

VILLAGE OF LAKE ZURICH, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2006

Prepared by Finance Department:

Jeffrey A. Martynowicz
Finance Director and Treasurer

VILLAGE OF LAKE ZURICH, ILLINOIS

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INTRODUCTORY SECTION

This section includes miscellaneous data regarding the Village of Lake Zurich including:

- Elected and Appointed Officials
- Organization Chart
- Letter of Transmittal from the Finance Director
- Certificate of Achievement for Excellence in Financial Reporting

VILLAGE OF LAKE ZURICH, ILLINOIS

List of Elected and Appointed Officials

April 30, 2006

VILLAGE BOARD OF TRUSTEES

John G. Tolomei, Acting Village President

Steven F. Callahan

Craig W. Taylor

Julianne Gyarmaty

Carol Coleman

Stephen J. McAvoy

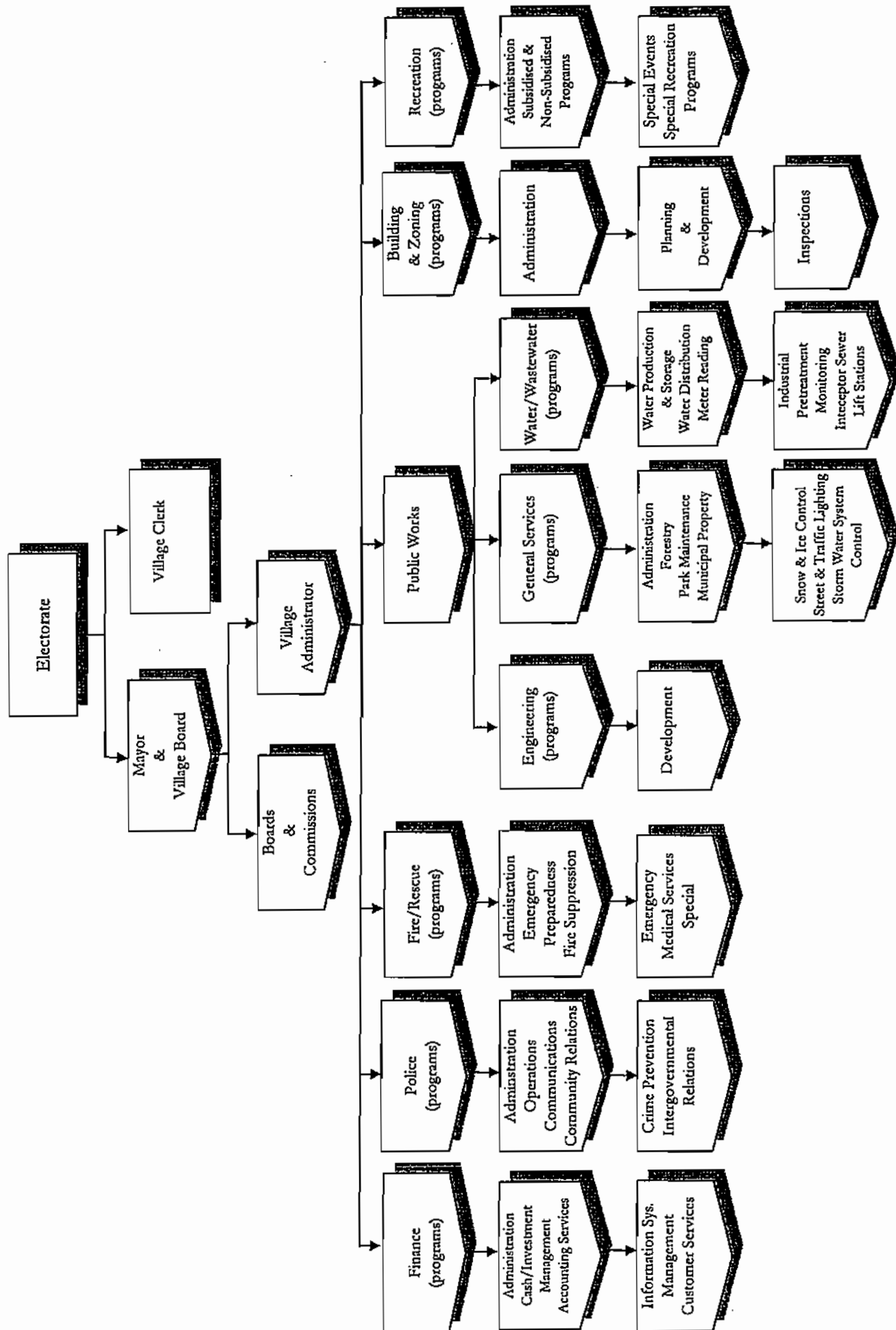
Thomas Bondi

Gloria Palmblad, Village Clerk

John Fulton Dixon, Village Administrator

Jeffrey A. Martynowicz, Finance Director and Treasurer

VILLAGE OF LAKE ZURICH ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Lake Zurich,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2005

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



Carol E. Fudge

President

Jeffrey R. Emer

Executive Director

70 E. Main Street
Lake Zurich, IL 60047-3226



Phone: (847) 438-5141
Fax: (847) 540-1768
Web: www.volz.org

September 19, 2006

To the honorable Acting Village President, Members of the Village Board and Citizens of the Village of Lake Zurich, Illinois:

State law requires that all general-purpose local governments publish, within six months of the closing of the fiscal year, a complete set of financial statements presented in conformity 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 Lake Zurich, Illinois.

This report consists of management's representations concerning the finances of the Village of Lake Zurich. 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 of Lake Zurich, Illinois has established an internal control structure that is designed both to protect the government's assets from loss, theft and misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with generally accepted accounting principles (GAAP). The Village's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. 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 of Lake Zurich, Illinois financial statements have been audited by Lauterbach and Amen, a firm of licensed certified public accountants. Lauterbach and Amen concluded that the Village's financial statements for the fiscal year ended April 30, 2006, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the 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

Incorporated in 1896, the Village of Lake Zurich, Illinois is a non-home rule community that operates under the management form of municipal government as provided in Chapter 65, Article 5 of the Illinois Compiled Statutes. The Village is governed by a President and Board of six trustees, all of whom are elected on an at-large basis to four-year overlapping terms. Policy-making and legislative authority are vested in the Village Board. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Village Administrator and Village Attorney. The Board is elected on a non partisan basis. Board members serve four year staggered terms, with three Board members elected every two years. The Village President and Clerk are elected to serve a four year term. An appointed Village Administrator is charged with the day-to-day responsibility of administering Board policy and supervising approximately 325 full and part time employees. The Village provides a full range of services, including administrative, financial, police and fire protection, public

works, water and sewer utilities, recreational activities, building and zoning inspections and cultural events.

Lake Zurich, located northwest of Chicago in Lake County, was one of the fastest growing communities over the past two decades. Today, the Village is a balanced community with a strong residential population, an industrial park and commercial corridor. Its location, along with the availability of inexpensive land spurred development of moderately priced housing units (2000 median home value \$225,100) compared to the "North Shore" communities to the east. This growth transformed the Village from a rural resort town into a traditional suburb. The population quadrupled since 1970 to 18,992 in the latest special census. Population growth is now slowing as available land for development is becoming limited. The Village expects to peak in the next few years at approximately 20,500 as less than 5% of residentially zoned land remains undeveloped. It is expected that the Village will continue to experience moderate growth, given its proximity to employment centers throughout the Chicago metropolitan area.

Annually the Village adopts a budget that defines its legal spending authority. Departments submit requests to the Village Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The budget is presented to the Village Board for review. The Village Board holds public hearings and may add to, subtract from, or change budgeted amounts. The Village's budget is adopted no later than April 30th, the close of the fiscal year.

Assessment of Economic Condition

The Village has enjoyed rising property values in Lake Zurich for the past five years. Equalized Assessed Values from 2000-2005 have risen on average approximately 8%. Lake Zurich was ranked the thirteenth wealthiest community, with a population of 10,000 or more, in the State of Illinois after the 2000 Census. Lake Zurich has a very strong retail sales tax base primarily located in the Rand Road Corridor. Super stores such as Costco, Home Depot, Wal-Mart and Target have helped to increase and bolster sales tax revenue in each of the last ten fiscal years by an average of 8%. The Village is also home to Peapod, a nationwide grocery delivery company. Peapods sales have increased significantly the last five years as the Village has a sales tax sharing incentive with Peapod. In 2002 the Village established a tax increment financing (TIF) district to revitalize the downtown district. The TIF included a planned residential community of 246 residential homes. At April 30, 2006 this residential development was complete. The Elia Township Assessor and Lake County Clerks office valued the TIF district at \$18,093,971 in Assessed Value. The increase in assessed value will generate \$1,131,958 in incremental property taxes. The increase in property taxes was more than \$500,000 over our anticipated budget amount and will provide enough dollars to pay for principal and interest on existing debt in the TIF district. The Village has also been working diligently on the start up of the first two phases of downtown revitalization. As of the date of this report all property has been acquired to develop phases I and II of the downtown. Furthermore, as of the date of this report construction has begun on Phase II of the downtown and phase I to begin in late fall 2006. The revitalization will also have a positive impact on the Village's General Fund as additional sales tax revenue and building permit revenue will be generated from the numerous phases of downtown redevelopment.

Long Term Financial Planning

A comprehensive 20 year street improvement plan was created by the Village's Engineering Department during 2006. The plan has identified residential and commercial streets in the Village and looks at the year it was previously surfaced and identifies the year that resurfacing should take place. Over a twenty year period, a cost of \$21,000,000 has been projected for residential street resurfacing. The street improvement plan will serve as a long term budgetary guide for capital street improvements. It will also be used to determine what types of new revenue sources may be needed to fund the street reconstruction program.

Major Initiatives

The Village Board again focused on and was successful in providing funding to upgrade and repair many of the Villages residential streets. The 2006 budget included \$1,000,000 in funding from the General Fund and MFT Fund to repave streets. The Illinois Department of Transportation began a \$31,000,000 street construction project commonly known as the Route 22 bypass. When the project is complete it will direct traffic out of the Village's downtown district helping to spur economic development in the downtown. The Route 22 bypass is scheduled to be completed in November 2006. The Village implemented a new and more modernized financial and accounting software package to assist with processing the day to day financial transactions of the Village. The Police Department continued its application for CALEA certification. CALEA certification is designed to recognize the department as a national leader in law enforcement, training and safety programs. CALEA accreditation is anticipated in November 2006. A grant from the Illinois Department of Natural Resources was obtained to help fund infrastructure improvements at Paulus Park. The grant for 400,000 will be matched by the Village using Park Improvement Donation Funds. The highlight of the improvement will be a spray pool to be enjoyed by children who use the park. The Fire Department was also successful in obtaining grant money. Two FEMA grants totaling approximately \$100,000, were obtained for Public Safety training and communication radio equipment.


The Village's Water and Sewer Operating system again had many infrastructure upgrades identified in the 2006 budget. Two of the six deep wells used to provide drinking water to residents were upgraded to remove radium. A third well is currently being retrofitted and a fourth well is also anticipated to be completed in 2007. The Village was successful in obtaining a low interest Illinois EPA loan to help construct the third well and will be applying again to help finance the fourth well.

Awards and Acknowledgements

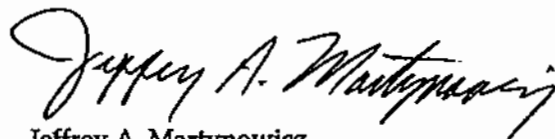
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Lake Zurich for its comprehensive annual financial report for the fiscal year ended April 30, 2005. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. It is our belief the Village of Lake Zurich's current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for this award.

The Finance Department staff is to be congratulated for their dedication in performing their duties in a professional manner. Through their collective efforts the audit was completed in a timely fashion. Special thanks go to Assistant Finance Director, Albert Walczak, for his dedication in managing preparation of this report in compliance with GASB 34 reporting requirements. We also want to thank Acting Village President Tolomei and the Board of Trustees and Department Heads for their continued support.

Respectively Submitted,



John F. Dixon
Village Administrator



Jeffrey A. Martynowicz
Finance Director and Treasurer

FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules
- Supplemental Schedules

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Village's independent auditing firm.

INDEPENDENT AUDITORS' REPORT

September 6, 2006

The Honorable Village President
Members of the Board of Trustees
Village of Lake Zurich, 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 Lake Zurich, Illinois as of and for the year ended April 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Zurich, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

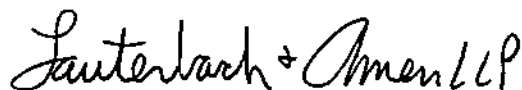
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lake Zurich, Illinois as of April 30, 2006, and the respective changes in financial position and cash flows, were applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules, as well as the information listed as supplemental and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Lake Zurich, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily 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 thereon.

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

A handwritten signature in cursive script that reads "Lauterbach & Amen LLP".

LAUTERBACH & AMEN, LLP

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

This section of the financial report is management's overview and analysis of the financial position and financial performance of the Village of Lake Zurich for the fiscal year ended April 30, 2006. It should be read along with the transmittal letter and financial statements for the most complete understanding of the Village of Lake Zurich's financial activities for the year.

FINANCIAL HIGHLIGHTS

- Total assets exceeded liabilities by \$117,773,537. Unrestricted net assets (net assets used to meet ongoing operations) totaled \$7,758,309. Restricted net assets totaled \$3,531,949. The majority of the net assets, the amount "Invested in Capital Assets, Net of Related Debt," amounted to \$106,483,279.
- Governmental net assets decreased \$2,063,915 and Business-Type Activities net assets increased \$496,913. The increase resulted primarily from the addition of infrastructure assets that were contributed by developers.
- Capital assets, net of \$39,076,759 of accumulated depreciation, amounted to \$130,274,855 at April 30, 2006. Assets capitalized include land, buildings and related improvements, machinery and equipment and infrastructure.
- Net debt increased \$5,110,678 during the current fiscal year. A \$355,509 IEPA loan was executed to primarily fund construction of waterworks and sewerage capital assets and a TIF Revenue Bond in the amount of \$10,000,000 was issued to pay for land acquisitions within the tax increment financing district. Existing debt was reduced by \$5,244,831.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Lake Zurich's basic financial statements include the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Also required is supplementary information provided that should be read in conjunction with the basic financial statements to further enhance the reader's knowledge and understanding of the Village of Lake Zurich's financial position.

Government wide statements

The government-wide statements are intended to provide a view of the financial position and operations of the Village of Lake Zurich in a manner similar to the private sector. These statements provide a long-term view of the financial position of the Village of Lake Zurich. The *Statement of Net Assets* reflects all of the Village's assets, liabilities, with the net difference between the two reported as net assets. Over time, the change in net assets may serve as a useful indicator to reflect the improving or deteriorating position of the Village.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

The government-wide *Statement of Activities* reflects the change in Village net assets for the current year. These activities are reported on a full accrual basis. Thus revenues and expenses are recorded as they are incurred, regardless of when cash flow is affected. Both the *Statement of Net Assets* and the *Statement of Activities* include the Village's governmental and business-type activities. Governmental activities encompass general government, public safety, highways and streets, parks and recreation and economic development. In general, taxes and intergovernmental revenues support governmental funds. The business-type activities of the Village consist of water and wastewater operations, which are funded primarily from user fees. Revenues generated from water and sewer operations are intended to cover all or a significant amount of total costs.

Fund Financial Statements

The Village of Lake Zurich utilizes fund accounting. "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." Fund accounting is used to ensure compliance with specific finance and legal requirements and to provide a smaller, more detailed view of a sector of the government. The Village of Lake Zurich has three fund types; governmental, proprietary and fiduciary.

Governmental funds

Governmental funds included in the fund financial statements are fundamentally the same as those reflected in the government-wide statements. The major difference is that the fund statements focus almost entirely on the short-term with emphasis on fiscal responsibility with relation to the current budgetary year. As such, the statements are prepared on the modified accrual basis. A reconciliation provided on the face of the governmental fund financial statements provides those items that were used to convert the fund modified accrual basis to the governmental-wide full accrual basis.

The Village of Lake Zurich has four governmental funds to account for its governmental functions:

The General Fund is the general operating fund for the Village and is utilized to account for all activity that is not accounted for in another fund.

The Debt Service Fund accounts for the accumulation of financial resources to pay principal and interest for bond issues, including the debt generated by the establishment of the Tax Increment Financing District.

The Capital Projects Fund accounts for the financial resources used for the acquisition and construction of capital projects. This fund includes street construction costs financed by the motor fuel tax allocation and park and recreation facility improvements financed by park donations, grants and contributions.

The Downtown TIF Capital Projects Fund captures all the costs and revenue associated with the construction and improvements to the TIF district.

Budgetary comparisons are included at the fund level in the basic financial statements.

Proprietary Funds

The Village of Lake Zurich maintains one proprietary fund – the Waterworks and Sewerage Fund. As proprietary funds are reported on a full accrual basis, the Village of Lake Zurich fund statements for its Waterworks and Sewerage fund mirror the government-wide statements.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

Fiduciary Funds

"Fiduciary Funds are used to account for resources held for the benefit of parties outside the government." Hence, fiduciary funds are not included in the government-wide statements. The Village of Lake Zurich has three fiduciary funds – the Police Pension Fund, the Firefighters Pension Fund, and the Performance Escrow Fund. Like proprietary funds, fiduciary funds are accounted for on a full accrual basis.

Notes to the Financial Statements

The notes to the financial statements provide information that is critical to the full understanding of the financial statements. The notes to the financial statement are on page 27 through 64 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is available on page 65 through 71.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The combined net assets for the fiscal year ended April 30, 2006 totaled \$117,773,537 and consisted of positive net assets from both governmental activities and business-type activities of \$69,531,326 and \$48,242,211, respectively. The following is a summary of the Village's net assets at April 30, 2006:

	Governmental Activities		Business-type Activities		Total	
	FYE06	FYE05	FYE06	FYE05	FYE06	FYE05
Current and other assets	\$ 31,337,151	\$ 25,429,363	\$ 5,766,027	\$ 5,633,182	\$ 37,103,178	\$ 31,062,545
Capital assets	82,953,375	83,543,760	47,321,480	46,733,063	130,274,855	130,276,823
Total assets	114,290,526	108,973,123	53,087,507	52,366,245	167,378,033	161,339,368
Long-term liabilities outstanding	32,702,233	26,948,198	3,425,155	3,557,224	36,127,388	30,505,422
Other liabilities	12,056,967	10,429,684	1,420,141	1,063,723	13,477,108	11,493,407
Total liabilities	44,759,200	37,377,882	4,845,296	4,620,947	49,604,496	41,998,829
Net assets:	69,531,326	71,595,241	48,242,211	47,745,298	117,773,537	119,340,539
Invested in capital assets, net of related debt	63,037,308	67,029,970	43,445,971	42,723,063	106,483,279	109,753,033
Restricted	3,531,949	1,654,521	-	-	3,531,949	1,654,521
Unrestricted	2,962,069	2,910,750	4,796,240	5,022,235	7,758,309	7,932,985
Total net assets	\$ 69,531,326	\$ 71,595,241	\$ 48,242,211	\$ 47,745,298	\$ 117,773,537	\$ 119,340,539

The most sizable asset for the Village of Lake Zurich is its capital assets, most noticeably its infrastructure. Since the Village's capital assets, particularly its infrastructure, need to remain intact these assets are not sellable. Therefore, any outstanding debt must be extinguished from operating revenue sources.

Statement of Activities

The change in net assets, which is indicative of the Village's financial position, was a reduction of \$1,567,002 due to a reduction of capital grant revenue and increased expenditures in the areas of public safety and economic development as compared to the previous year. The governmental

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

activities generated decreases of \$2,063,915 and business-type activities generated increases of \$496,913, respectively for a net reduction of \$1,567,002.

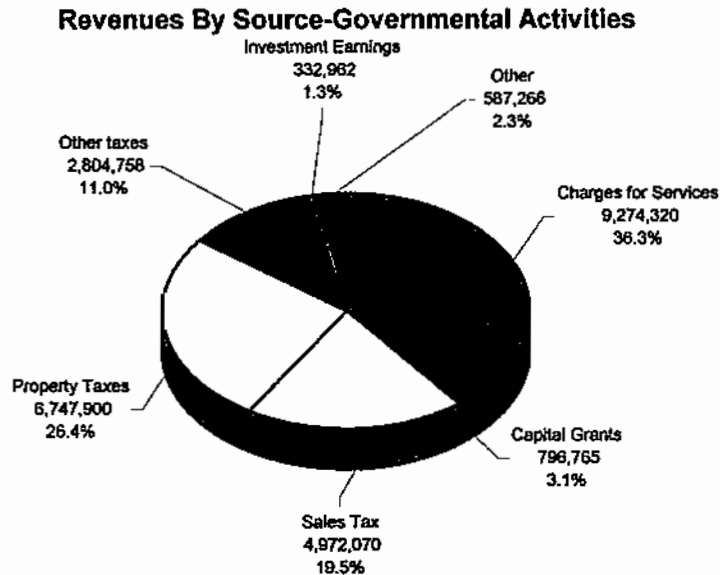
The following is a summary of changes in the Village's net assets for the fiscal year ended April 30, 2006:

	Governmental Activities		Business-type Activities		Total	
	FYE06	FYE05	FYE06	FYE05	FYE06	FYE05
Revenues:						
Program revenues:						
Charges for Services	\$ 9,274,320	\$ 7,188,257	\$ 4,970,094	\$ 4,507,218	\$ 14,244,414	\$ 11,695,475
Capital grants	796,765	3,678,879	-	2,300,184	796,765	5,979,063
General revenues:						
Property taxes	6,747,900	6,601,029	11,728	11,723	6,759,628	6,612,752
Sales Tax	4,972,070	4,976,532	-	-	4,972,070	4,976,532
Illinois state income taxes	1,468,210	1,322,612	-	-	1,468,210	1,322,612
Other taxes	1,336,548	857,267	-	-	1,336,548	857,267
Investment earnings	332,962	139,474	149,405	79,655	482,367	219,129
Other	587,266	896,479	-	-	587,266	896,479
Total revenues	25,516,041	25,660,529	5,131,227	6,898,780	30,647,268	32,559,309
Expenses:						
Program expenses:						
General Government	2,416,410	2,442,432	-	-	2,416,410	2,442,432
Public Safety	14,598,186	12,496,702	-	-	14,598,186	12,496,702
Highways and Streets	3,296,350	3,486,514	-	-	3,296,350	3,486,514
Culture and Recreation	1,862,749	1,770,940	-	-	1,862,749	1,770,940
Economic Development	3,956,489	708,700	-	-	3,956,489	708,700
Interest on long-term debt	1,449,772	1,087,578	-	-	1,449,772	1,087,578
Water/Sewer	-	-	4,634,314	4,020,070	4,634,314	4,020,070
Total expenses	27,579,956	21,992,866	4,634,314	4,020,070	32,214,270	26,012,936
Excess/(deficit) before transfers	(2,063,915)	3,667,663	496,913	2,878,710	(1,567,002)	6,546,373
Transfers	-	1,411,207	-	(1,411,207)	-	-
Increase/(decrease) in net assets	(2,063,915)	5,078,870	496,913	1,467,503	(1,567,002)	6,546,373
Beginning net assets	71,595,241	66,516,371	47,745,298	46,277,795	119,340,539	112,794,166
Ending net assets - April 30	\$69,531,326	\$71,595,241	\$48,242,211	\$47,745,298	\$117,773,537	\$119,340,539

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006



Governmental Activities -

Governmental activities resulted in a \$2,063,915 decrease in net assets. This is \$7,142,785 lower than FYE05 increase of \$5,078,870.

Total revenues of \$25,516,041 decreased from last year by \$144,488. The decrease was due mainly to the following:

- The reduction in contributions of capital grants totaling \$796,765 in FYE06 versus \$3,678,879 in FYE05.

Expenses of \$27,579,956 were higher than last year by \$5,587,090 due primarily to:

- An increase in economic development costs in the Downtown TIF. More specifically, environmental cleanup of two gas stations and a \$2,000,000 payment of site clean up work for a residential development in the TIF district.
- Increases in public safety expenditures as police and firefighter collective bargaining agreements were ratified in fiscal year 2005/2006 with retroactive salaries included.

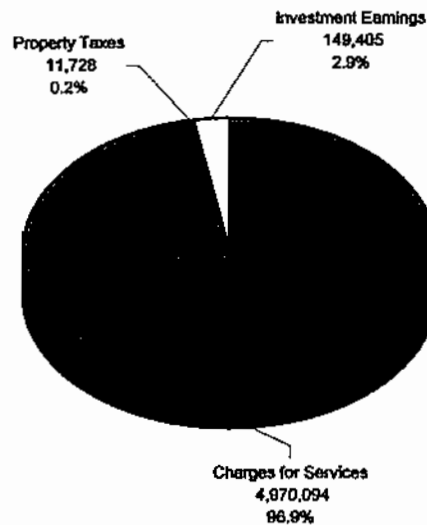
From an operations standpoint, the Village was able to defer expenditures in the area of highways and streets as improvements for the Route 22 bypass and Rose Road expansion projects were deferred into the 2006/2007 fiscal year. The residential street improvement program also came in under budget during the year.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

Revenues By Source-Business-type Activities



Business Type Activities -

Business-type activities resulted in a \$496,913 increase in Village net assets for the fiscal year. The gain is net of \$1,454,388 in annual depreciation expense which is not budgeted. Elements of the increase are as follows:

- The Village implemented a 14.6% rate increase in its water and sewer charges. The increase is expected to help pay for improvements to the Village's deep water wells and help pay additional debt service needed for utility under grounding at the Route 22 bypass.
- Developer contributed infrastructure assets in the amount of \$1,001,918 created a significant amount of revenue to help pay for ongoing capital improvements.
- Interest income increased by \$69,750 due to increasing interest rates on idle cash.
- An operating transfer out of \$1,411,207 that occurred in fiscal year 2005 did not re-occur in fiscal year 2006.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

Governmental Funds -

As noted earlier, the focus of fund reporting is the short-term inflow and outflow of expendable resources. Fund balance is a useful indicator in assessing available resources with respect to meeting future obligations.

At April 30, 2006, governmental funds reported combined fund balances of \$21,897,676. Of this amount, \$5,808,991 is unreserved and is available for future obligations. The reserved fund

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

balance of \$16,088,685 is comprised of the following: \$12,247,212 reserved for prepaid items and land held for resale, \$45,700 reserved for public safety expenditures, \$309,524 is reserved for future debt service payments, \$1,768,934 for the payment of future Tax increment financing interest payments, \$1,217,121 for improvements to the Tax increment financing district and \$500,194 to maintain the working cash reserve in compliance with legal requirements.

The General Fund is the Village's primary operating fund. During FYE06 fund balance increased \$156,714. A large part of the increase resulted from capital and operating expenditures that were eliminated or deferred until 2007. Project expenditures deferred include the Rose Road extension and street signal work at the Route 22 bypass. Operating expenditures were reduced in the area of contractual services and commodities.

The Debt Service Fund has a positive fund balance of \$2,078,458 that is restricted entirely for the payment of future debt service. The Capital Improvements Fund and the Downtown TIF Fund have positive fund balances of \$2,201,914 and \$13,218,554, respectively. The Capital Improvements fund balance will be used for street and park improvements and additions. The Downtown TIF fund balance is earmarked exclusively to fund improvements to the downtown tax increment financing district including land purchases.

Proprietary Funds -

The focus for the proprietary fund at the fund level is synonymous with that found at the government-wide level. Reporting is on a full-accrual basis with short-term and long-term emphasis on financial data. The Waterworks and Sewerage Fund is the sole proprietary fund for the Village of Lake Zurich. This fund records all financial activity relating to the municipality's water and sewer operations. The Waterworks and Sewerage Fund provides the same type of information in the government-wide financial statements reflected as "Business-Type" activities, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The emphasis of the FY06 budget was on residential street improvements including construction and engineering. General fund revenues remained primarily flat in the areas of property taxes and sales taxes over fiscal year 2005. The General Fund saw increases in state income tax and the fire service contract. Collectively, these two items were over budget by \$340,048. Interest income was also over budget by \$124,241. The General Fund benefited from a number of projects being deferred or delayed during the budget year. Projects such as Rose Road construction and Route 22 bypass utility work were delayed including engineering. The deferred expenditures in the highways and streets budget totaled \$955,019. The General Fund in total had a positive net change in fund balance of \$156,714. At April 30, 2006 the General Fund had a fund balance of 20% of total expenditures.

One budget amendment in the amount of \$400,000 was made during fiscal year 2006. This amendment was to increase the amount the Village received from the fire district to pay for personnel and other operating costs. A referendum to increase the fire district property tax rate was successful in April 2005 and consequently meant additional funding to assist the Village in paying for fire department operating costs.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

CAPITAL ASSETS

The Village of Lake Zurich's investment in capital assets, net of accumulated depreciation, amounted to \$130,274,855 at April 30, 2006. The investment includes land, buildings, improvements, machinery and equipment, vehicles and infrastructure as follows:

	Governmental Activities		Business-type Activities		Total	
	FYE06	FYE05	FYE06	FYE05	FYE06	FYE05
Land and Improvements	\$ 30,424,846	\$ 30,433,992	\$ 249,652	\$ 249,652	\$ 30,674,498	\$ 30,683,644
Building and Improvements	10,433,464	10,720,811	-	-	10,433,464	10,720,811
Machinery & Equipment	3,114,256	3,325,277	466,284	398,402	3,580,540	3,723,679
Infrastructure	38,980,809	39,063,680	46,605,544	46,085,009	85,586,353	85,148,689
Total	\$ 82,953,375	\$ 83,543,760	\$ 47,321,480	\$ 46,733,063	\$ 130,274,855	\$ 130,276,823

Capital additions for the year totaled \$3,382,036 and included the following major additions:

- \$154,819 – Machinery and Equipment:
 - A generator and switching equipment in the amount of \$62,650 was purchased to replace outdated equipment at Well #8. Communications equipment was upgraded in the Fire Department in the amount of \$92,168. This purchase was supported by a federal grant obtained by the Fire Department.
- \$1,060,999 - Street Construction Projects:
 - Street upgrades and construction costs were funded from a combination of motor fuel tax allotments and operational revenue. Major road capital improvements included full depth grinding and replacement of pavement (including extensive curb, gutter and sidewalk replacement) for Berkshire Lane, Foxmoor Lane, Regency Drive, Betty Drive, Braemar Lane, Chesterfield Lane, Huntington Drive, Millbrook Drive, Red Haw Lane and Richmond Circle. Capital additions also included \$12,108 of road and signalization improvements to the Oakwood Road/Midlothian intersection and Rose Road improvements of \$168,135.
- \$1,645,518 - Well Improvements:
 - The second of four Village wells (Well #10) that were earmarked for ion exchange installation was completed in FY06 with residual costs of \$936,419. Ion exchange installation is necessary to reduce radium levels of finished water to meet the Illinois Environmental Protection and the Federal Safe Drinking Water Act compliance standards. It is anticipated that Well #8 and #12 be complete by the end of FY07. At April 30, 2006, Well #8 and Well #10 had accumulated costs of \$1,100,878 and \$1,179,706 respectively.

Additional information on the Village's capital assets is presented in the notes to the basic financial statements.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

DEBT ADMINISTRATION

During FYE06, a \$355,509 IEPA Loan was issued to fund construction of waterworks and sewerage capital assets. In addition, a \$10,000,000 TIF Revenue Bond was issued for TIF land acquisitions. The bond was also used to help pay for development site cleanup and pay down a TIF line of credit (notes payable) with a local bank.

Outstanding long-term debt at April 30, 2006 is as follows:

	Governmental Activities		Business-type Activities		Total	
	FYE06	FYE05	FYE06	FYE05	FYE06	FYE05
General Obligation Bonds	\$ 6,970,000	\$ 8,560,000	\$ -	\$ -	\$ 6,970,000	\$ 8,560,000
Alternate Revenue Bonds	10,000,000	10,000,000	3,520,000	4,010,000	13,520,000	14,010,000
TIF Revenue Bonds	10,000,000	-	-	-	10,000,000	-
IEPA Loan	-	-	355,509	-	355,509	-
Note Payable	3,774,706	6,485,964	-	-	3,774,706	6,485,964
Installment Contracts	1,418,573	1,872,146	-	-	1,418,573	1,872,146
Total	32,163,279	26,918,110	3,875,509	4,010,000	36,038,788	30,928,110

As of the last bond issue, the Village bond rating remained A-1. The Village also remains in compliance with the statutorily required legal debt margin of 8.625% of Assessed Valuation. Additional information on the Village's long term liabilities is presented in the notes to the basic financial statements.

TAX INCREMENT FINANCING DISTRICT - TIF

A Tax Increment Financing District was established in Lake Zurich in March of 2002. During FYE03, the issuance of \$10,000,000 in Tax Increment bonds was authorized in two separate bond issues of \$5,800,000 and \$4,200,000. In June 2005 a \$10,000,000 TIF Revenue Bond was issued and the Village continues to utilize a line of credit (notes payable) to help acquire additional properties. At April 30, 2006 the balance on the line of credit was \$3,774,706. The proceeds from the bonds and notes are used to pay for land acquisition and economic development cost in the downtown district which is centered at the intersection of Main Street (Route 22) and Old Rand Road. Incremental real estate taxes generated by the value added to the property tax base, along with enhanced sales tax revenues, are earmarked to repay the loans. To date \$110,046 of incremental taxes have been received. In May 2006 the Lake County Clerks office confirmed the Village will receive approximately \$1,130,000 in incremental property taxes during the 2006/2007 fiscal year. This amount is anticipated to increase substantially over the coming years. At April 30, 2006, approximately \$20,500,000 of TIF funds was expended for TIF downtown improvements, including \$1,000,000 for the Promenade, \$800,000 for Streetscape improvements, \$12,300,000 for land acquisitions, \$4,000,000 for developer reimbursement for redevelopment costs, and \$2,400,000 for contractual and consulting expenditures.

VILLAGE OF LAKE ZURICH

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Illinois Department of Revenue has certified the CPI used for calculating the Villages Tax Levy to be 3.4%. It is anticipated the CPI increase along with the value of new construction will bring in approximately \$350,000 of new revenue.
- The Village will continue to benefit from residential and commercial development. Building permit revenue continues to be strong as dictated by the Village budget. In the future the Village will need to develop a plan to replace most of this revenue as development will eventually slow. The last two years have produced building permit revenue in excess of \$1,000,000 each year.
- The Village is experiencing heavy construction at the intersection of Route 22 and Route 12 and the construction of the Route 22 bypass that will take traffic out of the downtown district. The construction is scheduled to be completed in November 2006. Once construction is complete it will have a positive effect on the redevelopment efforts in the downtown. The construction projects may increase sales tax revenue as traffic flow will be increased with the ability to move through the Village more efficiently.
- The Village again will be contending with increases to health insurance and other operating costs. Increases to premiums may be in the 15% range.
- Substantial capital expenditures and capital replacement will continue in the water and sewer enterprise. Radium removal for Well #8 and Well #12 will be ongoing and additional utility under groundings for the Route 22 bypass will be completed.

The above factors were taken into consideration and budgeted for in the fiscal year 2006/2007 budget. As noted under budgetary highlights, the Village has increased its fund balance by \$156,714. At April 30, 2006 the fund balance of the General Fund was 20% of total expenditures. The level of fund balance is the highest it has been in five fiscal years. The strengthening of fund balance is a result of a more positive local economy and tighter budgetary controls during the year.

The Water/Sewer Fund continues to have very strong cash balances. At April 30, 2006 the fund had a cash balance of 5,073,718. The fund also had unrestricted net assets of \$4,796,240. Unrestricted net assets are 106% of operating expenses. The strong level of cash balances and net assets will continue to help enhance the long term replacement needs of the Water/Sewer enterprise.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Lake Zurich's financial position and activities for the fiscal year ended April 30, 2006. Questions and requests for additional information should be directed to the Finance Director, Village of Lake Zurich, 70 E. Main Street, Lake Zurich, Illinois 60047.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets

April 30, 2006

See Following Page

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets

April 30, 2006

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 8,174,324	5,073,718	13,248,042
Receivables - net	8,109,380	557,967	8,667,347
Due from other governments	2,376,313	-	2,376,313
Deposits	429,922	134,342	564,264
Prepays	245,779	-	245,779
Inventory - land held for resale	12,001,433	-	12,001,433
	<u>31,337,151</u>	<u>5,766,027</u>	<u>37,103,178</u>
Capital Assets			
Nondepreciable capital assets	28,333,170	249,652	28,582,822
Depreciable capital assets	77,354,152	63,414,640	140,768,792
Accumulated depreciation	(22,733,947)	(16,342,812)	(39,076,759)
	<u>82,953,375</u>	<u>47,321,480</u>	<u>130,274,855</u>
Total Assets	<u>114,290,526</u>	<u>53,087,507</u>	<u>167,378,033</u>

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	750,176	779,709	1,529,885
Accrued payroll	849,709	52,007	901,716
Claims payable	178,818	28,145	206,963
Interest payable	458,014	53,668	511,682
Unearned revenues	7,660,772	-	7,660,772
Current portion of long-term debt	2,159,478	506,612	2,666,090
	12,056,967	1,420,141	13,477,108
Noncurrent Liabilities			
Compensated absences payable	543,621	44,646	588,267
Net pension obligation payable	2,018,906	-	2,018,906
Notes payable	3,774,706	-	3,774,706
Installment contracts payable	955,000	-	955,000
General obligation bonds payable	5,855,000	-	5,855,000
Alternate revenue bonds payable	9,555,000	3,380,509	12,935,509
TIF revenue bonds payable	10,000,000	-	10,000,000
	32,702,233	3,425,155	36,127,388
Total Liabilities	44,759,200	4,845,296	49,604,496
NET ASSETS			
Invested in capital assets - net of related debt	63,037,308	43,445,971	106,483,279
Restricted - special revenues	545,894	-	545,894
Restricted - tax increment financing	2,986,055	-	2,986,055
Unrestricted	2,962,069	4,796,240	7,758,309
Total Net Assets	69,531,326	48,242,211	117,773,537

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Activities Year Ended April 30, 2006

		Program Revenues	
		Charges for Services	Capital Grants/ Contribution
	Expenses		
Governmental Activities			
General government	\$ 2,416,410	3,107,316	-
Public safety	14,598,186	5,581,866	-
Highways and streets	3,296,350	-	796,765
Culture and recreation	1,862,749	585,138	-
Economic development	3,956,489	-	-
Interest on long-term debt	1,449,772	-	-
Total Governmental Activities	27,579,956	9,274,320	796,765
Business-Type Activities			
Waterworks and sewerage	4,634,314	4,970,094	-
	32,214,270	14,244,414	796,765

General Revenues

Taxes

Property taxes

Municipal sales taxes

Intergovernmental - Unrestricted

Illinois state income taxes

Other taxes

Interest Income

Miscellaneous

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
690,906	-	690,906
(9,016,320)	-	(9,016,320)
(2,499,585)	-	(2,499,585)
(1,277,611)	-	(1,277,611)
(3,956,489)	-	(3,956,489)
(1,449,772)	-	(1,449,772)
(17,508,871)	-	(17,508,871)

-	335,780	335,780
(17,508,871)	335,780	(17,173,091)

6,747,900	11,728	6,759,628
4,972,070	-	4,972,070
1,468,210	-	1,468,210
1,336,548	-	1,336,548
332,962	149,405	482,367
587,266	-	587,266
15,444,956	161,133	15,606,089
(2,063,915)	496,913	(1,567,002)
71,595,241	47,745,298	119,340,539
69,531,326	48,242,211	117,773,537

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2006

	General	Debt Service	Capital Improvements	Downtown TIF	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,459,965	2,221,616	2,157,656	335,087	8,174,324
Receivables - net of allowances					
Property taxes	5,261,985	2,398,787	-	-	7,660,772
Accounts	442,429	-	-	-	442,429
Accrued interest	-	4,217	1,962	-	6,179
Due from other funds	147,375	-	-	-	147,375
Due from other governments	1,182,682	-	43,520	1,150,111	2,376,313
Deposits	428,472	-	-	1,450	429,922
Prepays	245,779	-	-	-	245,779
Inventory - land held for resale	-	-	-	12,001,433	12,001,433
Total Assets	11,168,687	4,624,620	2,203,138	13,488,081	31,484,526
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	479,263	-	1,224	269,527	750,014
Accrued payroll	849,709	-	-	-	849,709
Claims payable	178,818	-	-	-	178,818
Due to other funds	162	147,375	-	-	147,537
Unearned revenues	5,261,985	2,398,787	-	-	7,660,772
Total Liabilities	6,769,937	2,546,162	1,224	269,527	9,586,850
Fund Balances					
Reserved - prepaids/inventory	245,779	-	-	12,001,433	12,247,212
Reserved - public safety	45,700	-	-	-	45,700
Reserved - working cash	500,194	-	-	-	500,194
Reserved - debt service	-	309,524	-	-	309,524
Reserved - TIF	-	1,768,934	-	1,217,121	2,986,055
Unreserved	3,607,077	-	2,201,914	-	5,808,991
Total Fund Balances	4,398,750	2,078,458	2,201,914	13,218,554	21,897,676
Total Liabilities and Fund Balances	11,168,687	4,624,620	2,203,138	13,488,081	31,484,526

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

**Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities**

April 30, 2006

Total Governmental Fund Balances	\$ 21,897,676
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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 funds.	82,953,375
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Long-term liabilities are not due and payable in the current
Period and therefore are not reported in the funds.

General obligation bonds payable	(6,970,000)
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Alternate revenue bonds payable	(10,000,000)
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TIF revenue bonds payable	(10,000,000)
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Installment contracts payable	(1,418,573)
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Notes payable	(3,774,706)
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Net pension obligation payable	(2,018,906)
--------------------------------	-------------

Compensated absences payable	(679,526)
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Accrued interest payable	<u>(458,014)</u>
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Net Assets of Governmental Activities	<u>69,531,326</u>
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Year Ended April 30, 2006

	General	Debt Service	Capital Improvements	Downtown TIF	Total Governmental Funds
Revenues					
Taxes	\$ 9,917,408	1,802,562	-	-	11,719,970
Licenses and permits	2,610,400	-	-	-	2,610,400
Intergovernmental	3,038,848	-	562,675	-	3,601,523
Charges for services	4,537,988	-	507,439	1,129,772	6,175,199
Fines and forfeits	488,721	-	-	-	488,721
Interest	167,441	85,091	45,813	34,617	332,962
Miscellaneous	380,979	-	-	206,287	587,266
Total Revenues	21,141,785	1,887,653	1,115,927	1,370,676	25,516,041
Expenditures					
Current					
General government	2,357,302	-	-	-	2,357,302
Public safety	13,648,751	-	-	-	13,648,751
Highways and streets	2,722,109	-	92,220	-	2,814,329
Culture and recreation	1,746,509	-	-	-	1,746,509
Economic development	-	-	-	3,956,489	3,956,489
Capital outlay	-	-	503,073	30,499	533,572
Debt service					
Principal retirement	453,573	6,145,000	-	-	6,598,573
Interest and fiscal charges	56,827	1,266,899	-	-	1,323,726
Total Expenditures	20,985,071	7,411,899	595,293	3,986,988	32,979,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	156,714	(5,524,246)	520,634	(2,616,312)	(7,463,210)
Other Financing Sources (Uses)					
Debt issuance	-	-	-	11,843,742	11,843,742
Transfers in	-	6,507,635	-	-	6,507,635
Transfers out	-	-	-	(6,507,635)	(6,507,635)
	-	6,507,635	-	5,336,107	11,843,742
Net Change in Fund Balance	156,714	983,389	520,634	2,719,795	4,380,532
Fund Balance - Beginning	4,242,036	1,095,069	1,681,280	10,498,759	17,517,144
Fund Balance - Ending	4,398,750	2,078,458	2,201,914	13,218,554	21,897,676

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended April 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 4,380,532
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlays - capitalized	1,339,231
Infrastructure/land contributions from developers	-
Depreciation expense	(1,929,616)

The net effect of various transactions involving capital assets
is to decrease net assets

Disposals - cost	(18,042)
Disposals - accumulated depreciation	18,042

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal on long-term
debt consumes the current financial resources of the governmental funds.

Reduction of compensated absences payable	30,094
Additions to net pension obligation payable	(512,941)
Issuance of notes payable	(1,843,742)
Retirement of notes payable	4,555,000
Retirement of installment contract	453,573
Issuance of TIF revenue bonds payable	(10,000,000)
Retirement of general obligation bonds	1,590,000

Changes to accrued interest on long-term debt in the statement of activities
does not require the use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds.

(126,046)

Changes in Net Assets of Governmental Activities

(2,063,915)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Net Assets - Proprietary Fund (Business-Type Activities)

April 30, 2006

	<u>Waterworks and Sewerage</u>
ASSETS	
Current Assets	
Cash and investments	\$ 5,073,718
Receivables - net of allowances	
Property taxes	11,707
Accounts	544,991
Accrued interest	1,269
Deposits	<u>134,342</u>
	<u>5,766,027</u>
Capital Assets	
Nondepreciable capital assets	249,652
Depreciable capital assets	63,414,640
Accumulated depreciation	<u>(16,342,812)</u>
	<u>47,321,480</u>
Total Assets	<u>53,087,507</u>

The notes to the financial statements are an integral part of this statement.

	<u>Waterworks and Sewerage</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 779,709
Accrued payroll	52,007
Claims payable	28,145
Interest payable	53,668
Compensated absences payable	11,612
Alternate revenue bonds payable	495,000
	<u>1,420,141</u>
Noncurrent Liabilities	
Compensated absences payable	44,646
Alternate revenue bonds payable	3,380,509
	<u>3,425,155</u>
Total Liabilities	<u>4,845,296</u>
NET ASSETS	
Investment in Capital Assets - Net of Related Debt	43,445,971
Unrestricted	<u>4,796,240</u>
Total Net Assets	<u><u>48,242,211</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund (Business-Type Activities) Year Ended April 30, 2006

	Waterworks and Sewerage
Operating Revenues	
Charges for services	\$ 3,968,176
Operating Expenses	
Administration	1,009,926
Operations	2,042,921
Depreciation	1,454,388
Total Operating Expenses	4,507,235
Operating Income (Loss)	(539,059)
Nonoperating Revenues (Expenses)	
Property taxes	11,728
Connection fees	1,001,918
Interest income	149,405
Interest expense and fiscal charges	(127,079)
	1,035,972
Change in Net Assets	496,913
Net Assets - Beginning	47,745,298
Net Assets - Ending	48,242,211

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Cash Flows - Proprietary Fund (Business-Type Activities) Year Ended April 30, 2006

	Water and Sewerage
Cash flows from operating activities	
Receipts from customers and users	\$ 4,835,338
Payments to employees	(1,583,539)
Payments to suppliers	(1,110,468)
	<u>2,141,331</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(2,042,805)
Issuance of capital debt	355,509
Principal paid on capital debt	(490,000)
Interest paid on capital debt	(127,079)
	<u>(2,304,375)</u>
Cash flows from investing activities	
Interest received	<u>149,405</u>
Net change in cash and cash equivalents	(13,639)
Cash and Cash Equivalents - Beginning	<u>5,087,357</u>
Cash and Cash Equivalents - Ending	<u><u>5,073,718</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>(539,059)</u>
Adjustments to reconcile operating income to net income to net cash provided by (used in) operating activities:	
Depreciation	1,454,388
Other income	1,013,646
(Increase) decrease in current assets	(146,484)
Increase (decrease) in current liabilities	<u>358,840</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>2,141,331</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS**Statement of Net Assets - Fiduciary Funds****April 30, 2006**

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 1,084,757	733,245
Investments		
Municipal bonds	330,771	-
U.S. government and agency securities	6,539,263	488,438
Mutual funds	5,493,614	-
Insurance contracts	1,180,004	-
Receivables		
Accounts	-	750
Accrued interest	84,731	-
Due from other funds	162	-
Prepays	4,539	-
Total Assets	14,717,841	1,222,433
LIABILITIES		
Accounts payable	1,184	15,122
Accrued payroll	48,724	-
Deposits payable	-	1,207,311
Total Liabilities	49,908	1,222,433
NET ASSETS		
Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements)	14,667,933	-

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Statement of Changes in Net Assets - Fiduciary Funds Year Ended April 30, 2006

	Pension Trust
Additions	
Contributions - employer	\$ 448,656
Contributions - plan members	643,225
Total Contributions	<u>1,091,881</u>
Investment Income	
Interest earned	856,706
Net change in fair value	355,416
	<u>1,212,122</u>
Less investment expenses	16,854
Net investment income	<u>1,195,268</u>
Total Additions	<u>2,287,149</u>
Deductions	
Administration	13,371
Benefits and refunds	467,445
Total Deductions	<u>480,816</u>
Change in Net Assets	1,806,333
Net Assets - Beginning	<u>12,861,600</u>
Net Assets - Ending	<u>14,667,933</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2006

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VILLAGE OF LAKE ZURICH, ILLINOIS

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VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lake Zurich, Illinois, incorporated in 1896, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, waterworks and sewerage services, parks and recreation and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Lake Zurich
Blended Component Units:	Police Pension Employees Retirement System
	Firefighters' Pension Employees Retirement System

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Council or the Component unit provides services entirely to the Village. These component units' funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

REPORTING ENTITY - Continued

Blended Component Units

Police Pension Employees Retirement System

The Village's sworn 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 President, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a pension trust fund.

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a nine-member pension board. The Village's President, Treasurer, Clerk, Attorney and Fire Chief, one elected pension beneficiary and three elected firefighters constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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 is legally separate from the Village, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's sworn firefighters. The FPERS is reported as a pension trust fund.

BASIS OF PRESENTATION

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, parks and recreation, and general administrative services are classified as governmental activities. The Village's waterworks and sewerage services are classified as business-type activities.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, public works, etc). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc).

The Village allocates indirect costs to the proprietary funds for personnel who perform administrative services for those funds, along with other indirect costs deemed necessary for their operations, but are paid through the General Fund

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village electively added funds, as major funds, which either had debt outstanding or specific community focus.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION - Continued

Fund Financial Statements – Continued

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and records all of the Village's general obligation and TIF debt activity.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Village maintains two major capital projects funds, the Capital Improvements Fund, and the Downtown TIF Fund. The Capital Improvements Fund accounts for the acquisition of general capital assets by the Village including infrastructure capital assets. The Downtown TIF Fund accounts for activities associated with improvements within the Tax Increment Financing District.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION - Continued

Fund Financial Statements – Continued

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Waterworks and Sewerage Fund, a major fund, accounts for the provision of water and sewer services to the residents and businesses of the Village.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

Pension Trust Funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's police force. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Fire Department.

Agency Funds are used to account for assets held by the Village in a purely custodial capacity. The Escrow Performance Fund accounts for refundable deposits held by the Village to ensure the completion of public improvements by private parties.

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting – Continued

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, and franchise taxes. Business-type activities report utility charges as their major receivables.

Prepays /Inventories – Land Held for Resale

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaids. Inventory of land held for resale is valued at cost using the specific identification method, and is recognized as an expenditure when sold/consumed.

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 to \$250,000, depending on classification, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in governmental capital assets. Infrastructure such as streets, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - Continued

Capital Assets – Continued

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Land	N/A
Land/Land Improvements	20 - 30 Years
Buildings	45 Years
Building Improvements	10 - 30 Years
Vehicles	3 - 25 Years
Machinery & Equipment	10 - 30 Years
Computers/Software	5 Years
Furniture & Fixtures	5 - 20 Years
Infrastructure	40 - 50 Years

Compensated Absences

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement. The liability for these compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types 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 type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 debt service expenditures.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - Continued

Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Administrator so that a budget may be prepared. The budget is prepared by fund, function, and activity, 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 budgeted amounts, but may not change the form of the budget.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

BUDGETARY INFORMATION - Continued

Prior to May 1, the budget, which by State law also serves as the appropriation ordinance, is adopted by the Board of Trustees and constitutes the legal budget of the Village. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, the governing body must approve any revisions that alter the total expenditures of any fund. State statutes establish that expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at the end of the fiscal year. During the year, one supplemental appropriation was necessary. The Village does not budget for the Firefighters' Pension Fund.

EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures/expenses, exclusive of depreciation, over budget as of the date of the report:

Fund	Excess
Debt Service	\$ 4,995,886
Capital Improvements	26,293
Police Pension	43,199
Fire Pension	88,240

NOTE 3– DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments". 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.

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds, and the Illinois Metropolitan Investment Fund.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS – Continued

The deposits and investments of the Pension Funds are held separately from those of other Village funds. Statutes authorize the Pension Funds to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois Bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance companies provided the investment in separate accounts does not exceed ten percent of the pension fund's net assets. Pension funds of at least \$5 million that have appointed an investment advisor may, through that investment advisor, invest up to forty-five percent of the plan's net assets in common and preferred stocks that meet specific restrictions.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Village's deposits for governmental, business-type, and agency activities totaled \$9,397,682 and the bank balances totaled \$9,793,036.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS – Continued.

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments. The Village has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Federal Home Loan Bank	\$ 1,811,987	592,749	1,219,238
Federal Home Loan Mortgage Corp	215,000	215,000	-
Illinois Metropolitan Investment Fund	1,405,515	1,405,515	-
Illinois Funds	1,639,541	1,639,541	-
	<u>5,072,043</u>	<u>3,852,805</u>	<u>1,219,238</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village's investment policy states that the investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any fund. Investment maturities will not exceed fourteen months unless the funds invested are earmarked for a special purpose.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in security instruments authorized under State Statute, the Village's investment policy further states that investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. At year-end, the Village's investments U.S. Government Agencies are all rated AAA by Standard & Poor's, and the Village's investment in the Illinois Funds and the Illinois Metropolitan Investment Fund were rated AAAM by Standard & Poor's.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's investment policy states that time deposits in excess of FDIC or SAIF insurable limits be secured by some form of collateral. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:

Government Securities	110%
Federal Agencies	110%
Federal Instrumentalities	110%
Obligations of the State of Illinois	110%
Village General Obligation Bonds	110%

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations: a Federal Reserve Bank or its branch office at another custodial facility – generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved or by an escrow agent of the pledging institution. Safekeeping will be documented by an approved written agreement. At year-end, \$797,252 of the bank balance of deposits was not covered by collateral, federal depository or equivalent insurance.

For an investment, this is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy states that third party safekeeping is required for all securities. To accomplish this, the securities can be held at the following locations: a Federal Reserve Bank or its branch office, at another custodial facility – generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved, buy an escrow agent of the pledging institution, or by a financial institution on the Illinois State Treasurer's approved list of safekeeping banks. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement. At year-end, the Village's investments in U.S. Government Agencies are all insured or registered with the Village or its agent in the Village's name and the Village's investment in the Illinois Fund and the Illinois Metropolitan Investment Trust are noncategorizable.

Concentration Risk. This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy states that investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. At year-end, the Village has over 5 percent of the total cash and investment portfolio (other than U.S. Government guaranteed obligations) invested in the Illinois Funds and the Illinois Metropolitan Investment Fund.

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$1,023,788 and the bank balances totaled \$1,023,787.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments. The Fund has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
U.S. Treasury Notes	\$ 2,696,330	478,380	1,254,307	963,643
Federal Home Loan Banks	296,640	-	-	296,640
Federal Home Loan Mortgage Corp	293,150	-	-	293,150
	3,286,120	478,380	1,254,307	1,553,433

Interest Rate Risk. The Fund's investment policy does not mitigate interest rate risk.

Credit Risk. The Fund's investment policy states that safety of principal is the foremost objective of the Pension Board. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. The Fund's investment policy helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. At year-end, the Fund's investments in U.S. Government and Agency securities were all rated AAA rated by Standard & Poor's.

Custodial Credit Risk. The Fund's investment policy states that investments of the Board shall be clearly held and accounted for to indicate ownership by the Board. The Fund will direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by national or state bank or trust company authorized to conduct a trust business in the State of Illinois. At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance. Furthermore, the Fund's investment in U.S. Treasury and Agency securities are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration Risk. The Fund's investment policy does not mitigate concentration risk. In addition to the securities and fair values listed above, the Fund also has \$2,462,530 invested in mutual funds and \$986,195 invested in insurance contracts. At year-end, the Fund has no investments over 5 percent of net plan assets available for retirement benefits (other than U.S. Government guaranteed obligations).

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$60,969 and the bank balances totaled \$60,969.

Investments. The Fund has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Notes	\$ 922,357	-	95,215	827,142	-
U.S. Treasury Strips	76,668	-	-	-	76,668
Federal Home Loan Banks	1,794,412	619,451	139,921	1,035,040	-
Federal Farm Credit Banks	295,215	-	-	295,215	-
Government National Mortgage Association	98,908	-	-	-	98,908
Federal National Mortgage Association	65,583	-	-	-	65,583
Municipal Bonds	330,771	-	-	330,771	-
	3,583,914	619,451	235,136	2,488,168	241,159

Interest Rate Risk. The Fund's investment policy does not mitigate interest rate risk.

Credit Risk. The Fund's investment policy states that safety of principal is the foremost objective of the Pension Board. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. The Fund's investment policy helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. At year-end, the Fund's investments in U.S. Government and Agency securities were all rated AAA rated by Standard & Poor's.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3- DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Custodial Credit Risk. The Fund's investment policy states that investments of the Board shall be clearly held and accounted for to indicate ownership by the Board. The Fund will direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by national or state bank or trust company authorized to conduct a trust business in the State of Illinois. At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance. Furthermore, the Fund's investment in U.S. Treasury and Agency securities are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration Risk. The Fund's investment policy does not mitigate concentration risk. In addition to the securities and fair values listed above, the Fund also has \$3,031,084 invested in mutual funds and \$193,809 invested in insurance contracts. At year-end, the Fund has over 5 percent of net plan assets available for retirement benefits (other than U.S. Government guaranteed obligations) invested in Dodge and Cox Mutual Fund (\$512,129), Vanguard Institutional Mutual Fund (\$915,468), and AXA Enterprise Mutual Fund (\$504,894).

PROPERTY TAXES

Property taxes for 2005 attach as an enforceable lien on January 1, 2005, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by Lake County and are payable in two installments, on or about May 1, 2006, and September 1, 2006. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Capital Assets- Not Being Depreciated				
Land	\$ 28,333,170	-	-	28,333,170
Other Capital Assets				
Land Improvements	2,406,008	105,060	-	2,511,068
Buildings	12,757,354	-	-	12,757,354
Building Improvements	77,000	-	-	77,000
Vehicles	3,701,737	45,324	18,042	3,729,019
Machinery and Equipment	1,206,647	92,169	-	1,298,816
Computers / Software	54,858	50,238	-	105,096
Furniture and Fixtures	43,182	-	-	43,182
Infrastructure	55,786,177	1,046,440	-	56,832,617
	76,032,963	1,339,231	18,042	77,354,152
Less Accumulated Depreciation				
Land Improvements	305,186	114,206	-	419,392
Buildings	2,101,309	283,497	-	2,384,806
Building Improvements	12,234	3,850	-	16,084
Vehicles	1,269,454	309,666	18,042	1,561,078
Machinery and Equipment	372,204	68,558	-	440,762
Computers / Software	15,945	16,210	-	32,155
Furniture and Fixtures	23,544	4,318	-	27,862
Infrastructure	16,722,497	1,129,311	-	17,851,808
	20,822,373	1,929,616	18,042	22,733,947
Total Other Capital Assets	55,210,590	(590,385)	-	54,620,205
Total Capital Assets	83,543,760	(590,385)	-	82,953,375

VILLAGE OF LAKE ZURICH, ILLINOIS**Notes to the Financial Statements
April 30, 2006****NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued****CAPITAL ASSETS – Continued****Governmental Activities – Continued**

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 89,202
Public Safety	436,494
Highway and Streets	1,287,680
Culture and Recreation	116,240
	<u>1,929,616</u>

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Capital Assets - Not Being Depreciated	\$ 249,652	-	-	249,652
Other Capital Assets				
Infrastructure	60,603,152	1,917,784	-	62,520,936
Machinery and Equipment	449,413	74,436	-	523,849
Vehicles	322,595	50,585	3,325	369,855
	<u>61,375,160</u>	<u>2,042,805</u>	<u>3,325</u>	<u>63,414,640</u>
Less Accumulated Depreciation				
Infrastructure	14,518,143	1,397,249	-	15,915,392
Machinery and Equipment	178,020	29,858	-	207,878
Vehicles	195,586	27,281	3,325	219,542
	<u>14,891,749</u>	<u>1,454,388</u>	<u>3,325</u>	<u>16,342,812</u>
Total Other Capital Assets	<u>46,483,411</u>	<u>588,417</u>	<u>-</u>	<u>47,071,828</u>
Total Capital Assets	<u>46,733,063</u>	<u>588,417</u>	<u>-</u>	<u>47,321,480</u>

Depreciation expense of \$1,454,388 was charged to business-type activities for waterworks and sewerage.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 147,375
Police Pension	General	162
		<u>147,537</u>

Interfund balances are advances in anticipation of receipts.

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Debt Service	Downtown TIF	\$ 6,507,635

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LONG-TERM DEBT

Notes Payable

The Village has entered into a loan agreement to provide funds for the acquisition of land parcels within the tax increment financing districts. The lender has agreed to make loan advances in the aggregate amount of not more than \$10,000,000. The loan is evidenced by a mortgage note in the same principal as the advances then outstanding. The note payable interest is at a variable rate based upon the prime rate. At April 30, 2006 the prime rate is 7.75% and the amount outstanding on the notes payable \$3,774,706. Interest on the notes payable is due semiannually and principal is not due until the maturity date, although the Village may make advance payments. The notes are secured by the acquisition of land parcels within the tax increment financing districts of the Village.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

General Obligation TIF Alternate Revenue Bonds

The Village issues general obligation tax increment financing alternate revenue bonds to provide funds for the acquisition and construction of tax increment financing projects. General obligation tax increment financing alternate revenue source bonds provide for the collection, segregation and distribution of certain taxes received by the government for the payment of principal and interest on the general obligation tax increment financing alternate revenue bonds. General obligation tax increment financing alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation TIF Alternate Revenue Bond Series of 2002, due in annual installments of \$155,000 to \$385,000 though Dec. 15, 2021, plus interest at 5.0% to 6.0%	Debt Service	\$ 3,970,000	-	-	3,970,000
General Obligation TIF Alternate Revenue Bonds Series of 2003A, due in installments of \$205,000 to \$345,000 plus interest at 3.625% to 3.75% through December 15, 2021	Debt Service	4,200,000	-	-	4,200,000
General Obligation TIF Alternate Revenue Bond Series of 2002A, due in annual installments of \$85,000 to \$155,000 though Dec. 15, 2021, plus interest at 4.0% to 4.7%	Debt Service	1,830,000	-	-	1,830,000
		10,000,000	-	-	10,000,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

General Obligation Bonds

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

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Police Building Bond Series of 2000, due in annual installments of \$215,000 to \$500,000 plus interest at 5.25% to 5.375% through December 15, 2019	Debt Service	\$ 5,330,000	-	245,000	5,085,000
General Obligation Refunding Bond Series of 2001, due in annual installments of \$410,000 to \$905,000 plus interest at 2.50% to 3.75% through December 15, 2008	Debt Service	2,210,000	-	905,000	1,305,000
General Obligation Bond Series of 2003C, due in installments of \$370,000 to \$40,000 plus interest at 2.00% to 3.00% through May 1, 2009	Debt Service	1,020,000	-	440,000	580,000
		8,560,000	-	1,590,000	6,970,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

General Obligation Waterworks and Sewerage Alternate Revenue Bonds

The Village issues general obligation waterworks and sewerage alternate revenue bonds to provide funds for the acquisition and construction of waterworks and sewerage capital projects. General obligation waterworks and sewerage alternate revenue source bonds provide for the collection, segregation and distribution of revenues received by the government for the payment of principal and interest on the general obligation waterworks and sewerage alternate revenue bonds. General obligation waterworks and sewerage alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2002, due in annual installments of \$170,000 to \$240,000 plus interest at 4.00% to 4.25% through December 15, 2012	Waterworks and Sewerage	\$ 1,655,000	-	180,000	1,475,000
General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003B, due in installments of \$225,000 to \$275,000 plus interest at 2.50% to 2.625% through May 1, 2011	Waterworks and Sewerage	1,735,000	-	230,000	1,505,000
Taxable General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003D, due in installments of \$80,000 to \$100,000 plus interest at 3.35% to 4.75% through May 1, 2011	Waterworks and Sewerage	620,000	-	80,000	540,000
		4,010,000	-	490,000	3,520,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

IEPA Loans

The Village, through the Illinois Environmental Protection Agency, received a low interest loan for the construction of waterworks and sewerage capital assets. IEPA loans currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
IEPA Loan of 2006, due in annual installments plus interest through June 15, 2026	Waterworks and Sewerage	\$ -	355,509	-	355,509

TIF Revenue Bonds

The Village issues bonds where the Village pledges incremental tax income derived from a separately created tax increment financing district. These bonds are not an obligation of the government and are secured by the incremental tax revenue generated within the district. Tax increment bonds outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
TIF Revenue Bond Series of 2005A, due in annual installments of \$50,000 to \$825,000 through Dec. 15, 2024, plus interest at 3.75% to 4.0%	Debt Service	\$ -	8,500,000	-	8,500,000
TIF Revenue Bond Series of 2005B, due in annual installments of \$100,000 to \$350,000 through Dec. 15, 2014, plus interest at 4.30% to 4.80%	Debt Service	-	1,500,000	-	1,500,000
		-	10,000,000	-	10,000,000

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT - Continued

Installment Contracts

The government enters into installment contracts to provide funds for the acquisition of capital assets. Installment contracts currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Fire Engine Pumper Installment Contract of 1997, due in annual installments of \$23,573 plus interest at 5.20% through January 15, 2007	General	\$ 47,146	-	23,573	23,573
Vehicle Purchases Installment Contract of 2002, due in annual installments of \$190,000 to \$210,000 plus interest at 2.0% to 3.0% through August 1, 2007	General	615,000	-	200,000	415,000
Equipment Purchases and Construction Installment Contract of 2004, due in annual installments of \$230,000 to \$255,000 plus interest at 3.25% through December 15, 2009	General	1,210,000	-	230,000	980,000
		1,872,146	-	453,573	1,418,573

Non-Commitment Debt

The Village has issued Industrial Development Revenue Bonds (IDRBs) to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial property deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans on the property. The Village is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not reported as a liability on these financial statements. As of the date of this report, there was one IDRB outstanding with a principal amount of \$1,580,000.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Defeased Debt

In prior years the government defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Since the requirements that normally satisfy defeasance have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's basic financial statements. Defeased Waterworks and Sewerage bonds of \$170,000 remain outstanding as of the date of this report.

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 709,620	30,094	60,188	679,526	135,905
Net Pension Obligation	1,505,965	512,941	-	2,018,906	-
Notes Payable	6,485,964	1,843,742	4,555,000	3,774,706	-
Installment Contracts	1,872,146	-	453,573	1,418,573	463,573
General Obligation Bonds	8,560,000	-	1,590,000	6,970,000	1,115,000
GO TIF Alternate Revenue Bonds	10,000,000	-	-	10,000,000	445,000
TIF Alternate Revenue Bonds	-	10,000,000	-	10,000,000	-
	<u>29,133,695</u>	<u>12,386,777</u>	<u>6,658,761</u>	<u>34,861,711</u>	<u>2,159,478</u>
Business-type Activities					
Compensated Absences	46,530	-	-	56,258	11,612
IEAP Loan	-	355,509	-	355,509	-
GO Waterworks and Sewerage Alternate Revenue Bonds	4,010,000	-	490,000	3,520,000	495,000
	<u>4,056,530</u>	<u>355,509</u>	<u>490,000</u>	<u>3,931,767</u>	<u>506,612</u>

Payments on the general obligation bonds are made by the Debt Service and Waterworks and Sewerage Fund. The Debt Service Fund makes payments on the tax increment alternate revenue bonds, revenue bonds and notes payable. Payments on the installment contracts are made by the General Fund. The Waterworks and Sewerage Fund makes payments on the IEPA Loan. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

iscal Year Ending April 30	Governmental Activities							
	Installment		Alternate		General		TIF	
	Contracts		Revenue Bonds		Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 463,573	42,451	445,000	446,456	1,115,000	325,245	-	399,762
2008	450,000	27,362	455,000	427,872	760,000	293,356	-	399,762
2009	250,000	16,412	475,000	408,864	775,000	262,117	400,000	399,762
2010	255,000	8,288	495,000	388,966	335,000	229,131	425,000	382,837
2011	-	-	510,000	368,194	310,000	212,896	450,000	365,100
2012	-	-	535,000	346,734	330,000	196,466	475,000	346,475
2013	-	-	560,000	324,216	345,000	178,976	475,000	327,163
2014	-	-	590,000	300,300	365,000	160,691	500,000	307,863
2015	-	-	620,000	274,876	380,000	141,346	525,000	287,925
2016	-	-	650,000	247,864	405,000	121,206	550,000	267,188
2017	-	-	680,000	219,064	425,000	99,437	575,000	246,563
2018	-	-	715,000	188,690	450,000	76,593	600,000	225,000
2019	-	-	755,000	156,100	475,000	52,406	625,000	201,000
2020	-	-	795,000	121,328	500,000	26,875	650,000	176,000
2021	-	-	835,000	83,752	-	-	675,000	150,000
2022	-	-	885,000	43,324	-	-	725,000	123,000
2023	-	-	-	-	-	-	750,000	94,000
2024	-	-	-	-	-	-	775,000	64,000
2025	-	-	-	-	-	-	825,000	33,000
Total	1,418,573	94,513	10,000,000	4,346,600	6,970,000	2,376,741	10,000,000	4,796,400

In addition, notes payable of \$3,774,706 are outstanding at year end. Interest at a variable rate based upon the prime rate is due on the note. At April 30, 2006, the prime rate is 7.75%, interest on the notes is due semiannually and principal is not due until the maturity date, although the Village may make advance payments.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements

April 30, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity – Continued

Fiscal Year Ending April 30	Business-type Activities	
	Alternate	
	Revenue Bonds	
	Principal	Interest
2006	\$ 495,000	118,348
2007	515,000	102,068
2008	535,000	84,604
2009	555,000	66,329
2010	580,000	46,743
2011	600,000	25,746
2012	240,000	10,194
Total	<u>3,520,000</u>	<u>454,032</u>

Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979.

Assessed Valuation - 2005	<u>\$ 720,508,999</u>
Legal Debt Limit - 8.625% of Assessed Value	62,143,901
Amount of Debt Applicable to Limit	
General Obligation Bonds	5,085,000
Installment Contracts	<u>1,418,573</u>
Legal Debt Margin	<u>55,640,328</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 - OTHER INFORMATION

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; natural disasters; and injuries to the Village's employees. These risks are provided for through a limited self-insurance program and private insurance coverage. The Village is self-insured for medical, dental, and life insurance benefits. Under this program, the General Fund provides coverage up to a maximum of \$40,000 per individual's claims paid. Current year risk-financing activities are accounted for in the General Fund. There were no significant changes in insurance coverage from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

Liabilities 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 of claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

Changes in the balances of claims liabilities are as follows:

	Year Ended April 30	
	2006	2005
Claims Payable - Beginning	\$ 118,900	210,000
Claims Incurred	1,741,461	1,629,096
Claims Paid	(1,653,398)	(1,720,196)
Claims Payable - Ending	206,963	118,900

Intergovernmental Risk Management Agency (IRMA)

The Village also participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in Northeastern Illinois which have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

The Village's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence, and IRMA has a mix of self-insurance and commercial insurance at various amounts about that level.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 - OTHER INFORMATION – Continued

RISK MANAGEMENT -- Continued

Intergovernmental Risk Management Agency (IRMA) – Continued

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of the Agency beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the by-laws of IRMA and experience modification factors based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits.

CONTINGENT LIABILITIES

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.

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.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit 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. Separate reports are issued for the Police and Firefighters' Pension Funds and may be obtained by writing to the Village at 70 E. Main Street, Lake Zurich, IL 60047-3226. However, IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police and Firefighters' Pension 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 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer rate for calendar year 2005 was 10.05 percent.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

At fiscal year end the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	7
Current Employees Vested and Nonvested	<u>37</u>
	<u>44</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Plan Descriptions, Provisions and Funding Policies - Continued

Police Pension Plan - Continued

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

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 of 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 pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required 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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033 the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Firefighters' Pension Plan

The Firefighters' Pension Plan is a single-employer defined pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

At fiscal year end the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2
Current Employees Vested and Nonvested	<u>53</u>
	<u>55</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Plan Descriptions, Provisions and Funding Policies - Continued

Firefighters' Pension Plan – Continued

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

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 at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% 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 contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033 the Village's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Summary of Significant Accounting Policies and Plan Asset Matters - Continued

Significant Investments

There are no investments (other than U.S. Government and U.S. Government - guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits for either the Police or Firefighters' Pension Plans, except as below. Information for IMRF is not available.

Firefighters' Pension Fund	Amount
Dodge and Cox Mutual Fund	\$ 512,129
Vanguard Institutional Mutual Fund	915,468
AXA Enterprise Mutual Fund	504,894

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

Annual Pension Cost and Net Pension Obligation

The IMRF Plan did not have a net pension obligation at the front or end of the fiscal year. The amount of the pension liability for the Police and Firefighters' Pension plans is as follows:

	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	\$ 332,670	440,098	772,768
Interest on the NPO	42,535	77,942	120,477
Adjustment to the ARC	(38,957)	(75,124)	(114,081)
Annual Pension Cost	336,248	442,916	779,164
Actual Contribution	(133,210)	(133,013)	(266,223)
Increase in the NPO	203,038	309,903	512,941
NPO - Beginning	531,686	974,279	1,505,965
NPO - Ending	734,724	1,284,182	2,018,906

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Annual Pension Cost and Net Pension Obligation – Continued

The Village annual required contribution for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Contribution Rates			
Employer	10.06%	13.77%	12.31%
Employee	4.50%	9.91%	9.455%
Annual Pension Cost	\$467,841	\$412,012	\$491,616
Contributions Made	\$467,841	\$154,285	\$294,371
Actuarial Valuation Date	12/31/04	04/30/04	04/30/04
Actuarial Cost Method	Entry Age Normal	Unit Credit	Unit Credit
Amortization Method	Level %of Projected Payroll Closed Basis	Level Dollar Closed Basis	Level Dollar Closed Basis
Remaining Amortization Period	27 Years	31 Years	29 Years
Asset Valuation Method	5-Year Smoothed Market	Market	Market
Actuarial Assumptions			
Investment Rate of Return	7.50% Compounded Annually	8.00% Compounded Annually	8.00% Compounded Annually
Projected Salary Increases	.4 to 11.6%	5.00%	5.00%
Inflation Rate Included	4.00%	3.50%	3.50%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%

VILLAGE OF LAKE ZURICH, ILLINOIS

Notes to the Financial Statements April 30, 2006

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS - Continued

Trend Information

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

	Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2004	\$ 231,664	\$ 265,773	\$ 471,572
	2005	392,300	336,248	442,916
	2006	467,841	416,444	494,764
Actual Contributions	2004	\$ 231,664	\$ 141,219	\$ 354,418
	2005	392,300	132,988	132,988
	2006	467,841	154,285	294,371
Percentage of APC Contributed	2004	100.00%	53.14%	75.16%
	2005	100.00%	39.55%	30.03%
	2006	100.00%	37.05%	59.50%
Net Pension Obligation	2004	\$ -	\$ 407,292	\$ 857,125
	2005	-	531,686	974,247
	2006	-	734,724	1,284,182

SUBSEQUENT EVENT

On July 1, 2006, the Village issued \$2,050,000 General Obligation Bonds, Series 2006 due in annual installments of \$50,000 to \$700,000 plus interest at 4.0% through maturity on December 15, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Employer Contributions
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Budgetary Comparison Schedule – General Fund

Notes to the Required Supplementary Information

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

VILLAGE OF LAKE ZURICH, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2006

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2000	\$ 9,018,205	\$ 7,338,443	122.89%	\$ (1,679,762)	\$ 3,630,560	(46.27%)
2001	9,326,553	8,041,334	115.98%	(1,285,219)	3,894,237	(33.00%)
2002	8,644,970	8,750,907	98.79%	105,937	4,193,058	2.53%
2003	9,277,735	10,488,702	88.45%	1,210,967	4,605,642	26.29%
2004	9,141,658	10,674,818	85.64%	1,533,160	4,407,867	34.78%
2005	10,475,161	11,951,398	87.65%	1,476,237	4,655,135	31.71%

VILLAGE OF LAKE ZURICH, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2006

Actuarial Valuation Date April 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2000	\$ 5,765,003	\$ 6,053,690	95.23%	\$ 288,687	\$ 1,941,670	14.87%
2001	6,208,507	7,218,796	86.00%	1,010,289	1,914,114	52.78%
2002	6,636,467	8,004,123	82.91%	1,367,656	2,120,905	64.48%
2003	7,069,348	8,480,685	83.36%	1,411,337	2,332,789	60.50%
2004	7,532,153	9,609,424	78.38%	2,077,271	2,441,034	85.10%
2005	8,021,601	11,005,373	72.89%	2,983,772	2,514,139	118.68%

VILLAGE OF LAKE ZURICH, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Funding Progress

April 30, 2006

Actuarial Valuation Date April 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2000	\$ 2,771,466	\$ 2,757,350	100.51%	\$ (14,116)	\$ 2,400,046	(0.59%)
2001	3,259,059	3,192,971	102.07%	(66,088)	2,498,699	(2.64%)
2002	3,818,124	4,051,109	94.25%	232,985	3,297,606	7.07%
2003	4,451,581	5,812,971	76.58%	1,361,390	3,639,667	37.40%
2004	5,351,488	6,816,321	78.51%	1,464,833	3,599,204	40.70%
2005	6,104,797	7,964,087	76.65%	1,859,290	3,840,950	48.41%

VILLAGE OF LAKE ZURICH, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Employer Contributions

April 30, 2006

Calendar Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2000	\$ 223,642	\$ 223,642	100.00%
2001	169,789	169,789	100.00%
2002	141,306	141,306	100.00%
2003	231,664	231,664	100.00%
2004	392,300	392,300	100.00%
2005	467,841	467,841	100.00%

VILLAGE OF LAKE ZURICH, ILLINOIS

Police Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2006

Year Ended April 30	Employer Contributions	Annual Required Contribution	Percent Contributed
2001	\$ 112,715	\$ 172,861	65.21%
2002	119,969	199,758	60.06%
2003	129,147	229,281	56.33%
2004	141,219	261,579	53.99%
2005	132,988	332,670	39.98%
2006	154,285	412,012	37.45%

VILLAGE OF LAKE ZURICH, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Employer Contributions

April 30, 2006

Year Ended April 30	Employer Contributions	Annual Required Contribution	Percent Contributed
2001	\$ 112,471	\$ 248,745	45.22%
2002	119,743	256,618	46.66%
2003	128,962	349,984	36.85%
2004	354,418	462,746	76.59%
2005	132,988	440,098	30.22%
2005	294,371	491,616	59.88%

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes	\$ 10,186,695	10,186,695	9,917,408
Licenses and permits	2,951,730	2,951,730	2,610,400
Intergovernmental	2,596,133	2,596,133	3,038,848
Charges for services	3,975,397	4,375,397	4,537,988
Fines and forfeitures	571,650	571,650	488,721
Interest	43,200	43,200	167,441
Miscellaneous	375,100	375,100	380,979
Total Revenues	20,699,905	21,099,905	21,141,785
Expenditures			
General administration	2,333,886	2,333,886	2,357,302
Public safety	13,221,208	13,221,208	13,648,751
Highways and streets	3,677,128	3,677,128	2,722,109
Culture and recreation	1,593,530	1,593,530	1,746,509
Debt service			
Principal retirement	453,573	453,573	453,573
Interest and fiscal charges	56,827	56,827	56,827
Total Expenditures	21,336,152	21,336,152	20,985,071
Excess (Deficiency) of Revenues Over (Under) Expenditures	(636,247)	(236,247)	156,714
Other Financing (Uses)			
Transfers out	(202,000)	(202,000)	-
Net Change in Fund Balance	(838,247)	(438,247)	156,714
Fund Balance - Beginning			4,242,036
Fund Balance - Ending			4,398,750

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund is a major fund and accounts for all financial resources except those required to be accounted for in another fund.

DEBT SERVICE FUND

The Debt Service Fund is a major fund and accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL IMPROVEMENTS - CAPITAL PROJECTS FUND

The Capital Improvements Fund is a major fund and accounts for all resources used for the acquisition of general capital assets including infrastructure capital assets.

DOWNTOWN TIF - CAPITAL PROJECTS FUND

The Downtown TIF Fund is a major fund and accounts for all activities associated with improvements within the Tax Increment Financing District.

WATERWORKS AND SEWERAGE – ENTERPRISE FUND

The Waterworks and Sewerage Fund is a major fund and is used to account for the provision of potable water and wastewater treatment services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance, financing and related debt service, billing and collection.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

POLICE PENSION – PENSION TRUST FUND

The Police Pension Fund is a fiduciary fund and is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the police force at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

FIREFIGHTERS' PENSION - PENSION TRUST FUND

The Firefighters' Pension Fund is a fiduciary fund and is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the fire department at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

ESCROW PERFORMANCE – AGENCY FUND

The Escrow Performance Fund is a fiduciary fund and is used to account for refundable deposits held by the Village to ensure the completion of public improvements by private developers.

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Taxes			
Property taxes			
Corporate	\$ 1,204,537	1,204,537	1,158,944
Police protection	791,547	791,547	790,715
Fire protection	718,988	718,988	723,705
Ambulance	672,815	672,815	676,798
Pension	178,098	178,098	180,926
Social security	712,392	712,392	717,004
Police pension	153,000	153,000	154,285
Fire pension	153,000	153,000	154,285
Liability insurance	277,038	277,038	281,441
SRA	77,530	77,530	80,412
Road and bridge	25,000	25,000	26,823
Municipal sales taxes	5,222,750	5,222,750	4,972,070
	<u>10,186,695</u>	<u>10,186,695</u>	<u>9,917,408</u>
Licenses and permits			
Licenses			
Television franchise	175,000	175,000	170,197
Telephone franchise	1,320,000	1,320,000	1,279,470
Liquor	85,000	85,000	67,975
Other business	130,000	130,000	105,034
Permits			
Administrative plan review	308,595	308,595	250,147
Building	490,900	490,900	302,201
Electrical	78,500	78,500	71,250
Plumbing	89,860	89,860	89,019
Occupancy certificates	48,725	48,725	44,700
Park	25,000	25,000	10,326
Truck permits	30,000	30,000	18,860
Other	170,150	170,150	201,221
	<u>2,951,730</u>	<u>2,951,730</u>	<u>2,610,400</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Intergovernmental			
Illinois State income tax	\$ 1,300,000	1,300,000	1,468,210
Illinois State replacement tax	41,434	41,434	63,769
Foreign fire insurance	35,598	35,598	24,114
Street maintenance reimbursement	26,762	26,762	15,210
Local use tax	190,000	190,000	229,013
Auto rental tax	2,500	2,500	7,160
Pull tab taxes	1,400	1,400	1,607
Reimbursements			
Government agency - grants	117,078	117,078	234,090
Government agency	872,361	872,361	995,585
Training	9,000	9,000	90
	<u>2,596,133</u>	<u>2,596,133</u>	<u>3,038,848</u>
Charges for services			
Police alarm fees	40,443	40,443	42,502
Public safety special detail	40,000	40,000	30,610
Watercraft inspection fees	13,500	13,500	10,909
Police lock out fees	9,000	9,000	8,905
Fire/Rescue fees			
Alarm	5,000	5,000	7,014
Special detail	7,000	7,000	2,610
Ambulance fees	230,000	230,000	270,503
Service contract	2,500,000	2,900,000	3,071,838
Public education	5,200	5,200	3,787
Fire spillage detail	10,000	10,000	6,910
Miscellaneous	3,000	3,000	346
Snow removal fees	1,500	1,500	2,252
Annexation fees	40,000	40,000	35,275
Site plan review	26,145	26,145	52,910
Elevator inspections	7,820	7,820	11,020
Exterior appearance review	6,000	6,000	7,100
Subdivision applications	5,000	5,000	20,600
Planned unit development review	6,400	6,400	4,900
Publication and recording	1,500	1,500	-

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Charges for services - Continued			
Printing and reproduction fees	\$ 9,300	9,300	20,566
Special use permits	6,000	6,000	6,575
Zoning text	4,000	4,000	5,050
Variances - single family	1,500	1,500	2,475
Variances - other	3,500	3,500	2,650
Engineering review	200,000	200,000	206,614
Watershed development	24,000	24,000	45,680
Park fees	43,106	43,106	22,572
Park program fees	588,392	588,392	512,612
Park special events	45,000	45,000	17,858
Park outings	16,091	16,091	20,117
Park concessions	20,000	20,000	11,979
Vehicle maintenance fees	57,000	57,000	73,249
	<u>3,975,397</u>	<u>4,375,397</u>	<u>4,537,988</u>
Fines and forfeitures			
Circuit court fines	540,000	540,000	457,576
Other fines	31,650	31,650	31,145
	<u>571,650</u>	<u>571,650</u>	<u>488,721</u>
Interest			
Investment income	43,200	43,200	167,441
Miscellaneous			
Miscellaneous revenue	170,000	170,000	118,398
Donations	5,100	5,100	58,790
Insurance reimbursements	-	-	10,068
Sale of fixed assets	11,000	11,000	18,042
Rent income	189,000	189,000	175,681
	<u>375,100</u>	<u>375,100</u>	<u>380,979</u>
Total Revenues	<u>20,699,905</u>	<u>21,099,905</u>	<u>21,141,785</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
General Government			
General administration	\$ 339,679	339,679	328,299
Village administration	253,437	253,437	367,967
Finance department	1,075,341	1,075,341	1,014,152
Building and zoning	665,429	665,429	646,884
	<u>2,333,886</u>	<u>2,333,886</u>	<u>2,357,302</u>
Public Safety			
Police department	6,333,472	6,333,472	6,367,923
Fire department	6,887,736	6,887,736	7,280,828
	<u>13,221,208</u>	<u>13,221,208</u>	<u>13,648,751</u>
Highways and Streets			
Public works department - general services	3,677,128	3,677,128	2,722,109
Culture and recreation			
Park and recreation department	1,593,530	1,593,530	1,746,509
Debt Service			
Principal retirement	453,573	453,573	453,573
Interest and fiscal charges	56,827	56,827	56,827
	<u>510,400</u>	<u>510,400</u>	<u>510,400</u>
Total Expenditures	<u>21,336,152</u>	<u>21,336,152</u>	<u>20,985,071</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property taxes	\$ 1,842,671	1,842,671	1,802,562
Interest	32,950	32,950	85,091
Miscellaneous	338,406	338,406	-
Total Revenues	<u>2,214,027</u>	<u>2,214,027</u>	<u>1,887,653</u>
Expenditures			
Debt service			
Principal retirement	1,590,000	1,590,000	6,145,000
Interest	820,613	820,613	1,262,999
Fiscal charges	5,400	5,400	3,900
Total Expenditures	<u>2,416,013</u>	<u>2,416,013</u>	<u>7,411,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(201,986)	(201,986)	(5,524,246)
Other Financing Sources			
Transfers in	<u>201,986</u>	<u>201,986</u>	<u>6,507,635</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	983,389
Fund Balance - Beginning			<u>1,095,069</u>
Fund Balance - Ending			<u><u>2,078,458</u></u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Intergovernmental			
MFT allocations	\$ 569,000	569,000	562,675
Charges for services			
Development fees	-	-	507,439
Interest	53,850	53,850	45,813
Total Revenues	622,850	622,850	1,115,927
Expenditures			
Highways and streets			
Engineering services	22,000	22,000	20,251
Snow and ice control	60,000	60,000	66,969
Maintenance	-	-	5,000
Capital outlay			
Infrastructure improvements	487,000	487,000	468,896
Park improvements	-	-	34,177
Total Expenditures	569,000	569,000	595,293
Net Change in Fund Balance	53,850	53,850	520,634
Fund Balance - Beginning			1,681,280
Fund Balance - Ending			2,201,914

VILLAGE OF LAKE ZURICH, ILLINOIS**Waterworks and Sewerage Fund****Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual
Year Ended April 30, 2006**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Operating Revenues			
Charges for services	\$ 4,296,383	4,296,383	3,968,176
Operating Expenses			
Administration	1,028,216	1,028,216	1,009,926
Operations	2,803,226	2,803,226	2,042,921
Depreciation	-	-	1,454,388
Total Operating Expenses	3,831,442	3,831,442	4,507,235
Operating Income (Loss)	464,941	464,941	(539,059)
Nonoperating Revenues (Expenses)			
Property taxes	11,718	11,718	11,728
Connection fees	1,459,750	1,459,750	1,001,918
Interest income	91,900	91,900	149,405
Interest expense and fiscal charges	(134,015)	(134,015)	(127,079)
	1,429,353	1,429,353	1,035,972
Change in Net Assets	1,894,294	1,894,294	496,913
Net Assets - Beginning			47,745,298
Net Assets - Ending			48,242,211

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Revenues - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Charges for Services			
Water charges	\$ 2,330,456	2,330,456	2,269,856
Sewer charges	1,634,342	1,634,342	1,452,967
Meter sales	28,105	28,105	69,245
Late fees	74,500	74,500	58,760
Wastewater service agreements	90,268	90,268	53,917
Industrial monitoring fees	100	100	-
Inspection fees	7,000	7,000	4,380
Other	131,612	131,612	59,051
Total operating revenues	4,296,383	4,296,383	3,968,176

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Expenses - Budget and Actual Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Administration			
Personnel services	\$ 540,780	540,780	553,121
Contractual services	484,011	484,011	447,994
Commodities	3,425	3,425	4,848
	<u>1,028,216</u>	<u>1,028,216</u>	<u>1,005,963</u>
Capital outlay and maintenance	14,150	14,150	3,963
Less nonoperating items			
Fixed assets capitalized	<u>(14,150)</u>	<u>(14,150)</u>	<u>-</u>
Total administration	<u>1,028,216</u>	<u>1,028,216</u>	<u>1,009,926</u>
Operations			
Water production and storage			
Personnel services	165,381	165,381	162,419
Contractual services	624,888	624,888	547,442
Commodities	103,135	103,135	55,137
	<u>893,404</u>	<u>893,404</u>	<u>764,998</u>
Water Distribution			
Personnel services	229,177	229,177	254,101
Contractual services	250,641	250,641	47,562
Commodities	50,440	50,440	45,482
	<u>530,258</u>	<u>530,258</u>	<u>347,145</u>
Meter reading			
Personnel services	136,218	136,218	155,881
Contractual services	29,823	29,823	18,890
Commodities	39,780	39,780	34,200
	<u>205,821</u>	<u>205,821</u>	<u>208,971</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Expenses - Budget and Actual - Continued Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Operations - Continued			
Industrial pretreatment monitoring			
Personnel services	\$ 31,776	31,776	21,005
Contractual services	16,395	16,395	5,262
Commodities	1,104	1,104	81
	49,275	49,275	26,348
Interceptor sewer			
Personnel services	150,022	150,022	128,048
Contractual services	147,308	147,308	15,436
Commodities	17,750	17,750	(4,327)
	315,080	315,080	139,157
Lift stations			
Personnel services	168,979	168,979	152,660
Contractual services	176,604	176,604	119,370
Commodities	17,900	17,900	7,274
	363,483	363,483	279,304
Collection system			
Personnel services	155,394	155,394	156,304
Contractual services	267,261	267,261	45,789
Commodities	23,250	23,250	9,281
	445,905	445,905	211,374
Capital outlay and maintenance	4,515,100	3,887,500	65,624
Less nonoperating items			
Fixed assets capitalized	(4,515,100)	(3,887,500)	-
Total operations	2,803,226	2,803,226	2,042,921

VILLAGE OF LAKE ZURICH, ILLINOIS

Waterworks and Sewerage Fund

Schedule of Operating Expenses - Budget and Actual - Continued
Year Ended April 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
Debt Service			
Principal retirement	\$ 490,000	490,000	-
Interest and fiscal charges	134,015	134,015	127,079
	624,015	624,015	127,079
Less nonoperating items			
Debt Service	(624,015)	(624,015)	(127,079)
Total debt service	-	-	-

VILLAGE OF LAKE ZURICH, ILLINOIS**Pension Trust Funds****Combining Schedule of Net Plan Assets****April 30, 2006**

	Police Pension	Firefighters' Pension	Totals
Assets			
Cash and cash equivalents	\$ 1,023,788	60,969	1,084,757
Investments			
Municipal bonds	-	330,771	330,771
U.S. government and agency securities	3,286,120	3,253,143	6,539,263
Mutual funds	2,462,530	3,031,084	5,493,614
Insurance contracts	986,195	193,809	1,180,004
Receivables			
Accrued interest	49,008	35,723	84,731
Due from other funds	162	-	162
Prepays	-	4,539	4,539
Total Assets	7,807,803	6,910,038	14,717,841
Liabilities			
Accounts payable	924	260	1,184
Accrued payroll	48,724	-	48,724
Total Liabilities	49,648	260	49,908
Net Plan Assets Held in Trust for Pension Benefits			
(A schedule of funding progress is presented following the notes to the financial statements)	7,758,155	6,909,778	14,667,933

VILLAGE OF LAKE ZURICH, ILLINOIS

Pension Trust Funds

Combining Schedule of Changes in Net Plan Assets Year Ended April 30, 2006

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - employer	\$ 154,285	294,371	448,656
Contributions - plan members	265,029	378,196	643,225
Total Contributions	419,314	672,567	1,091,881
 Investment income			
Interest earned	179,829	676,877	856,706
Net change in fair value	485,736	(130,320)	355,416
	665,565	546,557	1,212,122
Less investment expenses	-	16,854	16,854
Net investment income	665,565	529,703	1,195,268
 Total Additions	1,084,879	1,202,270	2,287,149
 Deductions			
Administration	3,390	9,981	13,371
Benefits and refunds	389,186	78,259	467,445
Total Deductions	392,576	88,240	480,816
 Change in Net Assets	692,303	1,114,030	1,806,333
 Net Plan Assets Held in Trust for Pension Benefits			
Beginning of Year	7,065,852	5,795,748	12,861,600
 End of Year	7,758,155	6,909,778	14,667,933

VILLAGE OF LAKE ZURICH, ILLINOIS

Escrow Performance Fund

Schedule of Changes in Assets and Liabilities

Year Ended April 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and investments	\$ 996,242	225,441	-	1,221,683
Receivables				
Other	8,350	-	7,600	750
Total Assets	1,004,592	225,441	7,600	1,222,433
LIABILITIES				
Liabilities				
Accounts payable	10,632	4,490	-	15,122
Deposits payable	993,960	213,351	-	1,207,311
Total Liabilities	1,004,592	217,841	-	1,222,433

VILLAGE OF LAKE ZURICH, ILLINOIS**Police Pension Fund****Schedule of Changes in Net Assets - Budget and Actual
Year Ended April 30, 2006**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Additions			
Contributions - employer	\$ 153,000	153,000	154,285
Contributions - plan members	275,300	275,300	265,029
Total Contributions	428,300	428,300	419,314
 Investment income			
Interest earned	147,300	147,300	179,829
Net change in fair value	300,000	300,000	485,736
	447,300	447,300	665,565
Less investment expenses	-	-	-
Net investment income	447,300	447,300	665,565
 Total Additions	875,600	875,600	1,084,879
 Deductions			
Administration	900	900	3,390
Benefits	348,477	348,477	389,186
Total Deductions	349,377	349,377	392,576
 Change in Net Assets	526,223	526,223	692,303
 Net Plan Assets Held in Trust for Pension Benefits			
Beginning of Year			7,065,852
 End of Year			7,758,155

SUPPLEMENTAL SCHEDULES

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Insurance in Force Year Ended April 30, 2006

Coverage	Amount of Coverage	Expiration Date of Policy
General Liability	\$ 10,000,000	12/31/06
Auto Liability	10,000,000	12/31/06
Uninsured/Underinsured Motorist	500,000	12/31/06
Public Officials Liability	10,000,000	12/31/06
Employment Practices	10,000,000	12/31/06
Abuse/Molestation	5,000,000	12/31/06
Workers' Compensation	31,500,000	12/31/06
Employer's Liability	1,000,000	12/31/06
First Party Property - All Risk	250,000,000	12/31/06
Boiler/Machinery	50,000,000	12/31/06
Crime		
Employee Theft/Dishonesty	5,000,000	12/31/06
Forgery, Alteration & Counterfeit Currency	5,000,000	12/31/06
Credit Card Forgery	5,000,000	12/31/06
Computer Fraud	5,000,000	12/31/06
Inside Theft, Robbery & Safe Burglary	2,500,000	12/31/06
Non-Faithful Performance	2,500,000	12/31/06
Public Officials Bonds	Statutory	12/31/06

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

Fire Engine Pumper Installment Contract of 1997 April 30, 2006

Date of Contract	July 10, 1997
Date of Maturity	January 15, 2007
Amount of Contract	\$235,726
Interest Rates	5.20%
Interest Dates	January 15 and July 15
Principal Maturity Date	January 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Requirements			Interest Due on			
	Principal	Interest	Totals	July 15	Amount	Jan. 15	Amount
2007	\$ 23,573	1,226	24,799	2006	613	2007	613

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

Vehicle Purchases Installment Contract of 2002

April 30, 2006

Date of Contract	August 1, 2002
Date of Maturity	August 1, 2007
Amount of Contract	\$1,000,000
Interest Rates	2.0% to 3.0%
Interest Dates	February 1 and August 1
Principal Maturity Date	August 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Requirements			Interest Due on			
	Principal	Interest	Totals	Aug. 1	Amount	Feb. 1	Amount
2007	\$ 205,000	9,375	214,375	2006	6,225	2007	3,150
2008	210,000	3,150	213,150	2007	<u>3,150</u>	2008	<u>-</u>
	<u>415,000</u>	<u>12,525</u>	<u>427,525</u>		<u>9,375</u>		<u>3,150</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

Equipment Purchase and Construction Installment Contract of 2004 April 30, 2006

Date of Contract	June 21, 2004
Date of Maturity	December 15, 2009
Amount of Contract	\$1,210,000
Interest Rates	3.25%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending April 30	Requirements			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2007	\$ 235,000	31,850	266,850	2006	15,925	2006	15,925
2008	240,000	24,212	264,212	2007	12,106	2007	12,106
2009	250,000	16,412	266,412	2008	8,206	2008	8,206
2010	255,000	8,288	263,288	2009	4,144	2009	4,144
	<u>980,000</u>	<u>80,762</u>	<u>1,060,762</u>		<u>40,381</u>		<u>40,381</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Police Building Bond Series of 2000

April 30, 2006

Date of Issue	May 1, 2000
Date of Maturity	December 15, 2019
Authorized Issue	\$6,000,000
Denomination of Bonds	\$5,000
Interest Rates	5.25% - 5.375%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ 255,000	271,069	526,069	2006	135,534	2006	135,535
2006	270,000	257,681	527,681	2007	128,840	2007	128,841
2007	280,000	243,371	523,371	2008	121,685	2008	121,686
2008	295,000	228,531	523,531	2009	114,265	2009	114,266
2009	310,000	212,896	522,896	2010	106,448	2010	106,448
2010	330,000	196,466	526,466	2011	98,233	2011	98,233
2011	345,000	178,976	523,976	2012	89,488	2012	89,488
2012	365,000	160,691	525,691	2013	80,345	2013	80,346
2013	380,000	141,346	521,346	2014	70,673	2014	70,673
2014	405,000	121,206	526,206	2015	60,603	2015	60,603
2015	425,000	99,437	524,437	2016	49,718	2016	49,719
2016	450,000	76,593	526,593	2017	38,296	2017	38,297
2017	475,000	52,406	527,406	2018	26,203	2018	26,203
2018	500,000	26,875	526,875	2019	13,437	2019	13,438
	<u>5,085,000</u>	<u>2,267,544</u>	<u>7,352,544</u>		<u>1,133,768</u>		<u>1,133,776</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Bond Series of 2001

April 30, 2006

Date of Issue	November 19, 2001
Date of Maturity	December 15, 2008
Authorized Issue	\$4,645,000
Denomination of Bonds	\$5,000
Interest Rates	2.50% - 3.75%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ 410,000	45,776	455,776	2006	22,888	2006	22,888
2006	445,000	32,450	477,450	2007	16,225	2007	16,225
2007	450,000	16,871	466,871	2008	8,438	2008	8,433
	<u>1,305,000</u>	<u>95,097</u>	<u>1,400,097</u>		<u>47,551</u>		<u>47,546</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Bond Series of 2003C

April 30, 2006

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2009
Authorized Issue	\$1,390,000
Denomination of Bonds	\$5,000
Interest Rates	2.0% to 3.0%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2005	\$ 450,000	8,400	458,400	2006	6,450	2006	1,950
2006	45,000	3,225	48,225	2007	1,950	2007	1,275
2007	45,000	1,875	46,875	2008	1,275	2008	600
2008	40,000	600	40,600	2009	600		
	<u>580,000</u>	<u>14,100</u>	<u>594,100</u>		<u>10,275</u>		<u>3,825</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2002 April 30, 2006

Date of Issue	March 18, 2002
Date of Maturity	December 15, 2012
Authorized Issue	\$2,000,000
Denomination of Bonds	\$5,000
Interest Rates	4.00% - 4.25%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2005	\$ 185,000	60,976	245,976	2006	30,488	2006	30,488
2006	195,000	53,576	248,576	2007	26,788	2007	26,788
2007	200,000	45,776	245,776	2008	22,888	2008	22,888
2008	210,000	37,776	247,776	2009	18,888	2009	18,888
2009	220,000	29,112	249,112	2010	14,556	2010	14,556
2010	225,000	19,762	244,762	2011	9,881	2011	9,881
2011	240,000	10,194	250,194	2012	5,100	2012	5,094
	<u>1,475,000</u>	<u>257,172</u>	<u>1,732,172</u>		<u>128,589</u>		<u>128,583</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003B April 30, 2006

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2011
Authorized Issue	\$1,960,000
Denomination of Bonds	\$5,000
Interest Rates	2.500% to 2.625%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2005	\$ 235,000	36,216	271,216	2006	19,577	2006	16,639
2006	235,000	30,223	265,223	2007	16,639	2007	13,584
2007	245,000	23,953	268,953	2008	13,584	2008	10,369
2008	255,000	17,391	272,391	2009	10,369	2009	7,022
2009	260,000	10,631	270,631	2010	7,022	2010	3,609
2010	275,000	3,609	278,609	2011	3,609		
	<u>1,505,000</u>	<u>122,023</u>	<u>1,627,023</u>		<u>70,800</u>		<u>51,223</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation Waterworks and Sewerage Alternate Revenue Bond Series of 2003D April 30, 2006

Date of Issue	March 17, 2003
Date of Maturity	May 1, 2011
Authorized Issue	\$700,000
Denomination of Bonds	\$5,000
Interest Rates	3.350% to 4.750%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2005	\$ 75,000	21,156	96,156	2006	11,225	2006	9,931
2006	85,000	18,269	103,269	2007	9,931	2007	8,338
2007	90,000	14,875	104,875	2008	8,338	2008	6,537
2008	90,000	11,162	101,162	2009	6,537	2009	4,625
2009	100,000	7,000	107,000	2010	4,625	2010	2,375
2010	100,000	2,375	102,375	2011	2,375		
	<u>540,000</u>	<u>74,837</u>	<u>614,837</u>		<u>43,031</u>		<u>31,806</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation TIF Alternate Revenue Bond Series of 2002

April 30, 2006

Date of Issue	December 30, 2002
Date of Maturity	December 15, 2021
Authorized Issue	\$3,970,000
Denomination of Bonds	\$5,000
Interest Rates	5.00% to 6.00%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2007	\$ 155,000	215,006	370,006	2006	107,503	2006	107,503
2008	160,000	207,256	367,256	2007	103,628	2007	103,628
2009	170,000	199,258	369,258	2008	99,629	2008	99,629
2010	180,000	190,756	370,756	2009	95,378	2009	95,378
2011	190,000	181,756	371,756	2010	90,878	2010	90,878
2012	200,000	172,256	372,256	2011	86,128	2011	86,128
2013	215,000	162,256	377,256	2012	81,128	2012	81,128
2014	230,000	151,238	381,238	2013	75,619	2013	75,619
2015	245,000	139,278	384,278	2014	69,639	2014	69,639
2016	260,000	126,292	386,292	2015	63,146	2015	63,146
2017	275,000	112,318	387,318	2016	56,159	2016	56,159
2018	295,000	97,468	392,468	2017	48,734	2017	48,734
2019	315,000	81,242	396,242	2018	40,621	2018	40,621
2020	335,000	63,602	398,602	2019	31,801	2019	31,801
2021	360,000	44,340	404,340	2020	22,170	2020	22,170
2022	385,000	23,100	408,100	2021	11,550	2021	11,550
	<u>3,970,000</u>	<u>2,167,422</u>	<u>6,137,422</u>		<u>1,083,711</u>		<u>1,083,711</u>

VILLAGE OF LAKE ZURICH, ILLINOIS**Long-Term Debt Requirements****General Obligation TIF Alternate Revenue Bond Series 2002A****April 30, 2006**

Date of Issue	December 30, 2002
Date of Maturity	December 15, 2021
Authorized Issue	\$1,830,000
Denomination of Bonds	\$5,000
Interest Rates	4.00% to 4.70%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2007	\$ 85,000	78,116	163,116	2006	39,058	2006	39,058
2008	85,000	74,714	159,714	2007	37,357	2007	37,357
2009	90,000	71,316	161,316	2008	35,658	2008	35,658
2010	95,000	67,714	162,714	2009	33,857	2009	33,857
2011	95,000	63,916	158,916	2010	31,958	2010	31,958
2012	100,000	60,114	160,114	2011	30,057	2011	30,057
2013	105,000	56,114	161,114	2012	28,057	2012	28,057
2014	110,000	51,916	161,916	2013	25,958	2013	25,958
2015	115,000	47,514	162,514	2014	23,757	2014	23,757
2016	120,000	42,914	162,914	2015	21,457	2015	21,457
2017	125,000	37,874	162,874	2016	18,937	2016	18,937
2018	130,000	32,500	162,500	2017	16,250	2017	16,250
2019	135,000	26,650	161,650	2018	13,325	2018	13,325
2020	140,000	20,574	160,574	2019	10,287	2019	10,287
2021	145,000	14,100	159,100	2020	7,050	2020	7,050
2022	155,000	7,286	162,286	2021	3,643	2021	3,643
	<u>1,830,000</u>	<u>753,332</u>	<u>2,583,332</u>		<u>376,666</u>		<u>376,666</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

General Obligation TIF Alternate Revenue Bond Series of 2003A

April 30, 2006

Date of Issue	March 17, 2003
Date of Maturity	December 15, 2021
Authorized Issue	\$4,200,000
Denomination of Bonds	\$5,000
Interest Rates	3.625% to 3.750%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2007	\$ 205,000	153,334	358,334	2006	76,667	2006	76,667
2008	210,000	145,902	355,902	2007	72,951	2007	72,951
2009	215,000	138,290	353,290	2008	69,145	2008	69,145
2010	220,000	130,496	350,496	2009	65,248	2009	65,248
2011	225,000	122,522	347,522	2010	61,261	2010	61,261
2012	235,000	114,364	349,364	2011	57,182	2011	57,182
2013	240,000	105,846	345,846	2012	52,923	2012	52,923
2014	250,000	97,146	347,146	2013	48,573	2013	48,573
2015	260,000	88,084	348,084	2014	44,042	2014	44,042
2016	270,000	78,658	348,658	2015	39,329	2015	39,329
2017	280,000	68,872	348,872	2016	34,436	2016	34,436
2018	290,000	58,722	348,722	2017	29,361	2017	29,361
2019	305,000	48,208	353,208	2018	24,104	2018	24,104
2020	320,000	37,152	357,152	2019	18,576	2019	18,576
2021	330,000	25,312	355,312	2020	12,656	2020	12,656
2022	345,000	12,938	357,938	2021	6,469	2021	6,469
	<u>4,200,000</u>	<u>1,425,846</u>	<u>5,625,846</u>		<u>712,923</u>		<u>712,923</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

TIF Revenue Bond Series of 2005A

April 30, 2006

Date of Issue	July 18, 2005
Date of Maturity	December 15, 2024
Authorized Issue	\$8,500,000
Denomination of Bonds	\$5,000
Interest Rates	3.75% to 4.00%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy			Interest Due on			
	Principal	Interest	Totals	June 15	Amount	Dec. 15	Amount
2007	\$ -	318,750	318,750	2006	159,375	2006	159,375
2008	-	318,750	318,750	2007	159,375	2007	159,375
2009	50,000	318,750	368,750	2008	159,375	2008	159,375
2010	125,000	316,874	441,874	2009	158,437	2009	158,437
2011	200,000	312,188	512,188	2010	156,094	2010	156,094
2012	275,000	304,688	579,688	2011	152,344	2011	152,344
2013	300,000	294,376	594,376	2012	147,188	2012	147,188
2014	375,000	283,124	658,124	2013	141,562	2013	141,562
2015	425,000	269,062	694,062	2014	134,531	2014	134,531
2016	550,000	267,188	817,188	2015	133,594	2015	133,594
2017	575,000	246,562	821,562	2016	123,281	2016	123,281
2018	600,000	225,000	825,000	2017	112,500	2017	112,500
2019	625,000	201,000	826,000	2018	100,500	2018	100,500
2020	650,000	176,000	826,000	2019	88,000	2019	88,000
2021	675,000	150,000	825,000	2020	75,000	2020	75,000
2022	725,000	123,000	848,000	2021	61,500	2021	61,500
2023	750,000	94,000	844,000	2022	47,000	2022	47,000
2024	775,000	64,000	839,000	2023	32,000	2023	32,000
2025	825,000	33,000	858,000	2024	16,500	2024	16,500
	<u>8,500,000</u>	<u>4,316,312</u>	<u>12,816,312</u>		<u>2,158,156</u>		<u>2,158,156</u>

VILLAGE OF LAKE ZURICH, ILLINOIS

Long-Term Debt Requirements

TIF Revenue Bond Series of 2005B

April 30, 2006

Date of Issue	July 18, 2005
Date of Maturity	December 15, 2014
Authorized Issue	\$1,500,000
Denomination of Bonds	\$5,000
Interest Rates	4.30% to 4.80%
Interest Dates	June 15 and December 15
Principal Maturity Date	December 15

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Tax Levy		Totals	Interest Due on			
	Principal	Interest		June 15	Amount	Dec. 15	Amount
2007	\$ -	81,012	81,012	2006	40,506	2006	40,506
2008	-	81,012	81,012	2007	40,506	2007	40,506
2009	350,000	81,012	431,012	2008	40,506	2008	40,506
2010	300,000	65,962	365,962	2009	32,981	2009	32,981
2011	250,000	52,912	302,912	2010	26,456	2010	26,456
2012	200,000	41,788	241,788	2011	20,894	2011	20,894
2013	175,000	32,788	207,788	2012	16,394	2012	16,394
2014	125,000	24,738	149,738	2013	12,369	2013	12,369
2015	100,000	18,862	118,862	2014	9,431	2014	9,431
	<u>1,500,000</u>	<u>480,086</u>	<u>1,980,086</u>		<u>240,043</u>		<u>240,043</u>

STATISTICAL SECTION

(Unaudited)

This section includes selected financial and demographic information, generally presented on a multi-year basis.

VILLAGE OF LAKE ZURICH, ILLINOIS

**Governmental Expenditures by Function (1)
Last Ten Fiscal Years**

April 30, 2006 (Unaudited)

See Following Page

VILLAGE OF LAKE ZURICH, ILLINOIS

General Governmental Expenditures by Function Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Fiscal Year	1997	1998	1999	2000
General Government	\$ 2,083,170	1,934,641	1,612,042	2,451,851
Public Safety	6,616,255	7,074,061	7,608,441	7,749,472
Highways and Streets	2,277,782	2,308,749	2,474,256	2,500,506
Culture and Recreation	757,786	763,783	1,629,939	1,945,616
Debt Service	1,454,268	1,454,628	1,545,256	1,483,857
Total	13,189,261	13,535,862	14,869,934	16,131,302

(1) Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

2001	2002	2003	2004	2005	2006
1,766,668	2,417,006	3,442,196	2,291,206	2,251,949	2,357,302
9,397,966	10,741,008	11,700,045	11,659,477	11,836,203	13,648,751
3,024,920	3,937,218	4,573,607	2,735,370	3,077,621	2,722,109
1,583,560	1,566,916	1,572,504	1,527,115	1,662,954	1,746,509
1,667,008	1,808,275	1,977,857	3,551,129	2,652,952	7,922,299
17,440,122	20,470,423	23,266,209	21,764,297	21,481,679	28,396,970

VILLAGE OF LAKE ZURICH, ILLINOIS**General Governmental Revenues by Source
Last Ten Fiscal Years****April 30, 2006 (Unaudited)**

Fiscal Year	1997	1998	1999	2000
Taxes	\$ 7,118,151	7,135,730	7,526,112	7,830,914
Licenses and permits	631,502	754,290	858,376	1,430,653
Intergovernmental	1,703,757	1,852,272	1,964,224	2,469,679
Charges for services	1,892,143	2,165,049	2,308,023	2,862,165
Fines and forfeitures	755,398	542,534	474,843	523,886
Interest	170,412	193,573	210,900	180,585
Miscellaneous	415,996	348,799	617,574	581,535
Total	12,687,359	12,992,247	13,960,052	15,879,417

(1) Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

2001	2002	2003	2004	2005	2006
8,236,547	9,709,824	10,294,390	10,757,600	11,577,561	11,719,970
1,432,837	1,339,076	1,441,802	1,561,404	2,478,365	2,610,400
2,704,797	2,698,848	4,526,355	2,183,195	2,230,893	3,038,848
2,820,309	3,494,639	4,214,732	3,831,476	3,956,456	4,537,988
655,631	558,704	577,039	536,900	450,210	488,721
278,489	180,376	124,788	50,768	102,858	252,532
457,085	102,876	1,081,433	375,637	532,286	380,979
16,585,695	18,084,343	22,260,539	19,296,980	21,328,629	23,029,438

VILLAGE OF LAKE ZURICH, ILLINOIS

Assessed Valuations, Rates and Extension Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Tax Levy Year	2005	2004	2003	2002
Equalized Assessed Valuation	\$ 720,508,999	670,174,701	635,502,841	564,872,284
Tax Extensions				
Corporate	1,224,865	1,160,489	1,185,885	1,101,501
Police Protection	835,790	791,548	760,996	739,983
Fire Protection	763,740	724,467	691,238	672,198
Ambulance	713,304	677,511	646,846	627,008
Illinois Municipal Retirement	194,537	181,117	171,224	124,272
Federal Social Security	756,534	717,759	684,896	627,008
Insurance	302,614	281,737	266,349	316,328
Debt Service	1,268,096	1,804,461	1,743,949	1,626,832
Special Recreation	144,102	80,496	82,441	-
Police Pension	165,717	154,285	133,174	141,218
Firefighters' Pension	165,717	154,285	133,174	141,218
	6,535,016	6,728,155	6,500,172	6,117,566
Tax Rates				
Corporate	.170	.173	.187	.195
Police Protection	.116	.118	.120	.131
Fire Protection	.106	.108	.109	.119
Ambulance	.099	.101	.102	.111
Illinois Municipal Retirement	.027	.027	.027	.022
Federal Social Security	.105	.107	.108	.111
Insurance	.042	.042	.042	.056
Debt Service	.176	.269	.275	.288
Special Recreation	.020	.012	.013	.000
Police Pension	.023	.023	.021	.025
Firefighters' Pension	.023	.023	.021	.025
	.907	1.003	1.025	1.083

Data Source: Office of the County Clerk

2001	2000	1999	1998	1997	1996
516,730,638	478,645,862	450,899,116	439,352,349	424,968,978	406,515,223
1,100,636	1,043,448	969,433	808,409	777,693	731,727
723,423	703,609	671,840	659,029	637,453	601,643
656,248	627,026	599,696	540,403	518,462	483,753
676,917	603,094	572,642	623,880	599,207	585,382
144,685	167,526	202,905	228,463	216,734	203,258
547,734	531,297	486,971	478,894	450,467	422,776
217,027	172,313	148,797	237,250	267,731	256,105
1,607,032	1,541,240	1,113,721	1,098,381	1,109,169	1,085,396
-	-	-	-	-	-
129,183	119,661	112,725	101,051	93,493	85,368
129,183	119,661	112,725	101,051	93,493	85,368
5,932,068	5,628,875	4,991,455	4,876,811	4,763,902	4,540,776
.213	.218	.215	.184	.183	.180
.140	.147	.149	.150	.150	.148
.127	.131	.133	.123	.122	.119
.131	.126	.127	.142	.141	.144
.028	.035	.045	.052	.051	.050
.106	.111	.108	.109	.106	.104
.042	.036	.033	.054	.063	.063
.311	.322	.247	.250	.261	.267
.000	.000	.000	.000	.000	.000
0.025	.025	.025	.023	.022	.021
.025	.025	.025	.023	.022	.021
1.148	1.176	1.107	1.110	1.121	1.117

VILLAGE OF LAKE ZURICH, ILLINOIS

Property Tax Levies and Collections Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Year of Levy	Total Property Tax Extension	Total Tax Collections	Percent of Total Extension Collected
1996	\$ 4,540,776	\$ 4,534,769	99.87 %
1997	4,763,902	4,758,251	99.88
1998	4,876,811	4,875,223	99.97
1999	4,991,455	4,980,270	99.78
2000	5,628,875	5,632,691	100.07
2001	5,932,068	5,921,992	99.83
2002	6,117,566	6,117,622	100.00
2003	6,500,172	6,454,060	99.29
2004	6,728,155	6,721,078	99.89
2005	6,535,016	*	*

*To be collected in the subsequent fiscal year in accordance with Illinois Law.

Data Source: Office of the County Clerk

VILLAGE OF LAKE ZURICH, ILLINOIS

Assessed and Estimated Actual Value of Property Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Tax Levy Year	Equalized Assessed Value	Estimated Actual Value	Ratio of Equalized Assessed Value to Estimated Actual Value
1996	\$ 406,515,223	\$ 1,219,545,669	0.333
1997	424,968,978	1,274,906,934	0.333
1998	439,352,349	1,318,057,047	0.333
1999	450,899,116	1,352,697,348	0.333
2000	478,645,862	1,435,937,586	0.333
2001	516,730,638	1,550,191,914	0.333
2002	564,872,284	1,694,616,852	0.333
2003	635,502,841	1,906,508,523	0.333
2004	670,174,701	2,010,524,103	0.333
2005	720,508,999	2,161,526,997	0.333

Data Source: Office of the County Clerk

VILLAGE OF LAKE ZURICH, ILLINOIS

Property Tax Rates Per \$100 Assessed Valuation Direct and Overlapping Governments Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Tax Levy Year	1996	1997	1998	1999
Village of Lake Zurich	1.117	1.121	1.110	1.107
Village of Lake Zurich				
Special Service Area #6	.000	.000	.000	.000
Special Service Area #7	.000	.000	.000	.002
Lake County	.525	.531	.531	.521
Lake County Forest				
Preserve District	.156	.155	.157	.187
Ela Area Library District	.320	.321	.320	.408
School District #95	3.783	3.914	3.958	3.925
School District #96	3.009	3.023	3.051	3.052
Consolidated H.S. District #125	1.801	1.860	1.859	1.835
Community College #532	.220	.222	.221	.213
Ela Township - Corp. & GA	.109	.106	.105	.100
Ela Township - R & B	.013	.013	.012	.011
Ela Township - Gravel or R.I.	.030	.030	.030	.030
Lake County Public				
Building Commission	.074	.073	.071	.064
Barrington Public				
Library District	.202	.211	.218	.212
Total Tax Rate Per \$100 EAV	11.359	11.580	11.643	11.667
Village's Share of Total Tax Rate	9.830	9.680	9.534	9.488

Data Source: Office of the County Clerk

2000	2001	2002	2003	2004	2005
1.176	1.148	1.083	1.025	1.003	.907
.000	.000	.000	.000	.000	.000
.000	.000	.000	.000	.000	.000
.521	.516	.502	.490	.465	.454
.231	.221	.232	.225	.219	.210
.396	.387	.371	.343	.334	.323
4.022	4.484	4.366	4.092	4.082	4.040
3.060	2.951	3.013	2.940	3.038	3.000
1.904	1.864	1.890	1.940	2.062	2.112
.235	.211	.208	.201	.200	.197
.094	.096	.093	.086	.085	.085
.011	.012	.013	.011	.011	.010
.030	.030	.030	.029	.030	.030
.061	.057	.054	.051	.000	.000
.178	.192	.182	.177	.193	.155
11.919	12.169	12.037	11.610	11.722	11.523
9.867	9.433	8.997	8.883	8.557	7.871

VILLAGE OF LAKE ZURICH, ILLINOIS

Ratio of General Obligation Bonded Debt to Assessed Valuation and Bonded Debt Per Capita Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Fiscal Year	Population	Assessed Value	Outstanding General Obligation Bonded Debt	Less Debt Service Funds	Net General Obligation Bonded Debt	Ratio of Outstanding General Obligation Bonded Debt to Assessed Value	Outstanding General Obligation Bonded Debt Per Capita
1997	17,550	\$ 406,515,223	\$ 8,575,000	\$ 160,314	\$ 8,414,686	2.07%	\$ 479.47
1998	17,591	424,968,978	7,965,000	175,629	7,789,371	1.83%	442.80
1999	17,630	439,352,349	7,295,000	219,764	7,075,236	1.61%	401.32
2000	18,104	450,899,116	6,595,000	260,294	6,334,706	1.40%	349.91
2001	18,210	478,645,862	11,840,000	115,084	11,724,916	2.45%	643.87
2002	19,484	516,730,638	13,100,000	247,514	12,852,486	2.49%	659.64
2003	19,005	564,872,284	11,395,000	2,022,530	9,372,470	1.66%	493.16
2004	19,005	635,502,841	10,005,000	1,453,918	8,551,082	1.35%	449.94
2005	18,992	670,174,701	8,560,000	1,095,069	7,464,931	1.11%	393.06
2006	18,992	720,508,999	6,970,000	2,078,458	4,891,542	.68%	257.56

Data Sources: Census Bureau, Office of the County Clerk and Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS**Schedule of Direct and Overlapping Bonded Debt
April 30, 2006 (Unaudited)**

Governmental Unit	Gross Debt	*Percentage to Debt Applicable to Village	Village's Share of Debt
Village of Lake Zurich	\$ 6,390,000	100.000 %	\$ 6,390,000
Lake County, including Forest Preserve District	200,916,729	2.863	5,751,447
Ela Area Library District	13,620,000	41.889	5,705,318
School District #95	64,521,611	48.643	31,385,334
School District #96	18,340,000	1.221	223,895
Consolidated High School District #125	38,104,253	.455	173,464
Community College #532	11,529,638	3.013	347,422
Subtotal	347,032,231		43,586,880
Totals	353,422,231		49,976,880

* Determined by the ratio of assessed value of property in the Village of Lake Zurich subject to taxation by the Governmental Unit to the total assessed value of property of the Governmental Unit.

Data Source: Lake County Tax Extension Department

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Legal Debt Margin

April 30, 2006 (Unaudited)

Assessed Valuation - 2005	<u>\$ 720,508,999</u>
Legal Debt Limit - 8.625% of Assessed Valuation	62,143,901
Amount of debt applicable to debt limit	
General Obligation Debt Payable	
General Obligation Bonds	5,085,000
Installment Contracts	<u>1,418,573</u>
Legal Debt Margin	<u>55,640,328</u>

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979. The indebtedness limitation set forth in this section shall not apply to any indebtedness of any municipality incurred to finance the cost of the acquisition, construction or improvement of water or wastewater treatment facilities mandated by an enforceable compliance schedule developed in connection with the Federal Clean Water Act or a compliance order issued by the United States Environmental Protection Agency or the Illinois Pollution Control Board."

VILLAGE OF LAKE ZURICH, ILLINOIS

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
1997	\$ 845,000	609,268	1,454,268	13,189,261	11.03%
1998	878,573	576,055	1,454,628	13,535,862	10.75%
1999	993,573	531,683	1,525,256	14,849,934	10.27%
2000	1,273,573	437,791	1,711,364	16,131,302	10.61%
2001	1,230,850	436,158	1,667,008	17,440,122	9.56%
2002	5,678,573	716,201	6,394,774	20,470,423	31.24%
2003	1,095,000	485,845	1,580,845	23,266,209	6.79%
2004	1,390,000	848,196	2,238,196	21,764,297	10.28%
2005	1,445,000	417,695	1,862,695	21,481,679	8.67%
2006	1,590,000	374,157	1,964,157	28,396,970	6.92%

Note: Includes General, Special Revenue and Debt Service Funds

Data Source: Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Revenue Bond Coverage Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Fiscal Year	Gross Revenue*	Operating Expenses**	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1997	\$ 2,952,709	1,843,795	1,108,914	180,000	200,455	380,455	2.91
1998	3,079,237	1,750,396	1,328,841	200,000	192,041	392,041	3.39
1999	3,146,226	1,767,129	1,379,097	200,000	183,029	383,029	3.60
2000	4,144,902	1,890,152	2,254,750	210,000	174,258	384,258	5.87
2001	3,635,790	1,886,278	1,749,512	220,000	164,173	384,173	4.55
2002	3,631,085	2,113,388	1,517,697	225,000	187,495	412,495	3.68
2003	3,620,412	2,453,658	1,166,754	255,000	141,390	396,390	2.94
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-

Revenue Bonds were retired during fiscal year 2003.

*As defined in applicable bond indentures and governing laws.

**Excludes depreciation.

Data Source: Village Records

VILLAGE OF LAKE ZURICH, ILLINOIS

Demographic Statistics Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Calendar Year	(1) Population	(2) Per Capita Income	(2) Median Age	(2) Education Level in Years of Formal Schooling	(3) School Enrollment	(4) Unemployment Percentage
1997	17,550	\$ 33,597	34.5	N/A	5,765	2.1
1998	17,591	32,490	34.7	N/A	5,977	2.2
1999	17,630	38,364	34.2	15.2	5,902	1.9
2000	18,104	39,984	36.7	15.5	6,104	2.1
2001	18,210	N/A	N/A	N/A	6,280	2.9
2002	19,484	N/A	N/A	N/A	6,429	3.7
2003	19,005	41,897	36.9	15.6	6,529	3.9
2004	19,005	44,717	37.2	15.6	6,570	2.1
2005	18,992	45,308	36.8	15.6	6,512	N/A
2006	18,992	40,744	35.8	14.4	6,614	N/A

Data Sources:

- (1) Based on U.S. Census Bureau
- (2) Based on U.S. Census Bureau (Reported by Zip Code)
- (3) Annual School Census by Community Unit School District #95
- (4) Illinois Department of Employment Security

VILLAGE OF LAKE ZURICH, ILLINOIS

Property Value and Construction Last Ten Fiscal Years

April 30, 2006 (Unaudited)

Fiscal Year	(1) Commercial Construction		(1) Residential Construction		(2) Property Value	
	Number of Units	Value	Number of Units	Value	Commercial	Residential
1997	212	\$ 17,600,456	710	\$ 17,008,565	\$ 82,054,625	324,460,598
1998	256	10,478,390	613	12,975,355	85,397,403	339,571,575
1999	268	8,217,761	541	11,296,713	88,060,413	351,291,936
2000	259	32,690,245	686	35,203,561	90,572,962	360,326,154
2001	289	36,944,309	2,752	31,306,561	104,430,873	374,214,989
2002	414	27,574,566	854	20,708,113	124,177,583	392,553,055
2003	223	22,988,889	711	16,930,067	134,714,931	430,157,353
2004	264	16,079,886	848	23,400,930	139,929,161	494,234,002
2005	231	16,321,388	1,088	43,923,550	142,547,903	528,221,760
2006	238	24,547,970	997	50,206,626	153,118,205	567,390,794

Data Sources:

- (1) Based on building permits issued by the Village Building Department.
Property values are estimated construction costs.
- (2) Estimated historical cost data provided by County Clerk's Office.

VILLAGE OF LAKE ZURICH, ILLINOIS

Schedule of Ten Largest Real Estate Taxpayers

April 30, 2006 (Unaudited)

Based on 1999 Assessed Valuation

Name of Taxpayer	Nature of Business	Total Taxable Valuation	Percentage of Village's Assessed Valuation
Village Square Retail Center LLC	Shopping Centers and Office Buildings	\$ 5,990,551	0.80 %
Lincoln Property Co.	Apartments	5,893,144	0.80
Individual Taxpayer	North Lake Commons, Shopping Center	4,896,575	0.70
Echo Incorporated	Power Outdoor Equipment	4,830,630	0.70
Deerpath Court Retail Center LLC	Retail	3,867,437	0.50
Regal Cinemas Inc.	Movie Theater	3,165,773	0.40
Liberty Realty Lake Zurich LLC	Realty	3,131,319	0.40
Costco	Discount Retail Store	3,127,311	0.40
HD Development of Maryland LLC	Commercial Properties	2,622,019	0.40
Wal-Mart	Discount Retail Store	2,523,955	0.40
Total		40,048,714	5.50

Data Source: Office of the County Clerk and Elia Township Assessor

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information

April 30, 2006 (Unaudited)

Date of incorporation	September 19, 1896
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Form of government	President/Trustee/Administrator
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Geographic location	Southwestern Lake County 37 miles northwest of Chicago
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Area	6.9 square miles
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Population

1930	368
1940	421
1950	850
1960	3,458
1970	4,082
1980	8,225
1990	15,100
2000	18,104
2001	18,210
2002	19,484
2003	19,005
2004	19,005
2005	18,992
2006	18,992

2004 per capita income	\$40,744
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Municipal Services and Facilities

Number of full-time employees	180
Lane miles of streets	158.2
Miles of alleys	0.7
Miles of sewers	106

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information - Continued

April 30, 2006 (Unaudited)

Building inspection - # of Permits Issued

1985	532	1995	829
1986	804	1996	932
1987	1,006	1997	922
1988	1,530	1998	869
1989	1,341	2000	945
1990	1,115	2001	3,041
1991	900	2002	1,268
1992	1,037	2003	934
1993	900	2004	1,112
1994	725	2005	1,319
		2006	1,235

Value of construction authorized (fiscal year):

1985	19,855,148	1995	12,351,994
1986	26,778,328	1996	14,819,091
1987	34,291,870	1997	34,609,021
1988	69,881,543	1998	23,453,745
1989	50,414,640	2000	67,893,806
1990	49,077,856	2001	68,250,870
1991	35,962,086	2002	48,282,679
1992	30,460,628	2003	39,918,956
1993	17,220,561	2004	39,480,816
1994	10,186,208	2005	60,244,938
		2006	74,751,596

Fire protection

Number of firefighters	57
Number of stations	4
Number of fire hydrants	1,739
Number of rescue boats	2
I.S.O. rating	Class 3
Rural fire protection district	Class 5

VILLAGE OF LAKE ZURICH, ILLINOIS

General Information - Continued

April 30, 2006 (Unaudited)

Police protection	
Number of police officers	37
Number of community service officers	2
Number of crossing guards	11
Number of police vehicles	20
Number of police boats	1
Number of community service vehicles	2
Number of bicycles	4
Motorcycles	2
Library services	
Number of branch libraries	1
Number of books	84,046
Number of registered borrowers	23,313
1996 total circulation	803,874
Number of audiovisual items	35,889
Total number of program attendance	49,148
Recreation facilities	
Number of parks and playgrounds	30
Park area in acres	227.0
Municipal water utility	
Population serviced	18,992
Rated daily pumping capacity	6.5 mgd
Average daily pumpage	2.3 mgd
Miles of water mains	107
Number of metered accounts	6,401
Election	
Number of registered voters	10,517
Number of votes cast in last municipal election	2,610
Percentage of registered voters voting in last municipal election	24.82%