855,000</u> | <u>\$ 368,626</u> | <u>\$ 2,223,626</u> | | <u>\$ 184,313</u> | | <u>\$ 184,313</u> |

Note: 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, 2007

| | |
|-------------------------|-----------------------|
| 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 |
| 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>\$ 4,970,000</u> | <u>\$ 1,882,226</u> | <u>\$ 6,852,226</u> | | <u>\$ 941,113</u> | | <u>\$ 941,113</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|-----------------------|
| 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 |
| 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>\$ 855,000</u> | <u>\$ 202,200</u> | <u>\$ 1,057,200</u> | | <u>\$ 101,100</u> | | <u>\$ 101,100</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2007A

December 31, 2007

| | |
|-------------------------|-----------------------|
| Date of Issue | May 30, 2007 |
| Date of Maturity | December 1, 2017 |
| Amount Issued | \$365,000 |
| Denomination of Bond | \$5,000 |
| Interest Rate | 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 |
| 2007 | \$ - | \$ 14,600 | \$ 14,600 | 2008 | \$ 7,300 | 2008 | \$ 7,300 |
| 2008 | - | 14,600 | 14,600 | 2009 | 7,300 | 2009 | 7,300 |
| 2009 | - | 14,600 | 14,600 | 2010 | 7,300 | 2010 | 7,300 |
| 2010 | - | 14,600 | 14,600 | 2011 | 7,300 | 2011 | 7,300 |
| 2011 | - | 14,600 | 14,600 | 2012 | 7,300 | 2012 | 7,300 |
| 2012 | - | 14,600 | 14,600 | 2013 | 7,300 | 2013 | 7,300 |
| 2013 | - | 14,600 | 14,600 | 2014 | 7,300 | 2014 | 7,300 |
| 2014 | 100,000 | 14,600 | 114,600 | 2015 | 7,300 | 2015 | 7,300 |
| 2015 | 100,000 | 10,600 | 110,600 | 2016 | 5,300 | 2016 | 5,300 |
| 2016 | 165,000 | 6,600 | 171,600 | 2017 | 3,300 | 2017 | 3,300 |
| | <u>\$ 365,000</u> | <u>\$ 134,000</u> | <u>\$ 499,000</u> | | <u>\$ 67,000</u> | | <u>\$ 67,000</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION TAXABLE BOND SERIES OF 2007B

December 31, 2007

| | |
|-------------------------|-----------------------|
| Date of Issue | May 30, 2007 |
| Date of Maturity | December 1, 2022 |
| Amount Issued | \$7,335,000 |
| Denomination of Bond | \$5,000 |
| Interest Rate | 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 |
| 2007 | \$ 340,000 | \$ 386,132 | \$ 726,132 | 2008 | \$ 193,066 | 2008 | \$ 193,066 |
| 2008 | 355,000 | 368,452 | 723,452 | 2009 | 184,226 | 2009 | 184,226 |
| 2009 | 375,000 | 349,992 | 724,992 | 2010 | 174,996 | 2010 | 174,996 |
| 2010 | 390,000 | 330,492 | 720,492 | 2011 | 165,246 | 2011 | 165,246 |
| 2011 | 410,000 | 310,212 | 720,212 | 2012 | 155,106 | 2012 | 155,106 |
| 2012 | 430,000 | 288,892 | 718,892 | 2013 | 144,446 | 2013 | 144,446 |
| 2013 | 455,000 | 266,532 | 721,532 | 2014 | 133,266 | 2014 | 133,266 |
| 2014 | 475,000 | 242,872 | 717,872 | 2015 | 121,436 | 2015 | 121,436 |
| 2015 | 500,000 | 218,172 | 718,172 | 2016 | 109,086 | 2016 | 109,086 |
| 2016 | 525,000 | 192,172 | 717,172 | 2017 | 96,086 | 2017 | 96,086 |
| 2017 | 555,000 | 164,610 | 719,610 | 2018 | 82,305 | 2018 | 82,305 |
| 2018 | 585,000 | 135,472 | 720,472 | 2019 | 67,736 | 2019 | 67,736 |
| 2019 | 615,000 | 104,760 | 719,760 | 2020 | 52,380 | 2020 | 52,380 |
| 2020 | 645,000 | 71,550 | 716,550 | 2021 | 35,775 | 2021 | 35,775 |
| 2021 | 680,000 | 36,720 | 716,720 | 2022 | 18,360 | 2022 | 18,360 |
| | <u>\$ 7,335,000</u> | <u>\$ 3,467,032</u> | <u>\$10,802,032</u> | | <u>\$ 1,733,516</u> | | <u>\$ 1,733,516</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2007C

December 31, 2007

| | |
|-------------------------|-----------------------|
| Date of Issue | May 30, 2007 |
| Date of Maturity | December 1, 2021 |
| Amount Issued | \$1,215,000 |
| Denomination of Bond | \$5,000 |
| Interest Rate | 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 |
| 2007 | \$ - | \$ 49,138 | \$ 49,138 | 2008 | \$ 24,569 | 2008 | \$ 24,569 |
| 2008 | - | 49,138 | 49,138 | 2009 | 24,569 | 2009 | 24,569 |
| 2009 | 100,000 | 49,138 | 149,138 | 2010 | 24,569 | 2010 | 24,569 |
| 2010 | 100,000 | 45,138 | 145,138 | 2011 | 22,569 | 2011 | 22,569 |
| 2011 | 100,000 | 41,138 | 141,138 | 2012 | 20,569 | 2012 | 20,569 |
| 2012 | 100,000 | 37,138 | 137,138 | 2013 | 18,569 | 2013 | 18,569 |
| 2013 | 100,000 | 33,138 | 133,138 | 2014 | 16,569 | 2014 | 16,569 |
| 2014 | 100,000 | 29,138 | 129,138 | 2015 | 14,569 | 2015 | 14,569 |
| 2015 | 100,000 | 25,138 | 125,138 | 2016 | 12,569 | 2016 | 12,569 |
| 2016 | 100,000 | 21,138 | 121,138 | 2017 | 10,569 | 2017 | 10,569 |
| 2017 | 100,000 | 17,138 | 117,138 | 2018 | 8,569 | 2018 | 8,569 |
| 2018 | 100,000 | 13,138 | 113,138 | 2019 | 6,569 | 2019 | 6,569 |
| 2019 | 100,000 | 9,138 | 109,138 | 2020 | 4,569 | 2020 | 4,569 |
| 2020 | 115,000 | 4,888 | 119,888 | 2021 | 2,444 | 2021 | 2,444 |
| | <u>\$ 1,215,000</u> | <u>\$ 423,682</u> | <u>\$ 1,638,682</u> | | <u>\$ 211,841</u> | | <u>\$ 211,841</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION TAXABLE BOND SERIES OF 2007D

December 31, 2007

| | |
|-------------------------|-----------------------|
| Date of Issue | May 30, 2007 |
| Date of Maturity | December 1, 2026 |
| Amount Issued | \$9,885,000 |
| Denomination of Bond | \$5,000 |
| Interest Rate | 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 |
| 2007 | \$ - | \$ 530,782 | \$ 530,782 | 2008 | \$ 265,391 | 2008 | \$ 265,391 |
| 2008 | 350,000 | 530,782 | 880,782 | 2009 | 265,391 | 2009 | 265,391 |
| 2009 | 365,000 | 512,582 | 877,582 | 2010 | 256,291 | 2010 | 256,291 |
| 2010 | 385,000 | 493,602 | 878,602 | 2011 | 246,801 | 2011 | 246,801 |
| 2011 | 400,000 | 473,582 | 873,582 | 2012 | 236,791 | 2012 | 236,791 |
| 2012 | 425,000 | 452,782 | 877,782 | 2013 | 226,391 | 2013 | 226,391 |
| 2013 | 445,000 | 430,682 | 875,682 | 2014 | 215,341 | 2014 | 215,341 |
| 2014 | 465,000 | 407,542 | 872,542 | 2015 | 203,771 | 2015 | 203,771 |
| 2015 | 490,000 | 383,362 | 873,362 | 2016 | 191,681 | 2016 | 191,681 |
| 2016 | 515,000 | 357,882 | 872,882 | 2017 | 178,941 | 2017 | 178,941 |
| 2017 | 540,000 | 330,846 | 870,846 | 2018 | 165,423 | 2018 | 165,423 |
| 2018 | 570,000 | 302,496 | 872,496 | 2019 | 151,248 | 2019 | 151,248 |
| 2019 | 600,000 | 272,570 | 872,570 | 2020 | 136,285 | 2020 | 136,285 |
| 2020 | 630,000 | 240,170 | 870,170 | 2021 | 120,085 | 2021 | 120,085 |
| 2021 | 665,000 | 206,150 | 871,150 | 2022 | 103,075 | 2022 | 103,075 |
| 2022 | 700,000 | 170,240 | 870,240 | 2023 | 85,120 | 2023 | 85,120 |
| 2023 | 740,000 | 131,040 | 871,040 | 2024 | 65,520 | 2024 | 65,520 |
| 2024 | 780,000 | 89,600 | 869,600 | 2025 | 44,800 | 2025 | 44,800 |
| 2025 | 820,000 | 45,920 | 865,920 | 2026 | 22,960 | 2026 | 22,960 |
| | <u>\$ 9,885,000</u> | <u>\$ 6,362,612</u> | <u>\$16,247,612</u> | | <u>\$ 3,181,306</u> | | <u>\$ 3,181,306</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

LONG-TERM DEBT REQUIREMENTS
GENERAL OBLIGATION BOND SERIES OF 2007E

December 31, 2007

| | |
|-------------------------|-----------------------|
| Date of Issue | May 30, 2007 |
| Date of Maturity | December 1, 2017 |
| Amount Issued | \$1,520,000 |
| Denomination of Bond | \$5,000 |
| Interest Rate | 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 |
| 2007 | \$ 130,000 | \$ 60,800 | \$ 190,800 | 2008 | \$ 30,400 | 2008 | \$ 30,400 |
| 2008 | 130,000 | 55,600 | 185,600 | 2009 | 27,800 | 2009 | 27,800 |
| 2009 | 135,000 | 50,400 | 185,400 | 2010 | 25,200 | 2010 | 25,200 |
| 2010 | 145,000 | 45,000 | 190,000 | 2011 | 22,500 | 2011 | 22,500 |
| 2011 | 150,000 | 39,200 | 189,200 | 2012 | 19,600 | 2012 | 19,600 |
| 2012 | 155,000 | 33,200 | 188,200 | 2013 | 16,600 | 2013 | 16,600 |
| 2013 | 160,000 | 27,000 | 187,000 | 2014 | 13,500 | 2014 | 13,500 |
| 2014 | 165,000 | 20,600 | 185,600 | 2015 | 10,300 | 2015 | 10,300 |
| 2015 | 170,000 | 14,000 | 184,000 | 2016 | 7,000 | 2016 | 7,000 |
| 2016 | 180,000 | 7,200 | 187,200 | 2017 | 3,600 | 2017 | 3,600 |
| | <u>\$ 1,520,000</u> | <u>\$ 353,000</u> | <u>\$ 1,873,000</u> | | <u>\$ 176,500</u> | | <u>\$ 176,500</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|-------------------------|----------------------|
| 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 | Bank of New York |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | | Interest Due On | | | |
|----------------|----------------------|---------------------|----------------------|-----------------|---------------------|--------|---------------------|
| | Principal | Interest | Totals | January 1 | Amount | July 1 | Amount |
| 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>\$ 13,550,000</u> | <u>\$ 3,066,860</u> | <u>\$ 16,616,860</u> | | <u>\$ 1,701,860</u> | | <u>\$ 1,365,000</u> |

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|------------------|---------------------|
| 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, 2007.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|------------------|---------------------|
| 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, 2007.

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 2007

| | |
|------------------|---------------------|
| 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 |
| \$ 1,499,664 | \$ 59,987 | \$ 1,559,651 |

* 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, 2007.

(See independent auditor's report.)

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

December 31, 2007

| | |
|------------------|---------------------|
| Date of Issue | April 3, 2006 |
| Date of Maturity | January 31, 2022 |
| Amount Issued | \$190,000 |
| Paying Agent | Village of Palatine |

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

| |
|----------------------|
| <u>Requirements*</u> |
| <u>Principal</u> |
| <u>\$ 165,793</u> |

* 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.

(See independent auditor's report.)

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

December 31, 2007

| | |
|------------------|---------------------|
| 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, 2007.

(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. | 145-150 |
| Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax. | 151-154 |
| 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. | 155-159 |
| 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. | 160-161 |
| 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. | 162-164 |

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 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Invested in capital assets | | | | |
| net of related debt | \$ 101,812,134 | \$ 100,693,938 | \$ 105,405,740 | \$ 92,401,441 |
| Restricted | 14,477,732 | 19,730,260 | 21,578,252 | 24,347,626 |
| Unrestricted | 988,732 | 15,647,897 | 14,979,825 | 35,686,515 |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 117,278,598 | \$ 136,072,095 | \$ 141,963,817 | \$ 152,435,582 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Invested in capital assets | | | | |
| net of related debt | \$ 37,852,794 | \$ 26,012,558 | \$ 37,479,931 | \$ 32,624,663 |
| Restricted | - | - | - | - |
| Unrestricted | 4,153,291 | 17,342,996 | 5,306,733 | 14,999,979 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ 42,006,085 | \$ 43,355,554 | \$ 42,786,664 | \$ 47,624,642 |
| PRIMARY GOVERNMENT | | | | |
| Invested in capital assets | | | | |
| net of related debt | \$ 139,664,928 | \$ 126,706,496 | \$ 142,885,671 | \$ 125,026,104 |
| Restricted | 14,477,732 | 19,730,260 | 21,578,252 | 24,347,626 |
| Unrestricted | 5,142,023 | 32,990,893 | 20,286,558 | 50,686,494 |
| TOTAL PRIMARY GOVERNMENT | \$ 159,284,683 | \$ 179,427,649 | \$ 184,750,481 | \$ 200,060,224 |

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS

CHANGES IN NET ASSETS

Last Four Fiscal Years

| Fiscal Year | 2004 | 2005 | 2006 | 2007 |
|---|------------------------|------------------------|------------------------|------------------------|
| EXPENSES | | | | |
| Governmental activities | | | | |
| General government | \$ 7,296,867 | \$ 6,932,885 | \$ 7,346,275 | \$ 9,008,572 |
| Public safety | 25,265,921 | 26,321,237 | 28,713,081 | 29,416,464 |
| Public works | 8,251,434 | 9,713,501 | 8,643,238 | 9,080,835 |
| Economic development | 7,870,270 | 3,743,670 | 9,779,022 | 5,943,316 |
| Interest and fiscal charges | 3,804,206 | 3,762,226 | 4,295,123 | 4,340,856 |
| Total governmental activities expenses | 52,488,698 | 50,473,519 | 58,776,739 | 57,790,043 |
| Business-type activities | | | | |
| Water | 6,214,408 | 5,862,991 | 5,692,588 | 5,876,757 |
| Sewer | 1,666,910 | 1,716,882 | 1,788,004 | 2,468,787 |
| Parking system | 1,283,080 | 1,348,318 | 1,395,069 | 1,535,188 |
| Refuse collection | 3,889,091 | 4,137,678 | 4,006,515 | 4,178,546 |
| Total business-type activities expenses | 13,053,489 | 13,065,869 | 12,882,176 | 14,059,278 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | \$ 65,542,187 | \$ 63,539,388 | \$ 71,658,915 | \$ 71,849,321 |
| PROGRAM REVENUES | | | | |
| Governmental activities | | | | |
| Charges for services | | | | |
| General government | \$ 4,680,502 | \$ 4,369,604 | \$ 4,379,572 | \$ 4,135,624 |
| Public safety | 2,016,434 | 2,231,093 | 2,518,276 | 2,810,527 |
| Other activities | 222,263 | 194,548 | 263,374 | 252,771 |
| Operating grants and contributions | 2,141,380 | 2,282,683 | 2,244,660 | 2,248,482 |
| Capital grants and contributions | 386,201 | 461,311 | 479,231 | 880,338 |
| Total governmental activities program revenues | 9,446,780 | 9,539,239 | 9,885,113 | 10,327,742 |
| Business-type activities | | | | |
| Charges for services | | | | |
| Water | 5,579,599 | 6,329,850 | 5,934,839 | 6,471,798 |
| Sewer | 2,072,020 | 2,169,364 | 2,257,277 | 2,681,760 |
| Parking system | 562,039 | 607,332 | 621,311 | 629,866 |
| Refuse collection | 3,949,680 | 4,043,296 | 4,083,059 | 4,403,667 |
| Total business-type activities program revenues | 12,163,338 | 13,149,842 | 12,896,486 | 14,187,091 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES | \$ 21,610,118 | \$ 22,689,081 | \$ 22,781,599 | \$ 24,514,833 |
| NET (EXPENSE) REVENUES | | | | |
| Governmental activities | \$ (43,041,918) | \$ (40,934,280) | \$ (48,891,626) | \$ (47,462,301) |
| Business-type activities | (890,151) | 83,973 | 14,310 | 127,813 |
| TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE | \$ (43,932,069) | \$ (40,850,307) | \$ (48,877,316) | \$ (47,334,488) |

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

Last Four Fiscal Years

| Fiscal Year | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| GENERAL REVENUES AND OTHER | | | | |
| CHANGES IN NET ASSETS | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property and replacement | \$ 22,567,392 | \$ 25,279,383 | \$ 29,044,078 | \$ 30,267,938 |
| Sales | 11,743,223 | 12,503,160 | 12,723,171 | 13,059,102 |
| Use | 692,011 | 771,761 | 864,346 | 889,392 |
| Telecommunications | 2,011,046 | 2,125,860 | 2,378,621 | 2,987,002 |
| Income | 4,189,384 | 4,919,232 | 5,403,355 | 5,863,302 |
| Hotel/motel | 263,437 | 284,961 | 334,913 | - |
| Food and beverage | 925,786 | 1,017,298 | 1,047,248 | 1,029,233 |
| Other | 63,178 | 58,995 | 56,281 | 420,513 |
| Investment income | 452,726 | 824,104 | 1,928,010 | 2,211,847 |
| Miscellaneous | 1,034,092 | 208,006 | 248,570 | 214,546 |
| Gain on sale of capital assets | - | 72,191 | - | 231,191 |
| Transfers | 762,795 | (1,192,800) | 754,755 | 760,000 |
| Total governmental activities | 44,705,070 | 46,872,151 | 54,783,348 | 57,934,066 |
| Business-type activities | | | | |
| Investment income | 42,908 | 101,978 | 238,653 | 291,401 |
| Miscellaneous | 49,581 | - | - | - |
| Income (loss) from joint venture | 97,950 | (40,927) | (89,098) | 221,989 |
| Contributions | 70,000 | - | - | - |
| Gain on sale of capital assets | - | 11,645 | 22,000 | - |
| Transfers | (762,795) | 1,192,800 | (754,755) | (760,000) |
| Total business-type activities | (502,356) | 1,265,496 | (583,200) | (246,610) |
| TOTAL PRIMARY GOVERNMENT | \$ 44,202,714 | \$ 48,137,647 | \$ 54,200,148 | \$ 57,687,456 |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | \$ 85,639,350 | \$ (2,019,475) | \$ 5,891,722 | \$ 10,471,765 |
| Business-type activities | (586,329) | 1,279,806 | (568,890) | (118,797) |
| TOTAL PRIMARY GOVERNMENT | | | | |
| CHANGE IN NET ASSETS | \$ 85,053,021 | \$ (739,669) | \$ 5,322,832 | \$ 10,352,968 |

Data Source

Audited Financial Statements

VILLAGE OF PALATINE, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

| Fiscal Year | 1998 (1) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| GENERAL FUND | | | | | | | | | | |
| Reserved | \$ 1,344,614 | \$ 1,235,349 | \$ 1,307,906 | \$ 1,275,091 | \$ 1,383,209 | \$ 21,885 | \$ 25,965 | \$ 26,470 | \$ 5,042,920 | \$ 5,287,920 |
| Unreserved | 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 | 13,056,080 |
| TOTAL GENERAL FUND | \$ 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 | \$ 18,344,000 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| Reserved | \$ 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 | \$ 28,100,314 |
| Unreserved, reported in | | | | | | | | | | |
| Special Revenue Funds | 678,528 | 1,138,032 | 6,031,271 | 1,510,336 | (279,188) | (2,426,919) | - | - | (5,267,911) | 852,177 |
| Capital Project Funds | 2,895,160 | 4,875,832 | 4,356,059 | 15,043,209 | 8,568,070 | 4,454,190 | - | - | - | - |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | \$ 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 | \$ 28,952,491 |

(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

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

| Fiscal Year | 1998 (1) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | | | | | | |
| Taxes | \$ 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 | \$ 48,653,181 |
| Licenses and permits | 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 | 3,061,764 |
| Intergovernmental | 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 | 9,924,521 |
| Fines and forfeitures | 446,283 | 798,091 | 774,611 | 767,792 | 707,736 | 1,091,158 | 716,827 | 741,524 | 885,018 | 893,496 |
| Charges for services | 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 | 2,130,142 |
| Investment income | 2,479,542 | 2,593,568 | 1,538,454 | 970,729 | 1,068,113 | 633,457 | 452,727 | 824,104 | 1,928,007 | 2,211,847 |
| Miscellaneous | 465,473 | 454,354 | 1,808,166 | 433,489 | 631,708 | 561,739 | 1,509,635 | 486,533 | 547,182 | 395,666 |
| Total revenues | 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 | 67,270,617 |
| EXPENDITURES | | | | | | | | | | |
| General government | 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 | 8,838,522 |
| Public safety | 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 | 28,822,573 |
| 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 | 7,563,075 |
| Highways and streets | 2,246,839 | - | - | - | - | - | - | - | - | - |
| Health | 262,763 | 427,310 | 515,201 | 545,794 | 619,770 | - | - | - | - | - |
| Retirement systems | 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 | 2,952,388 |
| Capital outlay | 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 | 6,125,005 |
| Debt service | | | | | | | | | | |
| Principal | 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 | 8,537,919 |
| Interest | 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 | 4,330,229 |
| Other charges | - | - | - | - | - | - | - | 9,373 | - | 153,978 |
| Total expenditures | 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 | 67,323,689 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | | | | | | |
| | (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 | (53,072) |

| Fiscal Year | 1998 (1) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | \$ 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 | \$ 3,376,733 |
| Transfers (out) | (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) | (2,616,733) |
| Discount on bonds issued | - | - | - | - | - | - | (76,534) | - | - | (43,459) |
| Premium on bonds issued | - | - | - | - | - | - | 109,363 | 17,014 | - | 12,490 |
| Bonds issued at par | 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 | 18,800,000 |
| 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 | 231,191 |
| Total other financing sources (uses) | 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 | 19,760,222 |
| NET CHANGE IN FUND BALANCES | \$ 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 | \$ 19,707,150 |
| Debt service as a percentage of noncapital expenditures | 54.94% | 21.00% | 55.23% | 16.96% | 17.41% | 16.41% | 22.40% | 15.60% | 16.03% | 20.02% |

(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 |
|--------------|-------------------------|------------------------|------------------------|---------------------------------|------------------------------------|--------------------------------|---|---|
| 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 | 1.0520 | 5,444,207,163 | 33.333% |
| 2006 | NA | NA | NA | NA | 1,841,693,711 | 1.0750 | 5,525,081,133 | 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 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| TAX RATES | | | | | | | | | | |
| Village | | | | | | | | | | |
| Village of Palatine | 1.267 | 1.230 | 1.226 | 1.291 | 1.136 | 1.134 | 1.186 | 1.084 | 1.052 | 1.075 |
| School Districts | | | | | | | | | | |
| Palatine C. C. S. D. #15 | 3.827 | 3.662 | 3.611 | 3.749 | 3.289 | 3.185 | 3.313 | 2.925 | 2.840 | 2.673 |
| Junior College #512 | 0.292 | 0.277 | 0.270 | 0.347 | 0.308 | 0.295 | 0.310 | 0.279 | 0.281 | 0.288 |
| Township H. S. D. #211 | 2.595 | 2.464 | 2.418 | 2.450 | 2.147 | 2.067 | 2.165 | 2.158 | 2.191 | 2.261 |
| Park District | 0.534 | 0.483 | 0.481 | 0.505 | 0.455 | 0.422 | 0.482 | 0.437 | 0.422 | 0.448 |
| Library District | 0.385 | 0.359 | 0.361 | 0.381 | 0.322 | 0.310 | 0.315 | 0.280 | 0.271 | 0.280 |
| County | | | | | | | | | | |
| Hospital | 0.285 | 0.238 | 0.236 | 0.219 | 0.201 | 0.156 | 0.141 | 0.122 | 0.112 | 0.112 |
| County of Cook | 0.634 | 0.673 | 0.619 | 0.605 | 0.545 | 0.534 | 0.489 | 0.471 | 0.421 | 0.267 |
| Forest Preserve | 0.074 | 0.072 | 0.070 | 0.069 | 0.067 | 0.061 | 0.059 | 0.060 | 0.060 | 0.057 |
| Township | | | | | | | | | | |
| Palatine Township | 0.078 | 0.057 | 0.052 | 0.050 | 0.042 | 0.041 | 0.042 | 0.038 | 0.037 | 0.039 |
| General Assistance | 0.014 | 0.011 | 0.010 | 0.009 | 0.008 | 0.008 | 0.009 | 0.008 | 0.008 | 0.009 |
| Road and Bridge | 0.102 | 0.084 | 0.087 | 0.086 | 0.077 | 0.074 | 0.078 | 0.070 | 0.069 | 0.072 |
| 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 | 0.788 | 0.647 | 0.590 | 0.565 | 0.140 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Special Service Area #3 | 0.000 | 0.277 | 0.273 | 0.268 | 0.251 | 0.223 | 0.217 | 0.180 | 0.180 | 0.152 |
| Suburban T.B. Sanitarium | 0.008 | 0.008 | 0.008 | 0.008 | 0.007 | 0.006 | 0.004 | 0.001 | 0.005 | 0.005 |
| Northwest Mosquito | 0.011 | 0.010 | 0.010 | 0.011 | 0.010 | 0.009 | 0.010 | 0.009 | 0.009 | 0.009 |
| Sanitary District | 0.451 | 0.444 | 0.419 | 0.415 | 0.401 | 0.371 | 0.361 | 0.347 | 0.315 | 0.284 |
| Elections (ELCO) | 0.027 | 0.000 | 0.023 | 0.000 | 0.032 | 0.000 | 0.029 | 0.000 | 0.014 | 0.000 |
| TOTAL TAX RATES | 11.372 | 10.996 | 10.764 | 11.028 | 9.438 | 8.896 | 9.210 | 8.469 | 8.287 | 8.031 |
| SHARE OF TOTAL TAX LEVIED BY THE VILLAGE | 11.14% | 11.19% | 11.39% | 11.71% | 12.04% | 12.75% | 12.88% | 12.80% | 12.69% | 13.39% |

VILLAGE OF PALATINE, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

| Taxpayer | 2007 | | | 1998 | | |
|---|------------------------------|------|---|------------------------------|------|---|
| | 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% | \$ 11,420,445 | 3 | 1.29% |
| 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% | 12,273,591 | 2 | 1.39% |
| Concord Mills Estates | 15,098,447 | 6 | 0.80% | NA | NA | NA |
| Village Park Palatine 300 Apartments | 13,521,515 | 7 | 0.70% | 7,953,528 | 5 | 0.90% |
| Regency Plaza Partners | 11,258,307 | 8 | 0.60% | 5,770,957 | 8 | 0.65% |
| Square D Corporation | 9,671,187 | 9 | 0.50% | 8,316,026 | 4 | 0.94% |
| Hamilton Partners | 8,742,397 | 10 | 0.50% | NA | NA | NA |
| Infinity Management Co. | NA | NA | NA | 12,372,288 | 1 | 1.40% |
| American National Bank | NA | NA | NA | 7,410,417 | 6 | 0.84% |
| W & M Property Foxfire Apartments | NA | NA | NA | 6,237,524 | 4 | 0.70% |
| Washington Capital | NA | NA | NA | 5,207,698 | 9 | 0.59% |
| Highland Management | NA | NA | NA | 4,746,596 | 10 | 0.54% |
| | <u>\$ 173,973,317</u> | | <u>9.20%</u> | <u>\$ 81,709,070</u> | | <u>9.24%</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 |
| 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% |
| 2006 | 19,798,958 | 16,572,284 | 83.70% | - | 16,572,284 | 83.70% |

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 | | | |
| 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 | 0.05 | 1,612 |
| 1999 | 69,542,325 | 24,290,000 | - | 531,164 | - | 747,246 | - | 169,278 | 56,669 | 95,336,682 | 0.05 | 1,456 |
| 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 | 1,439 |
| 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 |
| 2007 | 73,762,343 | 13,550,000 | 2,482,557 | 1,760,850 | - | 1,616,447 | 10,736,104 | - | 65,090 | 103,973,391 | 0.05 | 1,577 |

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

* See the schedule of Demographic and Economic Information on page 160 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 its 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 |
|-------------|--------------------------------|---|---------------|---|---------------|
| 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 |
| 2007 | 73,762,343 | 2,058,307 | 71,704,036 | 3.89% | 1,087.074 |

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

* See the schedule of Assessed Value and Actual Value of Taxable Property on page 151 for property value data.

(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.

VILLAGE OF PALATINE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2007

| Governmental Unit | Gross Debt | Percentage Debt Applicable to the Village of Palatine (1) | Village of Palatine Share of Debt |
|---|-------------------------|---|-----------------------------------|
| Village of Palatine | \$ 81,620,643 | 100.00% | \$ 81,620,643 |
| <u>School Districts</u> | | | |
| Palatine Community District No. 15 | 42,364,901 | 49.2% | 20,843,531 |
| Township High School 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 | 1.4% | 43,833,720 |
| Metropolitan Water Reclamation District | 1,521,282,085 | 1.4% | 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 |
| Total other than schools | <u>4,698,332,734</u> | | <u>83,158,318</u> |
| | <u>4,879,890,830</u> | | <u>123,552,015</u> |
| | <u>\$ 4,961,511,473</u> | | <u>\$ 205,172,658</u> |

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

VILLAGE OF PALATINE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2007

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 | |
| | | | | | | | | | | | | |
| 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 | 7.10 |
| 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 |
| 2007 | 6,763,419 | 4,805,690 | 1,957,729 | 755,240 | 266,779 | 1.92 | 2,803,083 | 1,891,324 | 911,759 | 80,240 | 50,760 | 6.96 |

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

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

Operating expenses do not include interest or depreciation.

VILLAGE OF PALATINE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
|----------------|------------|--------------------|-------------------------------------|----------------------|
| 2007 | 65,920 | \$ 2,021,173,120 | \$ 30,661 | 3.3% |
| 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% |

(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

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| 2007 | | | 1998 | | |
|---------------------------------------|------|---|--|------|---|
| 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 | 3.85% |
| United States Postal Service | 2 | 2.44% | Community Consolidated School District | 2 | 2.97% |
| Palatine School District No. 15 | 3 | 1.82% | United Parcel Service | 3 | 2.62% |
| Township High School District No. 211 | 4 | 1.41% | Harper Community College No. 512 | 4 | 1.34% |
| Harper Community College No. 512 | 5 | 1.27% | Township High School District No. 211 | 5 | 1.19% |
| Village of Palatine | 6 | 0.55% | Little City | 6 | 0.87% |
| Arlington Plating | 7 | 0.20% | Square D | 7 | 0.70% |
| The Intec Group, Inc. | 8 | 0.12% | Village of Palatine | 8 | 0.64% |

Data Source

Office of the County Clerk

VILLAGE OF PALATINE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

| Function/Program | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| GENERAL GOVERNMENT | | | | | | | | | | |
| Administration | 9.5 | 10.5 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 10.0 | 11.0 | 9.5 |
| Administrative services | - | - | - | - | - | - | - | 1.5 | 1.0 | 2.5 |
| Village Clerk | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Finance | 19.5 | 19.5 | 19.0 | 19.0 | 19.0 | 19.0 | 17.0 | 17.0 | 18.0 | 18.0 |
| Information systems | 5.5 | 6.5 | 6.5 | 6.5 | 9.5 | 9.5 | 7.5 | 8.0 | 8.0 | 8.5 |
| Community services | 29.5 | 29.5 | 20.0 | 19.5 | 19.5 | 20.5 | 18.0 | 19.0 | 19.0 | 20.0 |
| Planning/zoning | NA | NA | 6.5 | 5.5 | 5.5 | 5.5 | 4.5 | 5.5 | 5.0 | 5.0 |
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 94.0 | 98.0 | 110.0 | 111.0 | 111.0 | 110.0 | 106.0 | 107.0 | 109.0 | 110.0 |
| Civilians | 32.5 | 36.5 | 38.5 | 38.5 | 38.5 | 38.0 | 33.0 | 33.0 | 33.0 | 34.0 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 77.0 | 82.0 | 96.0 | 96.0 | 96.0 | 96.0 | 95.0 | 95.0 | 95.0 | 95.0 |
| Civilians | 12.5 | 13.0 | 11.5 | 12.5 | 12.0 | 12.5 | 9.5 | 11.0 | 11.0 | 11.0 |
| PUBLIC WORKS | 64.0 | 64.0 | 66.0 | 69.0 | 69.5 | 65.0 | 59.0 | 57.5 | 58.5 | 58.5 |
| ENGINEERING | NA | NA | 5.5 | 5.5 | 8.0 | 7.5 | 6.5 | 6.5 | 6.5 | 6.5 |

Data Source

Village budget office

VILLAGE OF PALATINE, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

| Function/Program | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | N/A | 1,566 | 2,617 | 2,617 | 2,617 | 2,617 | 4,087 | 6,758 | N/A | 2,417 |
| Parking violations | N/A | 10,794 | 10,752 | 10,752 | 10,752 | 10,752 | 13,766 | 7,274 | N/A | 631 |
| Traffic violations | N/A | 14,235 | 14,937 | 14,937 | 14,937 | 14,937 | 10,264 | 19,199 | N/A | 5,415 |
| Fire | | | | | | | | | | |
| Emergency responses | N/A | 1,566 | 6,752 | 6,752 | 6,752 | 6,752 | 6,277 | 6,568 | 6,891 | 7,401 |
| WATER | | | | | | | | | | |
| Number of connections | N/A | 16,739 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 19,597 |
| Average daily consumption | 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 | 7,017,288 |

Data Source

Various Village departments

VILLAGE OF PALATINE, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

| Function/Program | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------|------|-------|-------|-------|-------|-------|-------|-------|------|--------|
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | N/A | 16 | 16 | 16 | 20 | 20 | 22 | 28 | NA | 32 |
| Fire | | | | | | | | | | |
| Fire stations | 3 | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Fire engines | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 5 |
| PUBLIC WORKS | | | | | | | | | | |
| Streets (miles) | N/A | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 |
| Number of bridges | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Storm sewers (miles) | N/A | 101 | 200 | 200 | 200 | 200 | 220 | 220 | 220 | 220 |
| WATER | | | | | | | | | | |
| Water mains (miles) | N/A | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 140* |
| Fire hydrants | N/A | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 3,200 | N/A | 2,052* |
| WASTEWATER | | | | | | | | | | |
| Sanitary sewers (miles) | N/A | 123 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 145* |

* Restated GASB value

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, 2007

| | 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) | \$ 1,971,574,292 | 100.00% | 33.33% | \$ 29,908.59 |
| Estimated true value of taxable real property, 2005 | 5,914,722,876 | 300.00% | 100.00% | 89,725.77 |
| Direct general obligation bonded debt (1): | | | | |
| Payable from property taxes | \$ 26,378,906 | 1.34% | 0.45% | \$ 400.17 |
| Self-supporting | 87,524,395 | 4.44% | 1.48% | 1,327.74 |
| Total direct bonded debt | \$ 113,903,301 | 5.78% | 1.93% | \$ 1,727.90 |
| Overlapping bonded debt payable from property taxes (2): | | | | |
| Schools | \$ 40,403,064 | 2.05% | 0.68% | \$ 612.91 |
| Other than schools | 81,773,564 | 4.15% | 1.38% | 1,240.50 |
| Total overlapping bonded debt | \$ 122,176,628 | 6.20% | 2.07% | \$ 1,853.41 |
| Total direct and overlapping bonded debt | \$ 236,079,929 | 11.97% | 3.99% | \$ 3,581.31 |
| Total direct and overlapping excl. self-supporting | \$ 148,555,534 | 7.53% | 2.51% | \$ 2,253.57 |

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, 2007."
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, 2007

| Principal Maturities (1) | | | | | | | | | | | | | |
|--------------------------|--------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| Due 12/1 | Taxable | | | | | | | | | | | | Total Maturities (2) |
| | 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 | Amount |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 2014 | 317,473 | 310,000 | - | - | 140,000 | 2,215,000 | - | 510,000 | - | 1,135,000 | - | 1,160,000 | 5,787,473 |
| 2015 | 523,137 | 690,000 | - | - | 375,000 | 2,860,000 | - | 535,000 | - | 1,200,000 | - | 1,305,000 | 7,488,137 |
| 2016 | 302,180 | - | - | - | - | 1,880,000 | - | 560,000 | - | 1,215,000 | - | 1,360,000 | 5,317,180 |
| 2017 | - | - | - | - | - | - | - | 585,000 | - | 1,285,000 | - | 445,000 | 2,315,000 |
| 2018 | - | - | - | - | - | - | - | 610,000 | - | 1,150,000 | - | 100,000 | 1,860,000 |
| 2019 | - | - | - | - | - | - | - | 640,000 | - | 1,195,000 | - | 3,390,000 | 5,225,000 |
| 2020 | - | - | - | - | - | - | - | 675,000 | - | 1,265,000 | - | 100,000 | 2,040,000 |
| 2021 | - | - | - | - | - | - | - | 705,000 | - | 610,000 | - | 115,000 | 1,430,000 |
| 2022 | - | - | - | - | - | - | - | 740,000 | - | 645,000 | - | 3,835,000 | 5,220,000 |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | 3,040,000 | 3,040,000 |
| | \$ 1,142,790 | \$ 2,685,000 | \$ 435,000 | \$ 8,020,000 | \$ 1,245,000 | \$ 14,565,000 | \$ 1,755,000 | \$ 8,215,000 | \$ 5,592,853 | \$ 16,790,000 | \$ 855,000 | \$ 20,320,000 | \$ 81,620,643 |
| | | | | | | | | | | | | | 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); \$13,550,000 principal outstanding (as of December 31, 2007) 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 \$81,620,649 principal outstanding at December 31, 2006, the Village estimates that \$62,092,761 (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, 2007

| Village Issue | | Ratio to Estimated Actual Value (1) | | | | Per Capita (1) | | Population |
|--------------------|------------|-------------------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|------------|
| | | Direct Debt | | Direct and Overlapping Debt | | Direct and Overlapping Debt | | |
| | | Including Self- | Excluding Self- | Including Self- | Excluding Self- | Including Self- | Excluding Self- | |
| | | Supporting | Supporting(2) | Supporting | Supporting(2) | Supporting | Supporting(2) | |
| Sale Date | Amount | Supporting | Supporting(2) | Supporting | Supporting(2) | Supporting | Supporting(2) | Estimate |
| 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, 2007

| 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 | 49.184% | \$ 20,836,753 |
| Township H. S. D. #211 | 99.9% | 61,255,000 | 22.226% | 13,614,536 |
| Township H. S. D. #214 | 0.1% | 12,078,195 | 0.180% | 21,741 |
| Harper Junior College #512 | 100.0% | 65,860,000 (2) | 9.004% | 5,930,034 |
| Total School Districts | | | | <u>\$ 40,403,064</u> |
| Other Than School Districts | | | | |
| Cook County and | | | | |
| Forest Preserve District | 100.0% | 3,130,980,000 | 1.361% | 42,612,638 |
| Sanitary District | 100.0% | 1,521,282,085 | 1.390% | 21,145,821 |
| Park Districts | | | | |
| Palatine | 94.2% | 11,450,000 (2) | 74.763% | 8,560,386 |
| Arlington Heights | 0.1% | 22,395,649 (2) | 0.570% | 127,655 |
| Palatine Public Library District | 99.9% | 12,225,000 | 76.295% | 9,327,064 |
| Total Other Than School Districts | | | | <u>\$ 81,773,564</u> |

Notes:

1. Village's share based upon 2006 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, 2007

| 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% |
| 2006 | 1,841,693,711 | 129,880,581 | 1,971,574,292 | 1.9% |

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, 2007

| | Levy Years | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Village of Palatine (1): | | | | | | |
| Corporate | \$ 0.155 | \$ 0.226 | \$ 0.249 | \$ 0.229 | \$ 0.220 | \$ 0.227 |
| Bonds and interest | 0.251 | 0.241 | 0.242 | 0.195 | 0.181 | 0.164 |
| Pensions (Police, Fire, IMRF and Soc. Sec.) | 0.221 | 0.228 | 0.286 | 0.275 | 0.281 | 0.314 |
| Fire Protection | 0.423 | 0.439 | 0.409 | 0.385 | 0.370 | 0.370 |
| Water and sewerage | 0.086 | - | - | - | - | - |
| Total Village of Palatine | 1.136 | 1.134 | 1.186 | 1.084 | 1.052 | 1.075 |
| Cook County (Incl. Forest Preserve) | 0.813 | 0.751 | 0.689 | 0.653 | 0.593 | 0.436 |
| Sanitary District | 0.401 | 0.371 | 0.361 | 0.347 | 0.315 | 0.284 |
| Palatine Park District | 0.455 | 0.422 | 0.482 | 0.437 | 0.422 | 0.448 |
| Palatine Library District | 0.322 | 0.310 | 0.315 | 0.280 | 0.271 | 0.280 |
| Palatine C. C. S. D. #15 | 3.289 | 3.185 | 3.313 | 2.925 | 2.840 | 2.673 |
| Junior College #512 | 0.308 | 0.295 | 0.310 | 0.279 | 0.281 | 0.288 |
| Township H. S. D. #211 | 2.147 | 2.067 | 2.165 | 2.158 | 2.191 | 2.261 |
| Township and all other | 0.176 | 0.138 | 0.172 | 0.126 | 0.142 | 0.148 |
| Total (2) | <u>\$ 9.047</u> | <u>\$ 8.673</u> | <u>\$ 8.993</u> | <u>\$ 8.289</u> | <u>\$ 8.107</u> | <u>\$ 7.893</u> |
| Village rate as a percent of total | 12.6% | 13.1% | 13.2% | 13.1% | 13.0% | 13.6% |

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 2006 equalized assessed valuation.

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Tax Extensions and Collections December 31, 2007

| 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 | 16,572,284 | 83.70% |
| 2007 | 2008 | 20,789,843 | ----- 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, 2007

| Property Classification | Levy Years | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Residential | \$ 862,113,017 | \$ 949,368,098 | \$ 963,534,181 | \$ 1,138,490,510 | NA | NA |
| Commercial | 343,541,840 | 350,040,146 | 345,997,963 | 394,146,124 | NA | NA |
| Industrial | 123,621,909 | 132,519,388 | 128,678,367 | 145,428,977 | NA | NA |
| Railroad | 308,241 | 366,046 | 395,865 | 445,859 | NA | NA |
| Farm | 2,045 | 2,045 | 5,175 | 180 | NA | 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 | \$ 1,841,693,711 |
| Incremental Valuation (2) | 31,571,463 | 48,520,555 | 62,457,767 | 100,006,109 | 119,993,338 | 129,880,581 |
| 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 | \$ 1,971,574,292 |
| Percentage Increase | 20.4% | 8.8% | 1.4% | 18.5% | 8.8% | 1.9% |

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, 2007

| 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 | 0.9% |
| 5 | Brookind Corp. | United Parcel Service | 16,655,220 | 0.8% |
| 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 | 0.4% |
| Total Ten Largest Taxpayers | | | <u>\$ 173,973,317</u> | <u>8.8%</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, 2007

Summary Statement of Revenue, Expenditures and Changes in Fund Balance

| | Audited (Note 1) | | | | | Dec. 31, 2008 Budget (2) |
|------------------------------------|------------------|---------------|-----------------|---------------|---------------|-----------------------------|
| | 2003 | 2004 | Dec. 31 2005 | 2006 | 2007 | |
| Revenue (3): | | | | | | |
| Taxes | | | | | | |
| Property taxes | \$ 12,632,584 | \$ 13,629,102 | \$ 15,362,641 | \$ 16,169,543 | \$ 16,895,147 | \$ 18,557,800 |
| Sales tax | 9,009,385 | 11,743,223 | 12,503,160 | 12,723,170 | 13,059,102 | 12,350,900 |
| Other taxes | 1,466,048 | 1,959,056 | 2,181,131 | 2,359,091 | 2,476,029 | 2,493,400 |
| Licenses and permits | 2,686,698 | 3,212,245 | 3,121,288 | 3,242,695 | 3,061,764 | 3,390,400 |
| Intergovernmental | | | | | | |
| State income tax | 4,057,697 | 4,189,384 | 4,919,232 | 5,403,355 | 5,863,302 | 6,137,440 |
| Other | 683,014 | 789,750 | 868,098 | 1,187,414 | 1,220,054 | 928,000 |
| Charges for services | 1,043,774 | 1,969,394 | 1,950,734 | 1,768,571 | 2,056,012 | 1,964,600 |
| Fines and forfeits | 763,501 | 716,827 | 741,524 | 885,018 | 893,496 | 1,067,900 |
| Interest income | 67,631 | 69,190 | 348,592 | 1,137,974 | 938,749 | 525,000 |
| Transfers-in | 1,643,440 | 1,766,675 | 93,530 | 600,475 | - | 484,915 |
| All other revenues | 344,070 | 469,046 | 338,619 | 371,053 | 163,617 | 319,300 |
| Total revenues | 34,397,842 | 40,513,892 | 42,428,549 | 45,848,359 | 46,627,272 | 48,219,655 |
| Expenditures | | | | | | |
| General Government | | | | | | |
| Finance/Data Proc. | 1,783,746 | 1,609,058 | 1,862,200 | 1,969,941 | 2,059,438 | 2,346,630 |
| Community Services | 2,025,024 | 2,049,548 | 1,989,349 | 1,652,076 | 1,808,160 | 2,004,715 |
| Insurance | 997,313 | 1,101,123 | 1,329,771 | 1,653,535 | 1,995,842 | 1,555,000 |
| All Other | 2,316,229 | 2,011,583 | 1,526,531 | 3,044,804 | 2,743,328 | 3,648,810 |
| Total General Gov't | 7,122,312 | 6,771,312 | 6,707,851 | 8,320,356 | 8,606,768 | 9,555,155 |
| Public Safety | | | | | | |
| Police | 12,817,742 | 13,674,135 | 14,413,178 | 15,213,534 | 16,014,152 | 17,419,330 |
| Fire | 10,208,028 | 10,848,633 | 11,089,532 | 11,951,093 | 12,808,420 | 13,416,130 |
| Civil Defense | 48,313 | 80,627 | 137,744 | 221,502 | 231,754 | - |
| Total Public Safety | 23,074,083 | 24,603,395 | 25,640,454 | 27,386,129 | 29,054,326 | 30,835,460 |
| Public Works | 4,556,489 | 4,625,704 | 4,710,929 | 4,657,122 | 5,653,227 | 5,733,235 |
| Transfers-out | 2,329,486 | 48,925 | 1,400,000 | 4,149,105 | 2,616,733 | 2,095,805 |
| Total Expenditures | 37,082,370 | 36,049,336 | 38,459,234 | 44,512,712 | 45,931,054 | 48,219,655 |
| Revenues over (under) expenditures | (2,684,528) | 4,464,556 | 3,969,315 | 1,335,647 | 696,218 | - |
| Adjustments to fund balance | (549,955) | 55,575 | - | - | - | - |
| Fund balance-ending | 7,822,689 | 12,342,820 | 16,312,135 | 17,647,782 | 18,344,000 | |

(Continued)

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 General Fund December 31, 2007

Balance Sheet

| | Dec. 31 | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Assets: | | | | | |
| Cash and investments | \$ 5,086,606 | \$ 10,698,069 | \$ 15,123,023 | \$ 11,622,670 | \$ 12,788,481 |
| Receivables: | | | | | |
| Property tax | 13,433,500 | 14,759,690 | 15,645,500 | 16,607,585 | 19,283,541 |
| All other | 523,827 | 692,886 | 541,668 | 751,540 | 856,853 |
| Prepaid items | - | - | 26,470 | - | 4,793 |
| Due from other governments | 2,757,394 | 3,287,266 | 3,433,314 | 3,058,700 | 3,286,734 |
| Due from other funds | 2,210,292 | 258,130 | 219,252 | 5,042,920 | 5,287,920 |
| All other assets | 21,885 | 25,965 | - | - | - |
| Total assets | <u>\$ 24,033,504</u> | <u>\$ 29,722,006</u> | <u>\$ 34,989,227</u> | <u>\$ 37,083,415</u> | <u>\$ 41,508,322</u> |
| Liabilities and Fund Balance | | | | | |
| Accounts payable | \$ 428,930 | \$ 332,281 | \$ 212,728 | \$ 266,919 | \$ 819,796 |
| Deferred revenues | 13,806,670 | 14,966,556 | 16,090,618 | 17,016,788 | 17,921,800 |
| All other liabilities | 1,975,215 | 2,080,349 | 2,373,746 | 2,151,926 | 4,422,726 |
| Total liabilities | <u>16,210,815</u> | <u>17,379,186</u> | <u>18,677,092</u> | <u>19,435,633</u> | <u>23,164,322</u> |
| Fund Balance | | | | | |
| Reserved | 21,885 | 25,965 | 26,470 | 5,042,920 | 5,287,920 |
| Unreserved | 7,800,804 | 12,316,855 | 16,285,665 | 12,604,862 | 13,056,080 |
| Total fund balance | <u>7,822,689</u> | <u>12,342,820</u> | <u>16,312,135</u> | <u>17,647,782</u> | <u>18,344,000</u> |
| Total liabilities and fund balance | <u>\$ 24,033,504</u> | <u>\$ 29,722,006</u> | <u>\$ 34,989,227</u> | <u>\$ 37,083,415</u> | <u>\$ 41,508,322</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, 2007

Fund Balances 2002 - 2007

| | Dec. 31 | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental Fund Types | | | | | |
| General | \$ 7,822,689 | \$ 12,342,820 | \$ 16,312,135 | \$ 17,647,782 | \$ 18,344,000 |
| Special Revenue | | | | | |
| Motor Fuel Tax | 1,433,992 | 849,535 | 353,229 | 262,620 | 320,875 |
| Comm. Dev. Blk Grnt | - | - | - | - | - |
| Downtown TIF | 1,812,321 | 7,109,515 | 3,749,848 | (731,475) | 6,641,163 |
| Rand Rd Corridor TIF | 141,884 | 2,575,013 | 3,661,519 | 5,175,681 | 13,510,765 |
| Total Special Revenue | 3,388,197 | 10,534,063 | 7,764,596 | 4,706,826 | 20,472,803 |
| Debt Service | 13,167,153 | 8,274,820 | 10,409,015 | 12,617,668 | 14,842,673 |
| Capital Projects | 4,644,878 | 2,841,873 | 1,685,217 | 6,127,830 | 7,147,780 |
| Total Governmental | 29,022,917 | 33,993,576 | 36,170,963 | 41,100,106 | 60,807,256 |
| Proprietary Fund Types (2): | | | | | |
| Enterprise Funds | | | | | |
| Waterworks | 13,568,185 | 13,137,787 | 14,575,540 | 14,775,520 | 16,816,745 |
| Sewerage | 11,479,059 | 11,139,576 | 11,827,844 | 11,665,501 | 15,042,009 |
| Motor Veh Pkg Syst | 17,838,167 | 17,145,072 | 16,440,972 | 15,729,867 | 14,878,649 |
| Refuse Collection | 513,181 | 583,650 | 511,198 | 615,776 | 887,239 |
| Total Enterprise | 43,398,592 | 42,006,085 | 43,355,554 | 42,786,664 | 47,624,642 |
| Internal Service Funds | | | | | |
| Self Insurance | - | 446,526 | 1,221,653 | 2,401,544 | 2,688,310 |
| Central Equipment | (231,496) | (123,827) | (62,211) | 28,110 | 24,275 |
| Total Proprietary | 43,167,096 | 42,328,784 | 44,514,996 | 45,216,318 | 50,337,227 |
| Fiduciary Fund Types (3): | | | | | |
| Pension Trust | | | | | |
| Police Pension | 26,339,997 | 28,578,027 | 30,382,994 | 32,528,147 | 35,137,969 |
| Firefighters' Pension | 31,110,180 | 33,612,547 | 35,594,313 | 39,401,126 | 42,732,655 |
| Total Fiduciary | 57,450,177 | 62,190,574 | 65,977,307 | 71,929,273 | 77,870,624 |
| Total All Funds (Memo Only) | \$ 129,640,190 | \$ 138,512,934 | \$ 146,663,266 | \$ 158,245,697 | \$ 189,015,107 |

(Continued)

VILLAGE OF PALATINE, ILLINOIS

Disclosures Required by SEC Rule 15c2-12 Combined Statement - All Funds (Note 1) December 31, 2007

Cash and Investments

| | December 31 | | | | |
|----------------------------|---------------|---------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Fund: | | | | | |
| General | \$ 5,086,606 | \$ 10,698,069 | \$ 15,123,023 | \$ 11,622,670 | \$ 12,788,481 |
| Special Revenue | 1,692,959 | 2,609,912 | 2,341,408 | 2,858,328 | 3,221,921 |
| Debt Service | 13,169,679 | 8,296,390 | 10,410,715 | 12,619,368 | 14,542,649 |
| Capital Projects | 3,940,034 | 2,207,095 | 1,268,425 | 5,797,507 | 4,212,753 |
| Enterprise Funds | 4,453,710 | 3,024,363 | 6,024,238 | 5,201,496 | 6,934,455 |
| Internal Service Funds | 211,551 | 768,879 | 1,654,176 | 2,608,595 | 2,875,931 |
| Pension Trust | 57,371,199 | 62,111,900 | 65,900,784 | 71,504,934 | 77,364,492 |
| Total cash and investments | \$ 85,925,738 | \$ 89,716,608 | \$ 102,722,769 | \$ 112,212,898 | \$ 121,940,682 |

Notes:

1. These condensed financial statements for the years ending December 31, 2003 - 2007, 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, 2007, included an unqualified "Report of Independent Auditors". Similar unqualified opinions were included in the Village's CAFRs for the fiscal years ended December 31, 2003 - 2006. 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, 2007, 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, 2007, 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, 2007

| 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 | 15,744,677 | Machinery and equipment | 1,313,040 |
| Machinery and equipment | 7,059,662 | System lines | 46,675,555 |
| Storm sewer | 28,726,850 | Total | 66,567,863 |
| Streets | 24,008,577 | | |
| Bridges | 1,596,735 | | |
| Total | 219,586,203 | | |
| Less Accumulated Depreciation | 37,457,202 | Less Accumulated Depreciation | 26,058,625 |
| Net Capital Assets | \$ 182,129,001 | Net Capital Assets | \$ 40,509,238 |