

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BARRINGTON/HIGGINS TIF DISTRICT FUND

**REPORT ON COMPLIANCE
WITH PUBLIC ACT 85-1142**

For the Year Ended
December 31, 2015



VILLAGE OF HOFFMAN ESTATES, ILLINOIS
BARRINGTON/HIGGINS TIF DISTRICT FUND
TABLE OF CONTENTS

| | <u>Page(s)</u> |
|---|----------------|
| INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE..... | 1 |
| INDEPENDENT AUDITOR’S REPORT | 2-3 |
| FINANCIAL STATEMENTS | |
| Balance Sheet..... | 4 |
| Notes to Balance Sheet..... | 5-7 |
| SUPPLEMENTARY DATA | |
| Schedule of Changes in Assets and Liabilities | 8 |
| Schedule of Changes in Assets and Liabilities by Source | 9 |

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE



630.566.8400 // www.sikich.com

1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois

We have examined management's assertion, included in its representation letter dated May 26, 2016 that the Village of Hoffman Estates, Illinois (the Village) complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended December 31, 2015. Management is responsible for the Village's assertion and for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with statutory requirements.

In our opinion, management's assertion that the Village of Hoffman Estates complied with the aforementioned requirements for the year ended December 31, 2015 is fairly stated, in all material respects.

This report is intended solely for the information and use of the President, the Board of Trustees, management of the Village, Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Sikich LLP".

Naperville, Illinois
May 26, 2016

INDEPENDENT AUDITOR'S REPORT



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

630.566.8400 // www.sikich.com

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois

We have audited the accompanying basic financial statements of the Barrington/Higgins TIF District Fund (the Fund), an agency fund of the Village of Hoffman Estates, Illinois, as of and for the year ended December 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Barrington/Higgins TIF District Fund, an agency fund of the Village of Hoffman Estates, Illinois, as of December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Barrington/Higgins TIF District Fund and do not purport to, and do not, present fairly the financial position of the Village of Hoffman Estates, Illinois, as of December 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary data (the data) (schedule of changes in assets and liabilities and schedule of changes in assets and liabilities by source for the Barrington/Higgins TIF District Fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The data has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such data directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the data is fairly stated in all material respects in relation to the basic financial statements as a whole.



Naperville, Illinois
May 26, 2016

FINANCIAL STATEMENTS

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BARRINGTON/HIGGINS TIF DISTRICT FUND

BALANCE SHEET

December 31, 2015

| | |
|--------------------------|--------------------------|
| ASSETS | |
| Cash and Investments | <u>\$ 450,326</u> |
| TOTAL ASSETS | <u><u>\$ 450,326</u></u> |
| LIABILITIES | |
| Due to Other Entities | <u>\$ 450,326</u> |
| TOTAL LIABILITIES | <u><u>\$ 450,326</u></u> |

See accompanying notes to balance sheet.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BARRINGTON/HIGGINS TIF DISTRICT FUND

NOTES TO BALANCE SHEET

December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The balance sheet of the Barrington/Higgins TIF District Fund of the Village of Hoffman Estates, Illinois (the Village) has been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The financial statement presents only the Barrington/Higgins TIF District Fund and does not present fairly the financial position of the Village. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity

The Barrington/Higgins TIF District Fund is presented as an agency fund in the Village's financial statements.

Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Village uses an agency fund to report on its changes in assets and liabilities. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the Village holds for others in an agency capacity.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Agency funds use the accrual basis of accounting but have no measurement focus.

Investments with a maturity date of one year or less when purchased and all non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are reported at fair value.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
BARRINGTON/HIGGINS TIF DISTRICT FUND
NOTES TO BALANCE SHEET (Continued)

2. CASH AND INVESTMENTS

The Village's investment policy authorizes the Village to invest in debt securities guaranteed by the United States Government (explicitly or implicitly), debt securities of the United States Government or its agencies, interest-bearing savings accounts, time deposits and certificates of deposit of a bank that is insured by the FDIC, certain insured short-term obligations of corporations organized in the United States Government, certain money market mutual funds, interest-bearing bonds of other local governments and Illinois Funds, a money market fund created by the State Legislature under the control of the State Treasurer that maintains a \$1 share value.

A. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village investment policies require pledging of collateral for all bank balances in excess of federal depository insurance with the collateral held by an agent of the Village in the Village's name. The Village was fully collateralized as of December 31, 2015.

B. Investments

Interest rate risk is the risk that change in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed currently. The investment policy limits the maximum maturity lengths of most investments to two years.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by requiring investments primarily in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. Illinois Funds are not subject to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village investment policies require all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Village's agent separate from where the investment was purchased.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
BARRINGTON/HIGGINS TIF DISTRICT FUND
NOTES TO BALANCE SHEET (Continued)

2. CASH AND INVESTMENTS

B. Investments (Continued)

Concentration of Credit Risk - The Village's investment policy has the following diversification guidelines: no more than 50% of the Village's investments can be held at any one financial institution, exclusive of bonds, notes debenture or other obligations of the United States Government or its agencies. The Village had greater than 5% of its overall portfolio invested in Illinois Funds at year end.

3. LONG-TERM DEBT

A. Tax Increment Redevelopment Note Disclosures

The Village, pursuant to an economic development agreement dated March 17, 1997, has agreed to reimburse Poplar Creek, LLC for certain project costs incurred as the Village's agent in furthering the economic development plan and project. A tax increment redevelopment note was issued in 1997 for \$3,584,840. This note is payable from and secured solely by the pledged incremental revenues deposited in the Barrington/Higgins TIF District Fund.

| Issue | Balance January 1 | Issuances or Accretions | Retirements or Accretions | Balances December 31 | Current Portion |
|--|----------------------|----------------------------|------------------------------|-------------------------|--------------------|
| Tax Increment Redevelopment Notes due in annual installments only if tax increment revenues are available. | \$ 3,584,840 | \$ - | \$ - | \$ 3,584,840 | \$ - |

B. Debt Service Requirements to Maturity

The Barrington/Higgins Redevelopment Note provides that the payment of principal and interest on the note is due only if tax increment revenues are available for payment of debt service. The note bears interest at 5%. Therefore, no set debt service schedule is available.

4. SUBSEQUENT EVENT

In January 2016, the Village approved a redevelopment note with Ala Carte Entertainment Limited Partnership for \$541,447. The note is non-interest-bearing and matures on December 1, 2021.

SUPPLEMENTARY DATA

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BARRINGTON/HIGGINS TIF DISTRICT FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended December 31, 2015

| | Balances | | | | Balances | |
|--------------------------|-------------------|-------------------|-------------------|--|-------------------|--|
| | January 1 | Additions | Deletions | | December 31 | |
| ASSETS | | | | | | |
| Cash and Investments | \$ 401,691 | \$ 690,384 | \$ 641,749 | | \$ 450,326 | |
| TOTAL ASSETS | <u>\$ 401,691</u> | <u>\$ 690,384</u> | <u>\$ 641,749</u> | | <u>\$ 450,326</u> | |
| LIABILITIES | | | | | | |
| Due to Other Entities | \$ 401,691 | \$ 690,384 | \$ 641,749 | | \$ 450,326 | |
| TOTAL LIABILITIES | <u>\$ 401,691</u> | <u>\$ 690,384</u> | <u>\$ 641,749</u> | | <u>\$ 450,326</u> | |

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BARRINGTON/HIGGINS TIF DISTRICT FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES BY SOURCE

For the Year Ended December 31, 2015

| | |
|---|--------------------------|
| BEGINNING BALANCE, JANUARY 1, 2015 | <u>\$ 401,691</u> |
| DEPOSITS | |
| Property Taxes | 690,137 |
| Investment Income | <u>247</u> |
| Total Deposits | <u>690,384</u> |
| Balance Plus Deposits | <u>1,092,075</u> |
| EXPENDITURES | |
| Economic Development | |
| Interest - Development Note | 236,878 |
| Surplus Distribution | 401,749 |
| Professional Services | <u>3,122</u> |
| Total Expenditures | <u>641,749</u> |
| ENDING BALANCE, DECEMBER 31, 2015 | <u><u>\$ 450,326</u></u> |
| ENDING BALANCE BY SOURCE | |
| Property Tax | \$ 450,137 |
| Investment Income | <u>189</u> |
| Subtotal | 450,326 |
| Less Surplus Funds | <u>-</u> |
| ENDING BALANCE, DECEMBER 31, 2015 | <u><u>\$ 450,326</u></u> |

(See independent auditor's report.)