VILLAGE OF HOFFMAN ESTATES, ILLINOIS

HIGGINS/HASSELL ROAD TIF DISTRICT FUND

REPORT ON COMPLIANCE
WITH PUBLIC ACT 85-1142

For the Year Ended
December 31, 2016

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
HIGGINS/HASSELL ROAD TIF DISTRICT FUND
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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

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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 June 12, 2017 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, 2016. 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, Illinois complied with the aforementioned requirements for the year ended December 31, 2016 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.

Sikich LLP

Naperville, Illinois
June 12, 2017

INDEPENDENT AUDITOR'S REPORT

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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 Higgins/Hassell Road TIF District Fund (the Fund), a special revenue fund of the Village of Hoffman Estates, Illinois, as of and for the year ended December 31, 2016, 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 Higgins/Hassell Road TIF District Fund, a special revenue fund of the Village of Hoffman Estates, Illinois, as of December 31, 2016, 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 Higgins/Hassell Road 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, 2016, 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 information (the information) (schedule of fund balance by source for the Higgins/Hassell Road TIF District Fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 information 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 information 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
June 12, 2017

FINANCIAL STATEMENTS

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

HIGGINS/HASSELL ROAD TIF DISTRICT FUND

BALANCE SHEET

December 31, 2016

ASSETS	
Cash and Investments	$ 171,842
Property Tax Receivable	193,334
TOTAL ASSETS	$ 365,176
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 1,170
DEFERRED INFLOWS OF RESOURCES	
Property Tax	193,334
Total Liabilities and Deferred Inflows of Resources	194,504
FUND BALANCE	
Restricted for Economic Development	170,672
Total Fund Balance	170,672
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 365,176

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

HIGGINS/HASSELL ROAD TIF DISTRICT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2016

REVENUES	
Property Tax	$ 193,334
Total Revenues	193,334
EXPENDITURES	
Current	
Economic Development	1,111,172
Total Expenditures	1,111,172
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(917,838)
OTHER FINANCING SOURCES (USES)	
Notes Issued, at Par	1,104,803
Total Other Financing Sources (Uses)	1,104,803
NET CHANGE IN FUND BALANCE	186,965
FUND BALANCE (DEFICIT), JANUARY 1	(16,293)
FUND BALANCE, DECEMBER 31	$ 170,672

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Higgins/Hassell Road TIF District Fund of the Village of Hoffman Estates, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The financial statements present only the Higgins/Hassell Road TIF District Fund and do not present fairly the financial position of the Village and the changes in its financial position. 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 Higgins/Hassell Road TIF District Fund (the Fund) was established to account for transactions related to the Redevelopment Plan and Redevelopment Project within the municipal boundaries established by Village Ordinance.

Fund Accounting

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The Fund is classified as a Governmental Special Revenue Fund.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is used by governmental funds. The main revenue source included in the fund is incremental revenues from the designated TIF area. Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes for 2016 attach as an enforceable lien on January 1, 2016 on properties assessed as of the same date. Taxes are levied on a calendar year basis by the last Tuesday of December. Tax bills are prepared and mailed by the County on or about February 1, 2017 and August 1, 2017, and are payable in two installments, on or about March 1, 2017 and September 1, 2017. The County collects such taxes and remits them periodically. Since the 2016 levy is intended to finance the 2017 fiscal year, the levy has been recorded as receivable and unearned revenue. The revenues in the current year financial statements represent the 2015 property tax levy.

Interfund eliminations have not been made in the aggregation of this data. If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. 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. The components of fund balance include the following line items:

A. Nonspendable fund balance is inherently nonspendable, such as portions of net resources that cannot be spent because of their form and portions of net resources that cannot be spent because they must be maintained intact.

B. Restricted fund balance has externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors or laws and regulations of other government as well as limitations imposed by law through constitutional provision or enabling legislation.

C. Committed fund balance has self-imposed limitations set in place prior to the end of the period. The limitations are imposed at the highest level of decision-making that requires formal action at the same level to remove. For the Fund and the Village, the Board of Trustees is the highest level of decision-making. As of December 31, 2016, the Fund does not have any commitments of fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

D. Assigned fund balance has limitations resulting from intended use consisting of amounts where the intended use is established by the Village Board designated for that purpose. The intended use is established by an official designated for that purpose. The Village has not designated anyone for this purpose. However, GASB No. 54 has outlined that fund balance outside of the General Fund is to fall in this category if there is not a deficit fund balance for the Fund.

E. Unassigned fund balance is the total fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the Village will consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned or unassigned fund balance classifications could be used, then the Village will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

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.

2. CASH AND INVESTMENTS (Continued)

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.

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 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 Revenue Note Disclosures

The Village, pursuant to an economic development agreement dated May 14, 2012, has agreed to reimburse The Handels-En Productiemaatschappij De Schouw B.V. for certain project costs incurred as the Village’s agent in furthering the economic development plan and project. An economic redevelopment note was issued in 2012 and 2013 totaling $1,845,946. During fiscal year 2016 an additional $1,104,803 was added to the note. The note is payable from and secured solely by the pledged incremental revenues deposited in the Fund.

3. LONG-TERM DEBT (Continued)

A. Tax Increment Revenue Note Disclosures (Continued)

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.	$ 1,845,946	$ 1,104,803	$ -	$ 2,950,749	$ -

B. Debt Service Requirements to Maturity

The Higgins/Hassell 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 does not bear interest. Therefore, no set debt service schedule is available.

SUPPLEMENTARY INFORMATION

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

HIGGINS/HASSELL ROAD TIF DISTRICT FUND

SCHEDULE OF FUND BALANCE BY SOURCE

For the Year Ended December 31, 2016

BEGINNING BALANCE (DEFICIT), JANUARY 1	$ (16,293)
DEPOSITS	
Property Tax	193,334
Notes Issued, at Par	1,104,803
Total Deposits	1,298,137
Balance Plus Deposits	1,281,844
EXPENDITURES	
Economic Development	
Other Contractual Services	1,111,172
Total Expenditures	1,111,172
ENDING BALANCE, DECEMBER 31	$ 170,672
ENDING BALANCE BY SOURCE	
Property Tax	$ 170,672
Subtotal	170,672
Less Surplus Funds	-
ENDING BALANCE, DECEMBER 31	$ 170,672

(See independent auditor's report.)