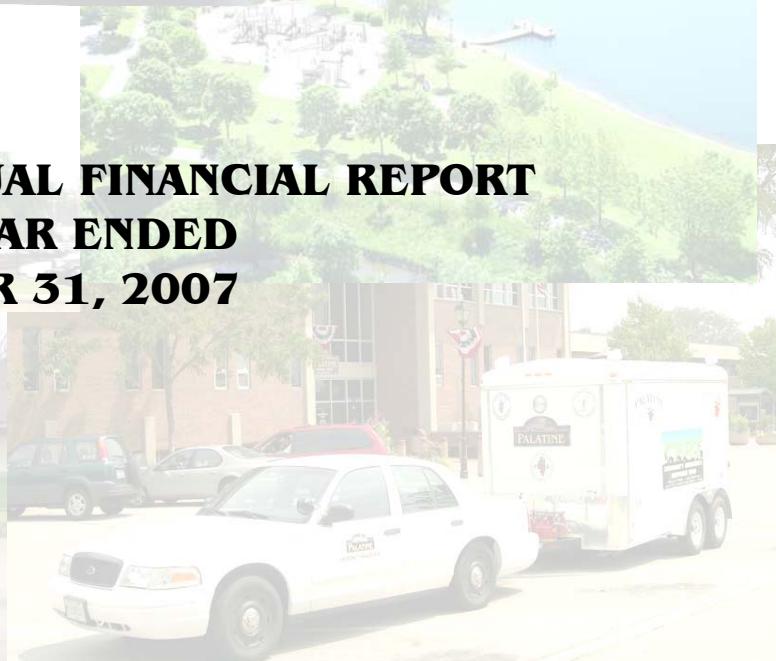


VILLAGE OF PALATINE, ILLINOIS



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

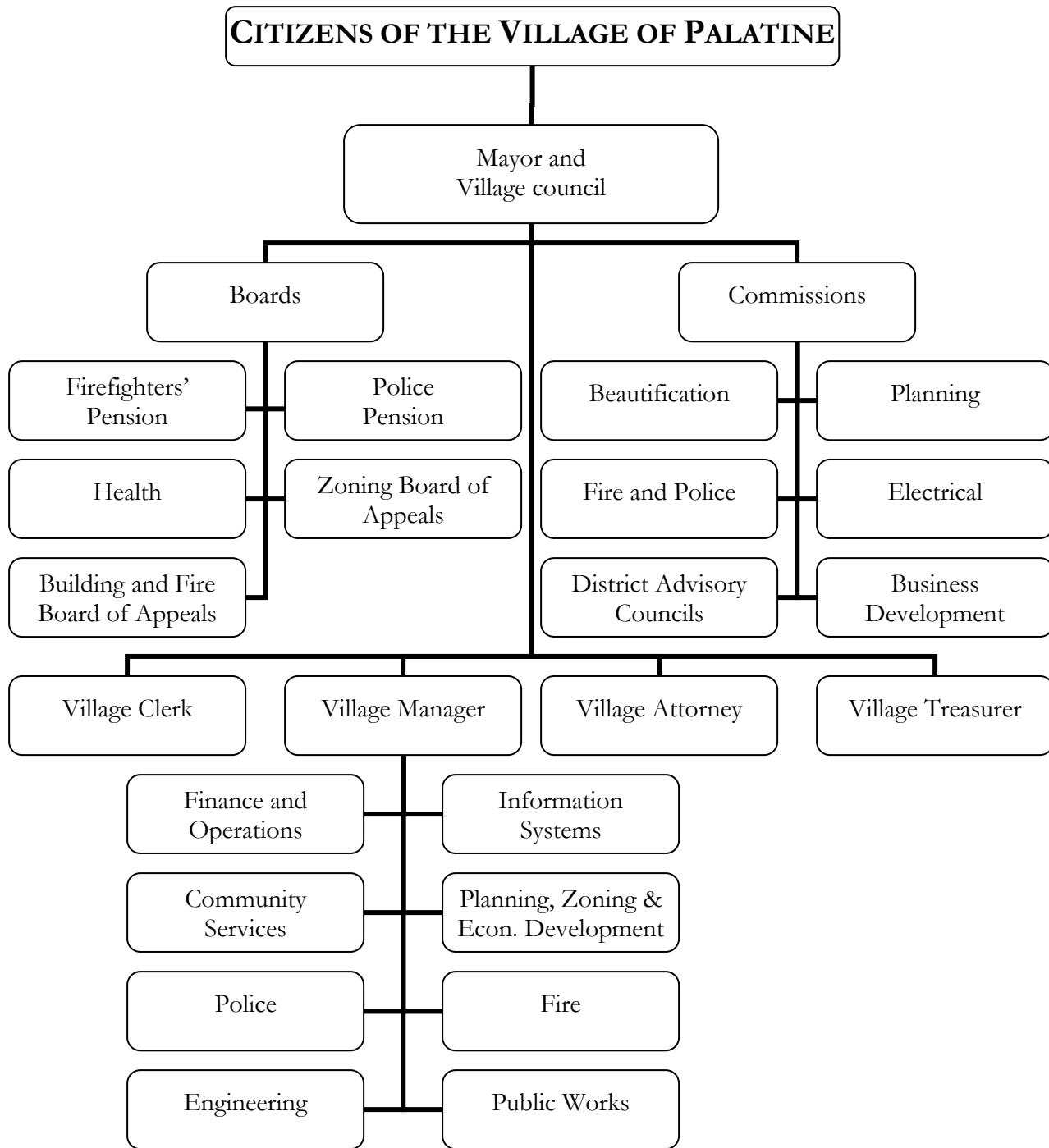
Rita L. Mullins

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. Eman

Executive Director



VILLAGE OF PALATINE

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

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

www.palatine.il.us

FINANCE & OPERATIONS

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,



Paul D. Mehring, CPA
Director
Finance and Operations



998 Corporate Boulevard • Aurora, IL 60502

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 black ink that reads "Sibley LLP". The signature is fluid and cursive, with "Sibley" on the top line and "LLP" on the bottom line.

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>Governmental Activities 2007</i>	<i>Business-type Activities 2007</i>	<i>Total 2007</i>	<i>Governmental 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)

MD&A 7

**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 PRIMARY GOVERNMENT	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
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	<u>57,790,043</u>	<u>7,198,922</u>	<u>2,248,482</u>	<u>880,338</u>
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	<u>14,059,278</u>	<u>14,187,091</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 71,849,321</u>	<u>\$ 21,386,013</u>	<u>\$ 2,248,482</u>	<u>\$ 880,338</u>

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	Revenue Refunding Bond	Tax Increment Corridor TIF	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
<hr/>	
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							
FUND BALANCES (DEFICIT), JANUARY 1	696,218	7,372,638	(26,045)	2,251,050	8,335,084	1,078,205	19,707,150
FUND BALANCES, DECEMBER 31	17,647,782	(731,475)	2,279,983	10,337,685	5,175,681	6,390,450	41,100,106
	\$ 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	<u>(409,553)</u>
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	Refuse	Total	Internal Service	
			Parking System	Collection			
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	<u>6,471,798</u>	<u>2,681,760</u>	<u>629,866</u>	<u>4,403,667</u>	<u>14,187,091</u>	<u>6,626,816</u>	
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	<u>4,805,690</u>	<u>1,891,324</u>	<u>761,528</u>	<u>4,178,546</u>	<u>11,637,088</u>	<u>6,498,966</u>	
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)	<u>1,125,718</u>	<u>274,322</u>	<u>(905,322)</u>	<u>225,121</u>	<u>719,839</u>	<u>127,850</u>	
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)	<u>(239,056)</u>	<u>59,974</u>	<u>54,104</u>	<u>46,342</u>	<u>(78,636)</u>	<u>155,081</u>	
NET INCOME (LOSS) BEFORE TRANSFERS	<u>886,662</u>	<u>334,296</u>	<u>(851,218)</u>	<u>271,463</u>	<u>641,203</u>	<u>282,931</u>	

	Business-Type Activities					Governmental Activities	
	Waterworks	Sewerage	Motor Vehicle	Refuse	Total	Internal	
			Parking System	Collection		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	<u>\$ 16,816,745</u>	<u>\$ 15,042,009</u>	<u>\$ 14,878,649</u>	<u>\$ 887,239</u>	<u>\$ 47,624,642</u>	<u>\$ 2,712,585</u>	

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	Total	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	\$ 960,389	
Receipts from interfund services transactions	-	-	-	-	-	5,703,168	
Payments to suppliers	(3,486,296)	(1,510,571)	(728,058)	(3,943,186)	(9,668,111)	(6,085,285)	
Payments to employees	(969,476)	(372,697)	-	-	(1,342,173)	(466,017)	
Net cash from operating activities	1,904,627	679,928	(98,192)	507,090	2,993,453	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	155,081	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,454,549	(230,934)	(44,088)	553,432	1,732,959	267,336	
CASH AND CASH EQUIVALENTS, JANUARY 1	730,783	2,514,257	1,227,902	728,554	5,201,496	2,608,595	
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	-	
(Acrease) 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	<u>\$ 1,904,627</u>	<u>\$ 679,928</u>	<u>\$ (98,192)</u>	<u>\$ 507,090</u>	<u>\$ 2,993,453</u>	<u>\$ 112,255</u>	

See accompanying notes to financial statements.

VILLAGE OF PALATINE, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2007

	Pension Trust	Agency
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
 Total assets	 77,870,624	 \$ 171,803
 LIABILITIES		
Other liabilities	-	\$ 62,573
Due to bondholders	-	24,815
Advances from other funds	-	84,415
 Total liabilities	 -	 \$ 171,803
 NET ASSETS HELD IN TRUST FOR		
PENSION BENEFITS	 \$ 77,870,624	

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>\$ 77,870,624</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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a 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.

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Village reports the following major governmental funds:

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

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

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

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

The 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.

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments (Continued)

Investments

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

f. Interfund Receivables/Payables

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

1. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. 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	<u>27,812,165</u>	<u>27,812,165</u>	<u>-</u>	<u>-</u>	<u>-</u>
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.

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

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 -.

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

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>\$ 1,122,750</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>\$ 4,350,197</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>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					\$ 1,916,535	

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 Sewer Debt Service	\$ 108,760 31,700 294,540	\$ - - -	\$ - - -	\$ 108,760 31,700 294,540	\$ - - -
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 Sewer Debt Service	2,445,000 113,220 7,221,780	- 440,000 1,299,500	- 20,500 5,922,280	2,005,000 92,720 1,366,000	462,500 21,500
General Obligation Bond, Series 2000B (dated December 1, 2000; maturing December 1, 2015; original issue \$1,965,000; interest rates 4.625% to 5.250%; principal payable annually on December 1).	Water Sewer Debt Service	338,730 197,450 818,820	- 27,530 66,260	- 16,210 752,560	311,200 181,240 65,830	27,470 16,700
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 Sewer Debt Service	\$ 213,770 11,030 635,200	- - -	\$ 213,770 11,030 5,000	\$ 213,770 11,030 630,200	\$ 1,250 1,370 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	-
		\$ 18,898,540	\$ -	\$ 2,865,983	\$ 16,032,557	\$ 1,080,000

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

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

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	 <u>\$ 82,585,200</u>	 <u>\$ 19,178,584</u>	 <u>\$ 8,658,927</u>	 <u>\$ 93,104,857</u>	 <u>\$ 7,505,109</u>

* 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

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

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.

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

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.

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

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.

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

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	General	\$ 2,616,733
Motor Fuel Tax	Nonmajor Governmental Community Development Block Grant	17,809
Internal Service	Internal Service	
Self Insurance	Central Equipment	<u>8,815</u>
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	Downtown TIF	\$ 5,287,920
Nonmajor Governmental	Fiduciary	
Capital Improvement	Special Service Area #4	<u>84,415</u>
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:

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

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.

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

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
TOTAL	<u>154</u>

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.

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

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	<u>37</u>
 TOTAL	 <u>134</u>

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

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 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	 <u>\$ (197,400)</u>	 <u>\$ (285,903)</u>	 <u>696,218</u>	 <u>\$ 982,121</u>
 FUND BALANCE, JANUARY 1			 <u>17,647,782</u>	
 FUND BALANCE, DECEMBER 31			 <u>\$ 18,344,000</u>	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

For the Year Ended December 31, 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	\$ 12,214,975	\$ 10,466,788	7,372,638	\$ (3,094,150)
FUND BALANCE (DEFICIT), JANUARY 1				(731,475)
FUND BALANCE, DECEMBER 31				\$ 6,641,163

(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

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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
ASSETS			
Cash and investments	\$ 152,888	\$ 4,212,753	\$ 4,365,641
Receivables (net, where applicable, of allowances for uncollectibles)	17,809	2,616,733	2,634,542
Due from other funds	211,418	817,068	1,028,486
Advance to Fiduciary Fund	-	84,415	84,415
TOTAL ASSETS	\$ 382,115	\$ 7,730,969	\$ 8,113,084
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
Total liabilities	61,240	583,189	644,429
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
Total fund balances	320,875	7,147,780	7,468,655
TOTAL LIABILITIES AND FUND BALANCES			
	\$ 382,115	\$ 7,730,969	\$ 8,113,084

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	-	17,809	17,809
Due from other funds	-	154,028	211,418
Due from other governments	<u>57,390</u>		
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	<u>17,809</u>	-	<u>17,809</u>
Total liabilities	<u>57,390</u>	<u>3,850</u>	<u>61,240</u>
FUND BALANCES			
Reserved for maintenance of roadways	-	320,875	320,875
Total fund balances	<u>-</u>	<u>320,875</u>	<u>320,875</u>
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	<u>614,610</u>	<u>614,610</u>	<u>770,511</u>
EXPENDITURES			
Economic development			
Administrative services	84,915	84,915	84,919
Capital outlay	<u>529,695</u>	<u>719,440</u>	<u>685,592</u>
Total expenditures	<u>614,610</u>	<u>804,355</u>	<u>770,511</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ (189,745)	-
FUND BALANCE, JANUARY 1			<u>-</u>
FUND BALANCE, DECEMBER 31		\$ -	<u>-</u>

(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
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total expenditures	1,865,500	1,957,626	1,909,848
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	\$ 46,180	\$ (45,946)	58,255
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JANUARY 1			262,620
	<hr/>	<hr/>	<hr/>
FUND BALANCE, DECEMBER 31			\$ 320,875
	<hr/>	<hr/>	<hr/>

(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
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
TOTAL EXPENDITURES	\$ 1,865,500	\$ 1,957,626	\$ 1,909,848

(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	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	<u>5,800</u>	<u>7,450</u>	<u>8,190</u>
 Total revenues	 <u>2,433,050</u>	 <u>2,621,560</u>	 <u>2,281,682</u>
 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	<u>235,000</u>	<u>277,600</u>	<u>277,489</u>
 Total expenditures	 <u>3,778,550</u>	 <u>3,978,198</u>	 <u>3,923,409</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(1,345,500)</u>	 <u>(1,356,638)</u>	 <u>(1,641,727)</u>
 OTHER FINANCING SOURCES (USES)			
Bonds issued at par	1,700,000	1,700,000	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>62,590</u>
 Total other financing sources (uses)	 <u>1,700,000</u>	 <u>1,700,000</u>	 <u>62,590</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 354,500</u>	 <u>\$ 343,362</u>	 <u>(1,579,137)</u>
 FUND BALANCE, JANUARY 1			 <u>3,266,796</u>
 FUND BALANCE, DECEMBER 31			 <u>\$ 1,687,659</u>

(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
	<hr/>	<hr/>	<hr/>
Total motor vehicles	921,050	1,076,813	1,045,052
	<hr/>	<hr/>	<hr/>
Office furniture and equipment	-	40,000	23,060
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total communications/technology	270,000	214,000	240,389
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total operating equipment	205,335	238,029	207,503
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 1,396,385	\$ 1,568,842	\$ 1,516,004
	<hr/>	<hr/>	<hr/>

(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)			
 NONOPERATING REVENUES (EXPENSES)	 (4,124)	 131,974	 127,850
Investment income	289	154,792	155,081
 Total nonoperating revenues (expenses)	 289	 154,792	 155,081
CHANGE IN NET ASSETS			
 NET ASSETS, JANUARY 1	 (3,835)	 286,766	 282,931
 NET ASSETS, DECEMBER 31	 28,110	 2,401,544	 2,429,654
	\$ 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	<u>(985)</u>	<u>113,240</u>	<u>112,255</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>696</u>	<u>(696)</u>	<u>-</u>
Net cash from noncapital financing activities	<u>696</u>	<u>(696)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
None	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>289</u>	<u>154,792</u>	<u>155,081</u>
Net cash from investing activities	<u>289</u>	<u>154,792</u>	<u>155,081</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>267,336</u>	<u>267,336</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>2,608,595</u>	<u>2,608,595</u>
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
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
 Total operating revenues	 1,702,185	 1,711,785	 1,794,872
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
 Total operating expenses	 1,620,795	 1,629,765	 1,798,996
OPERATING INCOME (LOSS)	81,390	82,020	(4,124)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	289
CHANGE IN NET ASSETS	\$ 81,390	\$ 82,020	(3,835)
NET ASSETS, JANUARY 1			28,110
NET ASSETS, DECEMBER 31			\$ 24,275

(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
	<hr/>	<hr/>
Total operating revenues	5,562,170	4,831,944
OPERATING EXPENSES		
Administration	120,000	92,083
Insurance claims	5,444,670	4,607,887
	<hr/>	<hr/>
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
	<hr/>	<hr/>
CHANGE IN NET ASSETS	\$ 7,500	286,766
	<hr/>	<hr/>
NET ASSETS, JANUARY 1	2,401,544	
	<hr/>	
NET ASSETS, DECEMBER 31	\$ 2,688,310	
	<hr/>	

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

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

(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	<u>705,000</u>	<u>729,860</u>
Total contributions	<u>1,868,900</u>	<u>1,791,921</u>
Investment income		
Net appreciation in fair value of investments	- 1,822,451	1,822,451
Interest	<u>250,000</u>	<u>1,439,020</u>
Total investment income	250,000	3,261,471
Less investment expense	<u>(117,500)</u>	<u>(191,818)</u>
Net investment income	<u>132,500</u>	<u>3,069,653</u>
Total additions	<u>2,001,400</u>	<u>4,861,574</u>
DEDUCTIONS		
Administration	16,850	11,269
Benefits and refunds		
Benefits	1,800,000	1,518,776
Refunds of contributions	<u>50,000</u>	-
Total deductions	<u>1,866,850</u>	<u>1,530,045</u>
NET INCREASE	<u>\$ 134,550</u>	<u>3,331,529</u>

**NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS**

January 1	39,401,126
December 31	<u>\$ 42,732,655</u>

(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				
 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				
 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	<u>16,553,440</u>	<u>16,610,538</u>	<u>16,014,152</u>	<u>(596,386)</u>
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	<u>13,004,935</u>	<u>13,174,147</u>	<u>12,808,421</u>	<u>(365,726)</u>
Total public safety	<u>29,558,375</u>	<u>29,784,685</u>	<u>28,822,573</u>	<u>(962,112)</u>
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	<u>5,439,155</u>	<u>5,407,400</u>	<u>5,653,227</u>	<u>245,827</u>
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	<u>15,000</u>	<u>149,643</u>
 Total revenues	 <u>2,952,180</u>	 <u>3,036,616</u>
EXPENDITURES		
Debt service		
Principal	2,799,520	2,799,520
Interest	1,018,845	1,018,841
Fiscal charges	<u>15,000</u>	<u>4,300</u>
 Total expenditures	 <u>3,833,365</u>	 <u>3,822,661</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(881,185)</u>	 <u>(786,045)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		
Sewerage Fund	<u>760,000</u>	<u>760,000</u>
 Total other financing sources (uses)	 <u>760,000</u>	 <u>760,000</u>
NET CHANGE IN FUND BALANCE	 <u>\$ (121,185)</u>	 <u>(26,045)</u>
FUND BALANCE, JANUARY 1		 <u>2,279,983</u>
FUND BALANCE, DECEMBER 31	 <u>\$ 2,253,938</u>	

(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	<u>563,535</u>	<u>563,535</u>
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	<u>1,662,360</u>	<u>1,662,360</u>
Series 2000B		
Principal retirement	66,260	66,260
Interest	40,845	40,843
Total series 2000B	<u>107,105</u>	<u>107,103</u>
Series 2002		
Principal retirement	385,000	385,000
Interest	369,585	369,585
Total series 2002	<u>754,585</u>	<u>754,585</u>
Refunding series 2003		
Principal retirement	353,170	353,170
Interest	69,605	69,605
Total refunding series 2003	<u>422,775</u>	<u>422,775</u>
Equipment series 2004		
Principal	90,000	90,000
Interest	6,750	6,750
Total equipment series 2004	<u>96,750</u>	<u>96,750</u>
Refunding series 2004C		
Principal retirement	135,000	135,000
Interest	46,410	46,410
Total refunding series 2004C	<u>181,410</u>	<u>181,410</u>
Refunding series 2005		
Principal retirement	5,000	5,000
Interest	13,740	13,740
Total refunding series 2005	<u>18,740</u>	<u>18,740</u>
Fiscal charges	<u>15,000</u>	<u>4,300</u>
TOTAL EXPENDITURES	<u>\$ 3,833,365</u>	<u>\$ 3,822,661</u>

(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	<u>250,000</u>	<u>527,585</u>
 Total revenues	 <u>3,714,560</u>	 <u>3,976,370</u>
EXPENDITURES		
Debt service		
Principal	1,020,000	1,020,000
Interest	704,320	704,320
Fiscal charges	<u>7,500</u>	<u>1,000</u>
 Total expenditures	 <u>1,731,820</u>	 <u>1,725,320</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,982,740</u>	<u>2,251,050</u>
FUND BALANCE, JANUARY 1		<u>10,337,685</u>
FUND BALANCE, DECEMBER 31		<u>\$ 12,588,735</u>

(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	<u>417,190</u>	<u>441,395</u>	<u>433,447</u>
Engineering	<u>95,855</u>	<u>95,855</u>	<u>92,828</u>
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	<u>2,560,000</u>	<u>2,560,000</u>	<u>2,499,942</u>
Total public works	<u>4,257,270</u>	<u>4,255,380</u>	<u>4,102,044</u>
Operations - other			
Capital projects			
Village wide watermains	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	<u>(2,300,000)</u>	<u>(907,009)</u>	<u>(1,023,560)</u>
Total operations - other	<u>500,000</u>	<u>368,493</u>	<u>177,371</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,270,315</u>	<u>\$ 5,161,123</u>	<u>\$ 4,805,690</u>

(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 Balances January 1	Additions	Retirements	Balances December 31	
Land	\$ 740,200	\$ -	\$ -	\$ 740,200	
Machinery and equipment	403,885	661,210	-	1,065,095	
Water system	<u>21,602,295</u>	<u>362,350</u>	<u>-</u>	<u>21,964,645</u>	
TOTAL	\$ 22,746,380	\$ 1,023,560	\$ -	\$ 23,769,940	
Accumulated Depreciation					
	Restated Balances January 1	Provisions	Retirements	Balances December 31	
Machinery and equipment	\$ 213,695	\$ 68,660	\$ -	\$ 282,355	
Water system	<u>9,765,160</u>	<u>471,730</u>	<u>-</u>	<u>10,236,890</u>	
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
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
TOTAL OPERATING REVENUES	\$ 2,439,350	\$ 2,499,975	\$ 2,681,760

(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	434,245	428,615	441,161
Collection system	140,335	140,335	151,251
Flood control			
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 Balances January 1	Additions	Retirements	Balances December 31
Machinery and equipment	\$ 106,760	\$ 141,185	\$ -	\$ 247,945
Sewer system	<u>24,710,910</u>	-	-	<u>24,710,910</u>
TOTAL	<u>\$ 24,817,670</u>	<u>\$ 141,185</u>	<u>\$ -</u>	<u>\$ 24,958,855</u>

Accumulated Depreciation				
	Restated Balances January 1	Provisions	Retirements	Balances December 31
Machinery and equipment	\$ 62,625	\$ 15,090	\$ -	\$ 77,715
Sewer system	<u>10,915,935</u>	<u>500,430</u>	<u>-</u>	<u>11,416,365</u>
TOTAL	<u>\$ 10,978,560</u>	<u>\$ 515,520</u>	<u>\$ -</u>	<u>\$ 11,494,080</u>

NET ASSET VALUE	<u>\$ 13,464,775</u>
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(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
	<hr/>	<hr/>	<hr/>
Total operating revenues	589,500	589,500	629,866
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Costs of sales and services	<hr/>	<hr/>	<hr/>
	667,775	676,883	761,528
	<hr/>	<hr/>	<hr/>
Total operating expenses	667,775	676,883	761,528
OPERATING INCOME (LOSS) BEFORE DEPRECIATION			
	(78,275)	(87,383)	(131,662)
DEPRECIATION			
	<hr/>	<hr/>	<hr/>
	-	-	773,660
OPERATING INCOME (LOSS)			
	(78,275)	(87,383)	(905,322)
NONOPERATING REVENUES (EXPENSES)			
Investment income	<hr/>	<hr/>	<hr/>
	10,000	10,000	54,104
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	\$ (68,275)	\$ (77,383)	(851,218)
NET ASSETS, JANUARY 1			<hr/>
			15,729,867
NET ASSETS, DECEMBER 31			<hr/>
			\$ 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
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total operations - other	132,000	141,108	114,747
TOTAL OPERATING EXPENSES	<hr/>	<hr/>	<hr/>
	\$ 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	Additions	Retirements	Balances
	January 1			December 31
Land	\$ 2,165,938	\$ -	\$ -	\$ 2,165,938
Improvements	<u>15,673,130</u>	-	-	<u>15,673,130</u>
TOTAL	<u>\$ 17,839,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,839,068</u>

Accumulated Depreciation				
	Balances	Provisions	Retirements	Balances
	January 1			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	<u>\$ 4,201,960</u>	<u>\$ 4,403,667</u>
Total operating revenues	<u>4,201,960</u>	<u>4,403,667</u>
OPERATING EXPENSES		
Refuse collection	<u>4,278,970</u>	<u>4,178,546</u>
Total operating expenses	<u>4,278,970</u>	<u>4,178,546</u>
OPERATING INCOME (LOSS)	(77,010)	225,121
NONOPERATING REVENUES		
Investment income	<u>17,500</u>	<u>46,342</u>
CHANGE IN NET ASSETS	<u>\$ (59,510)</u>	<u>271,463</u>
NET ASSETS, JANUARY 1		<u>615,776</u>
NET ASSETS, DECEMBER 31	<u>\$ 887,239</u>	

(See independent auditor's report.)

VILLAGE OF PALATINE, ILLINOIS

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

December 31, 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
	\$ 1,142,790	\$ 5,402,210	\$ 6,545,000		\$ 5,402,210

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.

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	<u>730,000</u>	<u>40,880</u>	<u>770,880</u>	2009	<u>20,440</u>	2009	<u>20,440</u>
	<u><u>\$ 1,755,000</u></u>	<u><u>\$ 139,160</u></u>	<u><u>\$ 1,894,160</u></u>		<u><u>\$ 69,580</u></u>		<u><u>\$ 69,580</u></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.

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.

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.

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.

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.

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.

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	<u>988,732</u>	<u>15,647,897</u>	<u>14,979,825</u>	<u>35,686,515</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 117,278,598</u>	<u>\$ 136,072,095</u>	<u>\$ 141,963,817</u>	<u>\$ 152,435,582</u>
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	<u>4,153,291</u>	<u>17,342,996</u>	<u>5,306,733</u>	<u>14,999,979</u>
TOTAL BUSINESS-TYPE ACTIVITES	<u>\$ 42,006,085</u>	<u>\$ 43,355,554</u>	<u>\$ 42,786,664</u>	<u>\$ 47,624,642</u>
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	<u>5,142,023</u>	<u>32,990,893</u>	<u>20,286,558</u>	<u>50,686,494</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 159,284,683</u>	<u>\$ 179,427,649</u>	<u>\$ 184,750,481</u>	<u>\$ 200,060,224</u>

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	<u>52,488,698</u>	<u>50,473,519</u>	<u>58,776,739</u>	<u>57,790,043</u>
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	<u>13,053,489</u>	<u>13,065,869</u>	<u>12,882,176</u>	<u>14,059,278</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 65,542,187</u>	<u>\$ 63,539,388</u>	<u>\$ 71,658,915</u>	<u>\$ 71,849,321</u>
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	<u>9,446,780</u>	<u>9,539,239</u>	<u>9,885,113</u>	<u>10,327,742</u>
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	<u>12,163,338</u>	<u>13,149,842</u>	<u>12,896,486</u>	<u>14,187,091</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 21,610,118</u>	<u>\$ 22,689,081</u>	<u>\$ 22,781,599</u>	<u>\$ 24,514,833</u>
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	<u>\$ (43,932,069)</u>	<u>\$ (40,850,307)</u>	<u>\$ (48,877,316)</u>	<u>\$ (47,334,488)</u>

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 governemntal activities	<u>44,705,070</u>	<u>46,872,151</u>	<u>54,783,348</u>	<u>57,934,066</u>
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	<u>(502,356)</u>	<u>1,265,496</u>	<u>(583,200)</u>	<u>(246,610)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 44,202,714</u>	<u>\$ 48,137,647</u>	<u>\$ 54,200,148</u>	<u>\$ 57,687,456</u>
CHANGE IN NET ASSETS				
Governmental activites	\$ 85,639,350	\$ (2,019,475)	\$ 5,891,722	\$ 10,471,765
Business-type activities	<u>(586,329)</u>	<u>1,279,806</u>	<u>(568,890)</u>	<u>(118,797)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 85,053,021</u>	<u>\$ (739,669)</u>	<u>\$ 5,322,832</u>	<u>\$ 10,352,968</u>
CHANGE IN NET ASSETS				

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			Percentage		
	General Obligation Bonds	TIF Revenue Bonds	Tax Increment Notes	Net Pension Obligation	Installment Contracts	Compensated Absences	General Obligation Bonds	Installment Contracts	Compensated Absences	Total Primary Government	of Personal Income*	Per Capita*
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			Total	Actual Taxable Value of Property*	Percentage of Estimated Actual Taxable Value of Property*	Per Capita
		In Debt	Service Fund	Total				
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><u>\$ 4,961,511,473</u></u>		<u><u>\$ 205,172,658</u></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			Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
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	NA	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 its 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

Due 12/1	Principal Maturities (1)												Total Maturities (2)	
	Taxable						Exempt							
	Series	Series	Series	Series	Series	Series	Series	Series	Series	Series	Series	Series		
1989 (3)	1999	1999A	2000	2000B	2001	2001	2002	2003	2004	2005	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	8.6%
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	8.1%
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	8.4%
2011	-	280,000	-	2,165,000	120,000	1,450,000	-	450,000	1,102,249	555,000	5,000	1,020,000	7,147,249	8.8%
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	9.6%
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	8.0%
2014	317,473	310,000	-	-	140,000	2,215,000	-	510,000	-	1,135,000	-	1,160,000	5,787,473	7.1%
2015	523,137	690,000	-	-	375,000	2,860,000	-	535,000	-	1,200,000	-	1,305,000	7,488,137	9.2%
2016	302,180	-	-	-	-	1,880,000	-	560,000	-	1,215,000	-	1,360,000	5,317,180	6.5%
2017	-	-	-	-	-	-	-	585,000	-	1,285,000	-	445,000	2,315,000	2.8%
2018	-	-	-	-	-	-	-	610,000	-	1,150,000	-	100,000	1,860,000	2.3%
2019	-	-	-	-	-	-	-	640,000	-	1,195,000	-	3,390,000	5,225,000	6.4%
2020	-	-	-	-	-	-	-	675,000	-	1,265,000	-	100,000	2,040,000	2.5%
2021	-	-	-	-	-	-	-	705,000	-	610,000	-	115,000	1,430,000	1.8%
2022	-	-	-	-	-	-	-	740,000	-	645,000	-	3,835,000	5,220,000	6.4%
2023	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	
2024	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	
2025	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	
2026	-	-	-	-	-	-	-	-	-	-	-	3,040,000	3,040,000	3.7%
	\$ 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	Sale Date	Ratio to Estimated Actual Value (1)				Per Capita (1)		
		Direct Debt		Overlapping Debt		Direct and Overlapping Debt		Population Estimate
		Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	Including Self-Supporting	Excluding Self-Supporting(2)	
		Supporting	Supporting(2)	Supporting	Supporting(2)	Supporting	Supporting(2)	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		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				\$ 40,403,064
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				\$ 81,773,564

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)	\$ 9.047	\$ 8.673	\$ 8.993	\$ 8.289	\$ 8.107	\$ 7.893
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 Collected		
		Total Taxes Extended	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			<hr/> <u>\$ 173,973,317</u>	<hr/> <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)	
	Dec. 31						
	2003	2004	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)

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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	\$ 24,033,504	\$ 29,722,006	\$ 34,989,227	\$ 37,083,415	\$ 41,508,322
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	16,210,815	17,379,186	18,677,092	19,435,633	23,164,322
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	7,822,689	12,342,820	16,312,135	17,647,782	18,344,000
Total liabilities and fund balance	\$ 24,033,504	\$ 29,722,006	\$ 34,989,227	\$ 37,083,415	\$ 41,508,322

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	<u>3,388,197</u>	<u>10,534,063</u>	<u>7,764,596</u>	<u>4,706,826</u>	<u>20,472,803</u>
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	<u>29,022,917</u>	<u>33,993,576</u>	<u>36,170,963</u>	<u>41,100,106</u>	<u>60,807,256</u>
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	<u>43,398,592</u>	<u>42,006,085</u>	<u>43,355,554</u>	<u>42,786,664</u>	<u>47,624,642</u>
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	<u>43,167,096</u>	<u>42,328,784</u>	<u>44,514,996</u>	<u>45,216,318</u>	<u>50,337,227</u>
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	<u>57,450,177</u>	<u>62,190,574</u>	<u>65,977,307</u>	<u>71,929,273</u>	<u>77,870,624</u>
Total All Funds (Memo Only)	<u>\$ 129,640,190</u>	<u>\$ 138,512,934</u>	<u>\$ 146,663,266</u>	<u>\$ 158,245,697</u>	<u>\$ 189,015,107</u>

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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	<u>57,371,199</u>	<u>62,111,900</u>	<u>65,900,784</u>	<u>71,504,934</u>	<u>77,364,492</u>
Total cash and investments	<u>\$ 85,925,738</u>	<u>\$ 89,716,608</u>	<u>\$ 102,722,769</u>	<u>\$ 112,212,898</u>	<u>\$ 121,940,682</u>

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	Amount	Business Type Activities	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	<u>46,675,555</u>
Storm sewer	28,726,850	Total	<u>66,567,863</u>
Streets	24,008,577		
Bridges	1,596,735		
Total	<u>219,586,203</u>		
Less Accumulated Depreciation	<u>37,457,202</u>	Less Accumulated Depreciation	<u>26,058,625</u>
Net Capital Assets	<u>\$ 182,129,001</u>	Net Capital Assets	<u>\$ 40,509,238</u>