

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
December 31, 2005

Prepared by Finance Department

Michael DuCharme  
Director of Finance

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VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2005

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LEGISLATIVE

Village Board of Trustees

William D. McLeod, President

Lloyd H. Boester

Raymond M. Kincaid

Cary J. Collins

Karen V. Mills

Fred Crespo

Rodney R. Rusakiewicz

Virginia Hayter, Village Clerk

ADMINISTRATIVE

James H. Norris, Village Manager

FINANCE DEPARTMENT

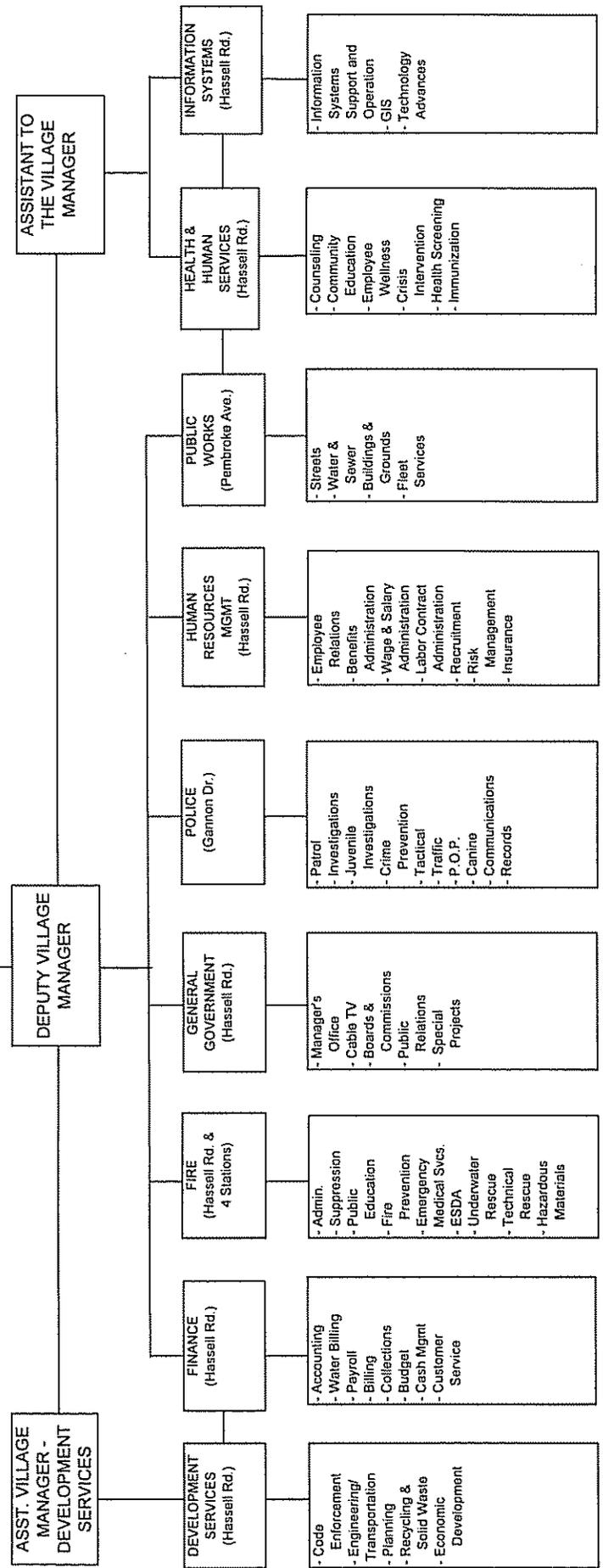
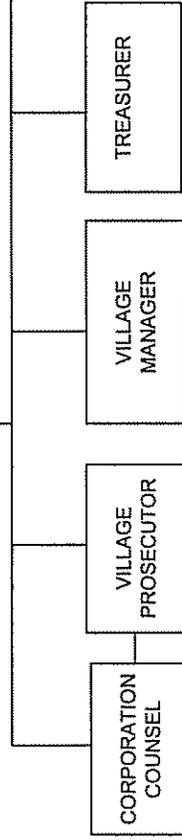
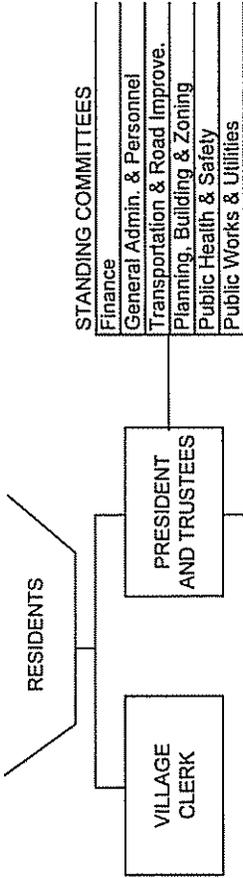
Michael DuCharme, Director of Finance



# Village of Hoffman Estates, Illinois

**BOARDS & COMMISSIONS**

<b>Arts</b>	<b>HE Fire Protection</b>
Barrington Road	Dist. No. 1
Interchange	Historical Sites
Barrington Square Mall	Local Historian
Capital Improvements	Plan Commission
Celebration Commemorial	Police Pension
Children's Memorial	Road Improv. Impact
Comprehensive Plan	Fee Advisory
Advisory	Roselle Road Business
Cultural Awareness	District
Disabled & Seniors	Sister Cities
Economic Development	Storm Water Mgmt.
Electrical	Utilities
Environmental	Veterans Memorial
ESDA	Youth
Fire & Police	Zoning Board of
Fire Pension	Appeals
Fourth of July	



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Hoffman Estates,  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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.



*Carla E. Judge*

President

*Jeffrey R. Emer*

Executive Director



# HOFFMAN ESTATES

GROWING TO GREATNESS

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May 5, 2006

The Honorable William McLeod, President  
Board of Trustees  
Village Manager James H. Norris  
Citizens of the Village of Hoffman Estates

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

State statutes require an annual audit by independent certified public accountants. The accounting firm of Sikich LLP performed the audit this year. The independent auditors' report is included in the Financial Section of this report. The auditors have given this report an unqualified ("clean") opinion, meaning that the financial statements fairly present the Village's financial position at December 31, 2005, and the results of operations for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## Profile of the Government

The Village of Hoffman Estates, incorporated in 1959, operates under the council/manager form of government. The legislative body consists of the Village President and Board of six Trustees, all elected on an at-large basis to overlapping four-year terms. The Village Manager is responsible for the day-to-day administration of the Village. The Village is a home rule municipality as defined by the Illinois Constitution. Located approximately thirty miles

northwest of Chicago, in the Counties of Cook and Kane, the Village occupies a land area of approximately 22.1 square miles.

Results of a 2003 Partial Special Census were received in December 2003 and estimate the Village's total population at 50,573. This figure represents an increase of 1,078 from the last decennial census, which was completed in 2000. The Village is projected to reach its population maximum at 58,000 residents.

Additional demographic information about the Village may be found in the Statistical Section of this report.

The Village provides a full range of general governmental services, including police and fire protection, health and social services, water and sewer utilities, street construction and maintenance, code enforcement, planning and zoning, and general administrative services. The financial reporting entity of the Village of Hoffman Estates is comprised of all funds of the primary government (i.e., the Village of Hoffman Estates as legally defined) and its pension trust funds: the Hoffman Estates Police Pension Fund and the Hoffman Estates Firefighters' Pension Fund. These funds were determined to be pension trust funds due to their fiduciary and fiscal relationship with the Village as their sole purpose is to provide retirement benefits to the Village's sworn police officers and firefighters. Tax increment financing districts have been reported as blended funds in the Village's financial statements, as they are not legally separate. No other legally separate entity qualifies as a component unit of the Village.

The annual budget serves as the foundation for the Village's financial planning and control. State law requires that a municipality operating under the budget system adopt its annual budget prior to the start of its fiscal year. Through the budget, spending authority is conveyed by expenditures object. Budgetary control is maintained by the use of encumbrance accounting under which purchase orders, contracts, and other commitments are effectively recorded as temporary expenditures in order to reserve the proper portion of the applicable budgetary account. The legal level of budgetary control is the department level, or, where no departmental segregation of a fund exists, the fund level.

### **Local Economy**

The potential of economic development possibilities in Hoffman Estates was realized in 2005 with a banner year for new development. Highlights are listed below and include the start of construction of the Sears Centre Sports and Entertainment Arena, Poplar Creek Crossing Shopping Center, completion of the Mary Kay Regional Office and Distribution Center, Cabela's purchase of land and commitment to build one of their world class outdoor recreation equipment and outfitting stores, and tremendous interest in the remaining vacant parcels west of Route 59 evidenced by multiple proposals on many sites. The Sears Centre and Poplar Creek Crossing Shopping Center are the first components of an emerging retail/entertainment district in and around Prairie Stone. The anticipated groundbreaking of Cabela's, along with an indoor/outdoor water park and resort hotel, will reinforce and provide additional attraction to this area. With the spotlight focused on Hoffman Estates, local, regional, and national

publications have reported on economic development activities in Hoffman Estates. That spotlight will continue to shine brightly on Hoffman Estates in 2006.

- The Sears Centre indoor sports and entertainment arena began construction in June 2005. This arena is scheduled for completion in October 2006, and will begin hosting events in Fall 2006. The Sears Centre will have a capacity of 11,000 seats for concerts and 9,000 seats for sporting events. The Sears Centre is located in Prairie Stone, just north of the Northwest Tollway and is anticipated to host 135 events a year and draw upwards of 750,000 patrons. The Sears Centre will be home to a United Hockey League franchise, a National Lacrosse League franchise, and an indoor football team. In addition, concerts, family shows, ice shows, high school and college sporting events, and trade shows will be featured.
- Cabela's, purveyor of outdoor sporting goods and apparel, purchased a 35 acre site in Prairie Stone for the location of their Illinois retail store. This store promises to be a regional attraction, boasting 185,000 square feet of retail space. Other Cabela's stores feature wildlife museums and displays. Cabela's intends to break ground in Summer 2006 and be open by Fall 2007.
- At the intersection of State Routes 72 and 59, a new commercial district has emerged. A total of 66 acres has been designated for commercial and residential development. Initial development at the southwest corner is known as Poplar Creek Crossing, a traditional retail development consisting of 400,000 square feet. The center is anchored by Target (opened March 2006) and features "junior anchors" such as Pet Smart, OfficeMax, Linens n' Things, Cost Plus World Market, Michael's, Lane Bryant, and Kirkland (all to be open by April 2006). Other retailers and restaurants are currently under development.
- A priority of the Village during the past several years has been to redevelop and revitalize the Roselle Road Business Improvement District (BID). To bring about this change, in May 2003, the Village Board passed an ordinance establishing a Tax Increment Financing District (TIF). In 2005, the Golf Shopping Center completed a renovation plan, including major remodeling, new facades and signage, and the addition of parking lot landscaping. The project was privately funded with no public dollars expended from the TIF fund.
- Mary Kay Cosmetics completed construction of a 135,000 square foot regional office and distribution center in December 2005, and opened their doors for business in January 2006.
- A new 26,000 square foot Infiniti (Motor Werks) Auto Dealership on the southeast corner of Golf Road and Gannon Drive is currently under construction and is expected to open later in 2006. This replaces two vacant commercial structures.
- St. Alexius Medical Center completed expansions to the hospital, a new Doctors Office Building 3 consisting of 130,500 square feet, and additional parking, including a 94,800 square foot parking deck.

- Fountain Crossing construction was completed in 2005 on the 15,000 square foot outlet building, which includes several tenants. Meijer owns a 25 acre site and has approval to begin construction. A construction start date has not been finalized at this time.
- The 6,650 square foot Jerseys Pizza and Grill restaurant in the Fountain Crossing area opened in fall 2005.
- LaStrada, a 250 seat restaurant in Fountain Crossing, is currently under construction.
- The construction by Motor Werks of a 36,000 square foot building expansion and vehicle parking and storage expansions was completed in Spring 2005.
- Construction has begun on two of the three approved Greenspoint Office Buildings (34,000 square feet under construction, additional 24,000 square feet planned).
- First American Bank completed construction of a 3,500 square foot bank on the southeast corner of the Aldi site at Spring Mill Drive and Higgins Road.
- The Woodfield Nissan expansion of the main building began in 2005 and is now substantially complete.
- Woodfield Acura completed construction of a new expanded parking lot on the west side of Gannon Drive, south of Harris Bank.

Other upcoming commercial development includes:

- *Serta International.* On a site immediately south of Mary Kay Cosmetics in Prairie Stone, Serta International received approval to build a 90,000 square foot world headquarters building. Construction is scheduled to begin in Summer 2006.
- *Prairie Stone Ancillary Development.* Subsequent to the initiation of construction at the Poplar Creek Crossing and Sears Centre, and the announcement that Cabela's has purchased 35 acres in Prairie Stone, numerous inquiries for ancillary development have been received. Proposals for restaurants, additional retail, hotel, and other opportunities in the Village's emerging retail/entertainment zone are being evaluated.
- *W-T Engineering.* This company will be constructing a 22,000 square foot building for their offices.
- *Alexian Brothers Behavioral Health Hospital.* The 34,000 square foot building and parking expansion, which was approved in 2003, has been completed. Further expansion is under design development.

Residential projects proposed or approved in 2005 include:

- *Kimball Hill Homes.* The final phase (84 homes) of the White Oak subdivision has begun construction.
- *Kelley Farm.* Two residential developments south of Shoe Factory Road, east of Rohrssen Road, and north of McDonough Road will be developed. Dartmoor Homes has begun construction on Yorkshire Woods on 22 acres of the eastern portion of the site consisting of 43 single-family homes. Airdrie Estates, 14 acres of the western portion of the site, will be developed in the future as custom estate homes.
- *Beverly Properties.* An Annexation and Development Agreement has been approved for 1,650 units in a variety of housing products. Final plans for Phase I are expected in 2006/2007.
- *Beacon Pointe.* Phase 1 of this mixed use project will consist of about 193 single-family homes out of a total of 301 units. This project will also provide for water tower and fire station sites for future Village use. A commercial shopping center site is included in Phase 2 for future development.

One hundred eighty-two (182) new homes were constructed and significant new commercial investments within the Village amounted to \$123,054,808 of construction value during 2005.

### **Long-term Financial Planning**

The Village has a history of sound planning and financial practices. The Village's first Comprehensive Plan was prepared by outside consultants and was adopted in 1969, amended in 1978, and revised in 1989.

Unreserved, undesignated fund balance in the General Fund exceeds policy guidelines set by the Village Board for budgetary and planning purposes. This policy states that the Village will strive to maintain an unallocated/unreserved fund balance within the General Fund equal to 25 percent of the preceding year's annual operating budget. While the General Fund is above this level of fund balance, any year where year-end revenues exceed expenditures, the amount of surplus will be transferred to other funds to address known future financial needs. This allocation will be 50 percent to the Capital Improvements Fund for street improvements and 50 percent to remain within the General Fund or other funds as needed based on the annual recommendation of the Village Manager and approval by the Village Board. As of December 31, 2005 unreserved fund balance is 42.4 percent of budgeted operating expenditures.

### **Relevant Financial Policies**

*Cash Management Policies and Practices.* The Village's policy regarding cash management is based upon the realization that there is a time value to money. A high priority is placed on procedures to ensure that monies due the Village are collected and deposited as promptly as possible. Disbursements are closely monitored. Of equal importance is the emphasis on the

management of the Village's investment portfolio. All idle cash is invested in accordance with an established investment policy. The investment policy, which was formally adopted by the Village Board of Trustees in August 1997 (amended in July 1999 and again in December 2005), establishes safety of principal as the foremost objective. The Village is not permitted to leverage its portfolio or invest in derivatives.

Third-party custodians hold all Village investments for safekeeping or they are insured by a third party. Also, the Village asks its depository banks to collateralize Village deposits. The banks do this by placing high-quality securities with a third-party custodian that have a value of 110 percent of the amount of the Village deposits.

During 2005, the Village, including its pension funds, invested in The Illinois Funds (a state-sponsored investment pool), the Illinois Metropolitan Investment Fund (IMET), Federal Home Loan Mortgage Corporation Notes and Bonds, insured or collateralized certificates of deposit, money market accounts, mutual funds, equities, GNMA's, FNMA's, Treasury Notes and Bonds, and Zero Coupon Bonds. The maturities of the investments range from being immediately accessible (Illinois Funds) to 30 years (pension fund FNMA's). Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the Village intends to hold to maturity.

*Risk Management.* The Village's insurance coverages are outlined in the Schedule of Insurance in Force in the Financial Section (Supplemental Data) of this report. To summarize, the Village maintains a protected risk retention program for property, liability, workers' compensation claims and health insurance for employees. Aggregate umbrella liability coverage is provided through the Village's membership in the High-level Excess Liability Pool, a public entity risk pool. The Village's risk management program is accounted for in the Insurance Fund, an internal service fund. One staff member is employed full-time to manage the Village's risk management program. Third-party administrators assist with the administration of workers' compensation, general liability claims, and health insurance.

An important part of the Village's risk management program is loss prevention. Each major department has a safety committee that reviews all accident and injury reports. With the assistance of the Risk Manager, the committees make recommendations to management as to how claims could have been prevented and ways to improve overall safety. The Village's Risk Manager continually conducts hazard surveys of facilities and work practices and makes recommendations to mitigate the Village's loss exposure.

*Pension and Other Post-Employment Benefits.* Sworn police and fire personnel receive retirement and disability benefits from the Hoffman Estates Police Pension Fund and the Hoffman Estates Firefighters' Pension Fund, respectively. Both of the plans associated with these funds are single-employer plans administered by local boards of trustees. The defined benefits and employer and employee contribution levels are governed by Illinois state statutes. Police plan participants are required to contribute 9.91 percent of their base salaries and Fire plan members contribute 9.455 percent of their base salaries. The Village is required to

contribute the remaining amounts necessary to finance the plans as determined by an enrolled actuary. State statutes require that each plan must be fully funded by the year 2033.

Actuarial services are provided by the State of Illinois Department of Insurance. However, a municipality also has the option of engaging an independent actuary. For the year ended December 31, 2005, the Village contracted with Timothy W. Sharpe, an enrolled actuary, to perform an actuarial valuation for the funds.

Full-time and part-time employees, other than sworn police officers and firefighters, who work at least 1,000 hours per year, are covered by the Illinois Municipal Retirement Fund (IMRF), a state-wide pension plan. IMRF acts as a common investment and administrative agent for local governments in Illinois. Benefit provisions and funding requirements are established by state statutes. Employees participating in the IMRF are required to contribute 4.5 percent of their annual salary and the Village is required to contribute the remaining amounts necessary to fund the coverage of its employees in the plan. The Village's contribution rate for 2005 was 10.75 percent of employee salaries. As with both of the pension plans, the Village made 100 percent of the required contributions to the IMRF.

The notes to the financial statements and the required supplementary information provide more information pertaining to employee pensions.

### Major Initiatives

The Village of Hoffman Estates is dedicated to constantly improving the delivery of its services, thereby enhancing the quality of life for its residents and the operating environment for its businesses. The Village Board sets goals at the beginning of every year that provide valuable input into the financial planning and practices that will take place throughout the rest of the year, specifically during the budgeting process. The goals for 2005 were:

#### *Short-Term Goals:*

- Complete the update of Village of Hoffman Estates' Comprehensive Plan.
- Begin the process to update and revise the Village's Sign Code.
- Award contract for the design of relocated Fire Station 24, complete Village Hall security and space needs analysis and prepare and present staff report on the potential of a new Police building.
- Prepare and receive Department of Housing and Urban Development approval of the Village's initial Community Development Block Grant (CDBG), Five Year Consolidated Plan and Annual Action Plan in conjunction with the Village's recent designation as an Entitlement Community.

- Increase the staff related reporting of Code Enforcement violations through the enhancement of the Code Enforcement Action Report and associated employee incentives for submission.
- Complete update of Village of Hoffman Estates Emergency Operations Plan.

*Ongoing Goals:*

- Complete organization-wide analysis of time off and the inherent relationship to overtime. Include analysis of sick leave, injured on duty (workman's compensation), vacation, and compensatory time.
- Continue advancement of the Village's transportation needs through advocacy for both the Star Line and a full interchange at Barrington Road and I-90.
- Continue western area water system evaluation and complete projects for increasing peak daily demand and emergency backup supplies.
- Continue intergovernmental cooperation with Cook County Highway Department for the Shoe Factory Road, Rohrssen Road, Beverly Road reconstruction project.
- Continue redevelopment of Golf/Higgins/Roselle Road area through utilization of the Tax Increment Financing District, including the establishment of a traffic signal connecting Golf Center with Hoffman Plaza.
- Develop an economic development marketing plan in conjunction with the Village of Hoffman Estates Economic Development Commission.

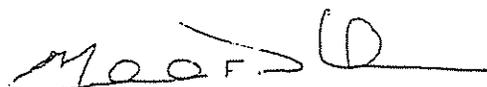
### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Hoffman Estates for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the twenty-second consecutive year the Village has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis was made possible by the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. In addition, I would like to thank the Mayor, the Village Trustees and the Village Manager for their leadership and support in planning and conducting the financial affairs of the Village in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. F. DuCharme", followed by a horizontal line and a large, stylized "D" or "10" symbol.

Michael F. DuCharme  
Director of Finance/Village Treasurer



998 Corporate Boulevard • Aurora, IL 60502

*Members of American Institute of  
Certified Public Accountants &  
Illinois CPA Society*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the Village of Hoffman Estates, Illinois, as of and for the year ended December 31, 2005, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Village of Hoffman Estates, Illinois' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

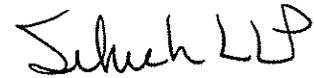
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, the financial position of the Village of Hoffman Estates, Illinois, as of December 31, 2005, and the results of its operations and cash flows of its proprietary funds 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 financial statements and schedules and the supplemental data listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Hoffman Estates, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated 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 table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 black ink, appearing to read "Selich LLP". The signature is written in a cursive, flowing style.

Aurora, Illinois  
March 16, 2006

**VILLAGE OF HOFFMAN ESTATES, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2005**

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As management of the Village of Hoffman Estates (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2005. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page IV) and the Village's financial statements (beginning on page 18).

**Overview of the Financial Statements**

This discussion and analysis are intended to service as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities reflect the Village's basic services, including general government, public safety, highways and streets, sanitation, health and welfare, economic development, and culture and recreation. The business-type activities include the water and sewer operations.

(See independent auditor's report.)

The government-wide financial statements can be found on pages 18 through 20 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 1991 EDA TIF Bond Fund, 2005 EDA TIF Refunding Bond Fund, and Sears Centre Capital Projects Fund, all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21 through 24 of this report.

**Proprietary Funds.** The Village maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water and sewer system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses internal service funds to account for the costs of property and casualty insurance, workers' compensation insurance, and its information systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

(See independent auditor's report.)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the Village. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village maintains two different types of fiduciary funds: pension trust funds and agency funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 71 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension to its employees. Required supplementary information can be found on pages 72 through 79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80 through 139 of this report.

### **Financial Analysis of the Village as a Whole**

**Net Assets.** The table on the following page reflects the condensed Statement of Net Assets.

**Table 1**  
**Statement of Net Assets**  
**As of December 31, 2005**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current and Other Assets	\$ 72,331,641	\$ 121,896,881	\$ 9,334,742	\$ 10,409,274	\$ 81,666,383	\$ 132,306,155
Capital Assets	100,468,971	103,209,472	22,574,239	23,568,964	123,043,210	126,778,436
<b>Total Assets</b>	<b>172,800,612</b>	<b>225,106,353</b>	<b>31,908,981</b>	<b>33,978,238</b>	<b>204,709,593</b>	<b>259,084,591</b>
Long-Term Liabilities	237,538,188	276,477,960	182,595	188,947	237,720,783	276,666,907
Other Liabilities	19,623,956	20,678,026	557,441	608,177	20,181,397	21,286,203
<b>Total Liabilities</b>	<b>257,162,144</b>	<b>297,155,986</b>	<b>740,036</b>	<b>797,124</b>	<b>257,902,180</b>	<b>297,953,110</b>
Net Assets:						
Invested in Capital Assets,						
Net of Debt	76,288,971	81,974,472	22,574,239	23,568,964	98,863,210	105,543,436
Restricted	30,610,435	25,510,851	-	-	30,610,435	25,510,851
Unrestricted	(191,260,938)	(179,534,956)	8,594,706	9,612,150	(182,666,232)	(169,922,806)
<b>Total Net Assets</b>	<b>\$ (84,361,532)</b>	<b>\$ (72,049,633)</b>	<b>\$ 31,168,945</b>	<b>\$ 33,181,114</b>	<b>\$ (53,192,587)</b>	<b>\$ (38,868,519)</b>

The deficit in unrestricted net assets is the result of the Village sponsoring one of the largest economic development area (EDA) tax increment financing (TIF) districts in the State of Illinois to induce the relocation of the headquarters of a major retailer to the Village and keeping the jobs within the State. As part of the inducement, the Village issued \$65,400,000 Senior Lien Tax Increment Revenue Bonds, Series 2005, \$68,947,092 Junior Lien Tax Increment Revenue Bonds, Series 1991, and Tax Increment Revenue Notes in the amount of \$89,145,834 (as of December 31, 2005). These bonds and notes did not produce a capital asset that is owned by the Village, and even though the Village is not generally obligated for the retirement of the debt as it is payable solely from the incremental taxes generated by the EDA, the bonds and notes are, nonetheless, required to be reported as a liability of the Village. If sufficient funds are not available in the EDA TIF to pay the debt as of the end of the useful life of the EDA in 2012, then the obligations would be cancelled and the Village would report a gain on the cancellation of said debt. Therefore, the deficit will be reduced and eliminated over the remaining life of the EDA TIF.

Since the EDA TIF distorts the financial position and results of operations of the ongoing operations of the Village, the table on the following page displays the Village's net assets without the EDA TIF activity, which is a better measure of the financial position of the Village.

(See independent auditor's report.)

**Table 1-a**  
**Statement of Net Assets Excluding EDA TIF Activity**  
**As of December 31, 2005**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current and Other Assets	\$ 43,539,982	\$ 101,592,476	\$ 9,334,742	\$ 10,409,274	\$ 52,874,724	\$ 112,001,750
Capital Assets	100,468,971	103,209,472	22,574,239	23,568,964	123,043,210	126,778,436
<b>Total Assets</b>	<b>144,008,953</b>	<b>204,801,948</b>	<b>31,908,981</b>	<b>33,978,238</b>	<b>175,917,934</b>	<b>238,780,186</b>
Long-Term Liabilities	26,562,005	77,890,439	182,595	188,947	26,744,600	78,079,386
Other Liabilities	18,942,162	19,998,507	557,441	608,177	19,499,603	20,606,684
<b>Total Liabilities</b>	<b>45,504,167</b>	<b>97,888,946</b>	<b>740,036</b>	<b>797,124</b>	<b>46,244,203</b>	<b>98,686,070</b>
Net Assets:						
Invested in Capital Assets,						
Net of Debt	76,288,971	81,974,472	22,574,239	23,568,964	98,863,210	105,543,436
Restricted	2,079,746	7,306,379	-	-	2,079,746	7,306,379
Unrestricted	20,136,069	17,632,151	8,594,706	9,612,150	28,730,775	27,244,301
<b>Total Net Assets</b>	<b>\$ 98,504,786</b>	<b>\$ 106,913,002</b>	<b>\$ 31,168,945</b>	<b>\$ 33,181,114</b>	<b>\$ 129,673,731</b>	<b>\$ 140,094,116</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Hoffman Estates (excluding EDA TIF activity), assets exceeded liabilities by \$140,094,116 as of December 31, 2005. The largest portion of the Village's net assets is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The second portion of the Village's net assets is the unrestricted assets in the amount of \$27,244,301, which can be used to finance the Village's day-to-day operations. The final portion of the Village's net assets in the amount of \$7,306,379 represents resources that are subject to external restrictions on how they may be used.

For more detailed information, see the Statement of Net Assets on page 18.

**Activities.** The table on the following page summarizes the revenue and expenses of the Village's activities.

**Table 2**  
**Changes in Net Assets**  
**For the Fiscal Year Ended December 31, 2005**

	<i>Governmental</i>		<i>Business-Type</i>		<i>Total Primary</i>	
	<i>Activities</i>		<i>Activities</i>		<i>Government</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 17,401,061	\$ 19,980,665	\$ 8,919,572	\$ 10,240,821	\$ 26,320,633	\$ 30,221,486
Operating Grants	1,907,357	1,918,772	-	-	1,907,357	1,918,772
Capital Grants	700,558	687,300	-	-	700,558	687,300
General Revenues:						
Property Taxes	31,996,121	17,575,496	-	-	31,996,121	17,575,496
Other Taxes	17,441,887	21,019,916	-	-	17,441,887	21,019,916
Other	2,857,906	8,383,368	532,588	2,355,407	3,390,494	10,738,775
<b>Total Revenues</b>	<b>72,304,890</b>	<b>69,565,517</b>	<b>9,452,160</b>	<b>12,596,228</b>	<b>81,757,050</b>	<b>163,918,795</b>
<b>EXPENSES</b>						
General Government	4,713,709	4,977,318	-	-	4,713,709	4,977,318
Public Safety	23,861,883	25,173,738	-	-	23,861,883	25,173,738
Highways and Streets	9,286,945	11,532,401	-	-	9,286,945	11,532,401
Sanitation	600,961	930,335	-	-	600,961	930,335
Health and Welfare	1,674,649	1,662,082	-	-	1,674,649	1,662,082
Culture and Recreation	229,402	226,608	-	-	229,402	226,608
Economic Development	1,406,319	1,303,688	-	-	1,406,319	1,303,688
Water and Sewer	-	-	10,259,599	10,584,059	10,259,599	10,584,059
Interest on Long-Term Debt	11,971,027	11,447,448	-	-	11,971,027	11,447,448
<b>Total Expenses</b>	<b>53,744,895</b>	<b>57,253,618</b>	<b>10,259,599</b>	<b>10,584,059</b>	<b>64,004,494</b>	<b>67,837,677</b>
<b>Change in Net Assets</b>	<b>\$ 18,559,995</b>	<b>\$ 12,311,899</b>	<b>\$ (807,439)</b>	<b>\$ 2,012,169</b>	<b>\$ 17,752,556</b>	<b>\$ 14,324,068</b>
<b>Net Assets, January 1</b>	<b>\$ (102,921,527)</b>	<b>\$ (84,361,532)</b>	<b>\$ 31,976,384</b>	<b>\$ 31,168,945</b>	<b>\$ (70,945,143)</b>	<b>\$ (53,192,587)</b>
<b>Net Assets, December 31</b>	<b>\$ (84,361,532)</b>	<b>\$ (72,049,633)</b>	<b>\$ 31,168,945</b>	<b>\$ 33,181,114</b>	<b>\$ (53,192,587)</b>	<b>\$ (38,868,519)</b>

For the fiscal year ended December 31, 2005, revenues from governmental activities totaled \$69.6 million. The Village benefits from a highly diversified revenue base. Revenues from the Village's largest single source, property taxes, amounted to over \$17 million. Property taxes support governmental activities and include the Village's contribution to the Police Pension Fund and Firefighters' Pension Fund.

The "other taxes" classification includes a number of different revenue sources. Among those are sales taxes, income taxes, and telecommunications taxes. The two major types of sales taxes are the retailer's occupation tax (ROT) and the home-rule sales tax. Both of these sales taxes are collected by the State of Illinois. A portion of the ROT is shared by the state with its municipalities based upon the point of sale. While the ROT is an 8.75% tax, the equivalent of a

(See independent auditor's report.)

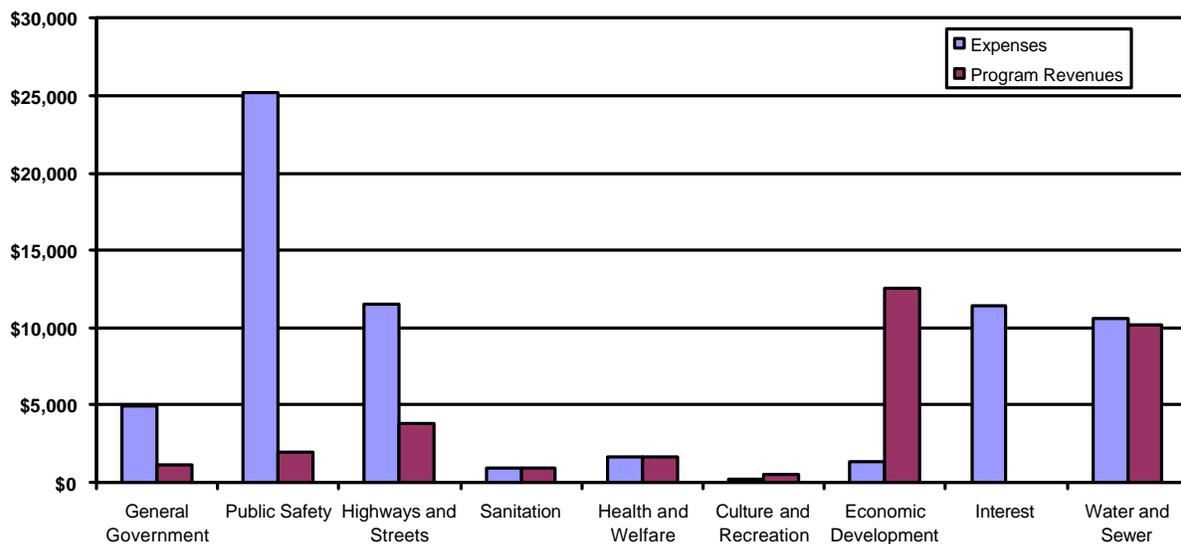
1% tax is remitted to Hoffman Estates. The home-rule sales tax for 2005 was 1% and all of its proceeds were remitted to Hoffman Estates.

In 2005, state-shared sales tax revenues were \$5,059,287 compared to \$4,960,882 in 2004. Home-rule sales tax revenues increased from \$1,807,230 to \$2,659,124 between the two years, due to 2005 being the first full year to reflect the 0.5 percent increase in the tax rate, which was effective July 1, 2004.

Income and local use taxes are also shared by the state, but on a per-capita basis. Between 2004 and 2005, the Village's income and local use tax revenues increased from \$3,744,788 to \$4,356,243 reflecting an overall increase in the economy.

As you can see by the chart below, very few Village programs are self-funded through program revenues. This is where general revenues like property taxes and sales taxes come in. These non-program revenues are what make it possible to fund necessary functions within the Village.

**Chart 1**  
**Expenses and Program Revenues**  
**For the Fiscal Year Ended December 31, 2005**  
**(Dollars in Thousands)**

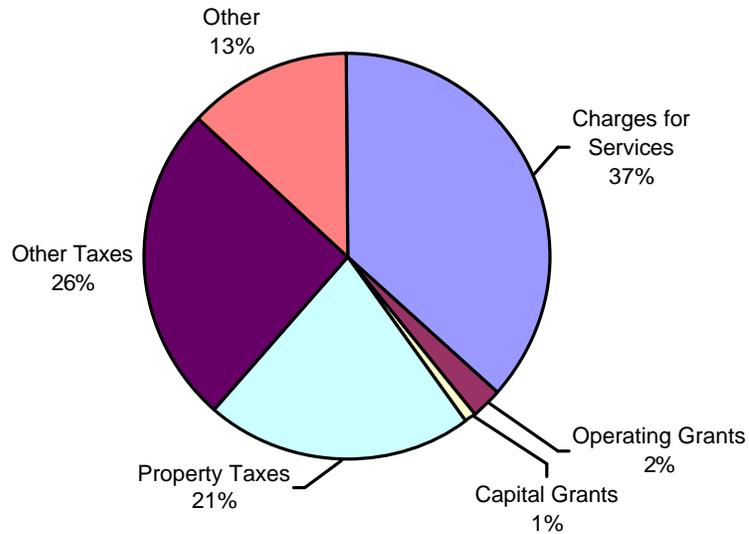


A major revenue component of the “charges for services” classification is from the Village’s 1991 Junior Lien EDA TIF Bond Fund. For any year that incremental property taxes do not cover the debt service, the retailer must provide for the shortage. This income represents just over \$12 million for 2005.

Another major revenue component for this revenue classification is fees from the Village’s water and sewer utility. Water and sewer fee revenue was \$10,240,821 in 2005 compared to \$8,919,572 in 2004. There was a 5.8 percent rate increase on December 1, 2004 and another similar increase on December 1, 2005. As the Village continues to grow, so will the demand for water.

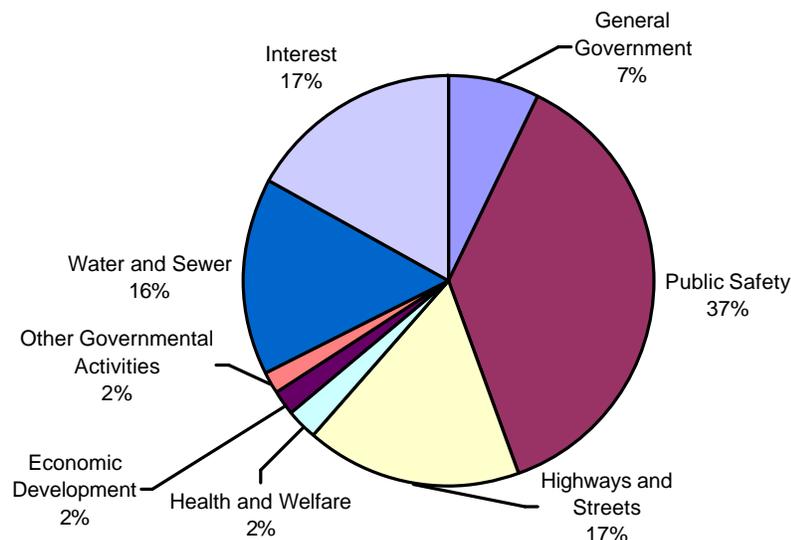
(See independent auditor’s report.)

**Chart 2**  
**Revenues by Source**  
**For the Fiscal Year Ended December 31, 2005**



Village expenses amounted to \$67.8 million in 2005. Public Safety expenses related to the operations of the Police and Fire Departments accounted for the largest share of the total. In 2005, the only increase to the Police or Fire Departments was the addition of two part-time Crossing Guards. The Water & Sewer Department also added one Maintenance I position.

**Chart 3**  
**Expenses by Function**  
**For the Fiscal Year Ended December 31, 2005**



(See independent auditor's report.)

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

With historically low unemployment levels and high demand for skilled employees in both the public and private sectors in this region, it is important that the Village provide competitive compensation levels for our employees. The 2005 expenses included funding for the Village's performance based employee compensation package with a 3.5 percent increase. Several collective bargaining agreements established salary increases during 2005. Those agreements provided for various step (seniority) and general cost of living increases.

Once again, it needs to be mentioned that the inclusion of the EDA TIF debt distorts the results of operations of the governmental activities. In the current year, incremental taxes in the EDA were \$1,126,258, which represents general revenue to the governmental activities. In addition, the retailer is required to contribute any shortfall annually in the funds necessary to retire the Senior and Junior Lien Revenue Bonds, Series 2005 and 1991. The amount of the contribution from the retailer in the current year was \$12,051,446. On the expense side, the Village recognized interest expense of \$9,374,227 related to the Senior Lien Bonds. Removing this activity from the governmental activities results in the following:

**Table 2-a**  
**Changes in Net Assets Excluding EDA TIF Activity**  
**For the Fiscal Year Ended December 31, 2005**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 6,134,081	\$ 6,942,377	\$ 8,919,572	\$ 10,240,821	\$ 15,053,653	\$ 17,183,198
Operating Grants	1,907,357	1,918,772	-	-	1,907,357	1,918,772
Capital Grants	700,558	687,300	-	-	700,558	687,300
General Revenues:						
Property Taxes	15,754,259	16,449,238	-	-	15,754,259	16,449,238
Other Taxes	17,441,887	21,019,916	-	-	17,441,887	21,019,916
Other	1,670,020	7,547,057	532,588	2,355,407	2,202,608	9,902,464
<b>Total Revenues</b>	<b>43,608,162</b>	<b>54,564,660</b>	<b>9,452,160</b>	<b>12,596,228</b>	<b>53,060,322</b>	<b>120,221,210</b>
<b>EXPENSES</b>						
General Government	4,713,709	4,977,318	-	-	4,713,709	4,977,318
Public Safety	23,861,883	25,173,738	-	-	23,861,883	25,173,738
Highways and Streets	9,286,945	11,532,401	-	-	9,286,945	11,532,401
Sanitation	600,961	930,335	-	-	600,961	930,335
Health and Welfare	1,674,649	1,662,082	-	-	1,674,649	1,662,082
Culture and Recreation	229,402	226,608	-	-	229,402	226,608
Economic Development	1,406,319	1,303,688	-	-	1,406,319	1,303,688
Water and Sewer	-	-	10,259,599	10,584,059	10,259,599	10,584,059
Interest on Long-Term Debt	978,608	2,073,221	-	-	978,608	2,073,221
Loss on Sale of Capital Assets	-	-	-	-	-	-
<b>Total Expenses</b>	<b>42,752,476</b>	<b>47,879,391</b>	<b>10,259,599</b>	<b>10,584,059</b>	<b>53,012,075</b>	<b>58,463,450</b>
<b>Change in Net Assets</b>	<b>\$ 855,686</b>	<b>\$ 6,685,269</b>	<b>\$ (807,439)</b>	<b>\$ 2,012,169</b>	<b>\$ 48,247</b>	<b>\$ 8,697,438</b>

(See independent auditor's report.)

**Financial Analysis of the Village's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ended December 31, 2005, the governmental funds reported combined ending fund balances of \$97.5 million. This represents an increase of approximately \$46.2 million over the prior year. The primary reason for the large increase is due to the newly created Sears Centre Capital Projects Fund. This fund is used to account for the resources that are for the development of a multi-purpose indoor arena. Under the terms of the Redevelopment Financing Agreement between the Village and the Developer, the moneys held in this fund may not be paid to the Developer until certain conditions have been met, including but not limited to completion of construction and issuance of a certificate of occupancy.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14,363,833, while total fund balance reached \$16,027,355. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and as a measure of the General Fund's liquidity. It may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42.4 percent of the total General Fund expenditures, while total fund balance represents 47.3 percent of that same amount.

**Table 3  
General Fund Budgetary Highlights  
For the Fiscal Year Ended December 31, 2005**

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	
			2005	2004
<i>REVENUES</i>				
Taxes	\$19,315,546	\$19,521,596	\$21,358,959	\$18,390,341
Inter-Governmental	10,248,120	10,248,120	10,191,818	9,348,021
Other	4,985,760	5,672,570	7,092,830	5,288,705
<b>Total Revenues</b>	<b>34,549,426</b>	<b>35,442,286</b>	<b>38,643,607</b>	<b>33,027,067</b>
<i>EXPENDITURES AND TRANSFERS</i>				
Expenditures	(33,036,943)	(33,929,803)	(33,871,258)	(31,698,216)
Transfers Out	(2,409,380)	(2,409,380)	(2,403,077)	(2,322,513)
<b>Total Expenditures and Transfers</b>	<b>(35,446,323)</b>	<b>(36,339,183)</b>	<b>(36,274,335)</b>	<b>(34,020,729)</b>
<b>Change in Fund Balance</b>	<b>(\$896,897)</b>	<b>(\$896,897)</b>	<b>\$2,369,272</b>	<b>(\$993,662)</b>

The fund balance of the Village's General Fund increased by \$2,369,272 during the current fiscal year. The positive General Fund results were attributable primarily to the fact that over \$1.9 million of additional Real Estate Transfer Tax was received along with an additional \$600 thousand in building permits.

(See independent auditor's report.)

In years where revenues exceed expenditures within the General Fund, excess funds are utilized according to the Village's Fund Balance Policy. This policy states that the Village will strive to maintain an unallocated/unreserved fund balance within the General Fund equal to 25% of the preceding year's annual operating budget. While the General Fund is above this level of fund balance, any year where year-end revenues exceed expenditures, the amount of surplus will be transferred to other funds to address known future financial needs. This allocation will be 50% to the Capital Improvements Fund for street improvements and 50% to remain within the General Fund or other funds as needed based on the annual recommendation of the Village Manager and approval by the Village Board.

Actual General Fund revenues exceeded original budgeted revenues by \$4,094,181 during fiscal year 2005. This is attributable mainly to real estate transfer tax revenues being \$1,934,338 over budget. This was due to the sale of several large commercial properties within the Village. Interest income also came in higher than what was budgeted. Residential and commercial development continued to flourish, which was the reason the Village collected an additional \$643,510 in building permits. Actual General Fund expenditures and transfers were more than the original budget by \$828,012 and were less than the amended budget by \$64,848.

The 1991 EDA TIF Bond Fund decreased the combined fund balance of the governmental funds by \$4,076,132. The primary reason for this was that incremental property taxes received during 2004 were partially funding the first debt service payment in 2005, so current year expenses exceeded current year revenues. This fund has a total fund balance of \$18,155 which is reserved for the payment of debt service.

During 2005, the 1997 EDA TIF Refunding Bonds were refunded with the 2005 EDA TIF Refunding Bonds in the amount of \$65,400,000. The new debt service fund has a total fund balance of \$12,189,873, all of which is reserved for the payment of debt service. This amount includes a debt service reserve investment contract in the amount of \$12,098,000, which will only be utilized in the event of default. This fund contributed to the combined fund balance of the governmental funds with a decrease of \$5,485,712 as part of the refunding.

The newly created Sears Centre Capital Project Fund increased the combined fund balance of the governmental funds by \$48,869,181. As was mentioned above, this money will be held by the Village until a certificate of occupancy is issued for the arena. At that time, the funds will be paid to the Developer to reimburse them for their development costs.

With respect to the business-type activities, the Water and Sewer Fund recorded an increase in net assets in the amount of \$2,012,169, which was significantly higher than the \$3.6 million decrease that was originally projected. This more positive outcome is due to significant reductions of budgeted expenses. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$9,612,150.

The Village Board amended the fiscal year 2005 budget once. This budget amendment was primarily for the following purposes:

(See independent auditor's report.)

- Fire Overtime expense coming in higher than originally projected caused the need for an adjustment of \$261,670.
- The Village issued the General Obligation Taxable Series 2005A Bonds during 2005. This brought about the need for an adjustment in the debt service fund of \$884,780 of interest expense, which was offset by bond proceeds. The Sears Centre Capital Projects Fund, which was created as part of this bond issue, also required an adjustment of \$976,320 for costs of issuance. This expense was also offset by bond proceeds.
- The Village refunded its 1997 EDA TIF Bonds, thereby creating the 2005 EDA TIF Bonds. A total budget adjustment of \$58,424,570 was made in this fund for the payment to the escrow agent, which was offset by bond proceeds.
- The Central Area Impact Fee Fund required an adjustment of \$100,710 for Barrington road widening expenses. This increase in expenditures was offset by road usage fees.
- Due to unexpected retirements and higher than expected money manager fees, a budget amendment for the Firefighters Pension Fund in the amount of \$216,580 was needed. This increase was offset by investment income.

Of the total increases of \$61,802,630, \$61,776,960 was to be funded out of miscellaneous increases in various revenues. The remaining \$25,670 was to be budgeted from available fund balance in various funds.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Village's investment in capital assets for both its governmental and business type activities as of December 31, 2005 amounts to \$126,778,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, roads, bridges, and storm sewers. The total investment in capital assets for the current fiscal year increased 3.0 percent from 2004.

Major capital asset events during 2005 included the following:

- Four streets were reconstructed as part of the 2005 Street Revitalization Program. This resulted in \$1,221,893 being added to infrastructure assets.
- Old Sutton Road was accepted into the Village, adding \$859,173 to land right of way and infrastructure assets.
- Hampton Knoll was accepted into the Village, adding \$357,699 to land right of way and infrastructure assets and \$208,500 to watermain and sanitary sewer assets.
- Princeton Parcels 1 & 2 were accepted into the Village, adding \$1,506,439 to land right of way and infrastructure assets and \$865,273 to watermain and sanitary sewer assets.
- Canterbury Farms and Canterbury Farms Unit 2 were accepted into the Village, adding \$1,757,530 to land right of way and infrastructure assets and \$467,190 to watermain and sanitary sewer assets.
- The Blackhawk Recreation Center Renovation was accepted into the Village, adding \$78,006 to infrastructure assets and \$156,200 to watermain and sanitary sewer assets.
- The ICar Building 2 and site improvements were accepted into the Village, adding \$164,736 to watermain and sanitary sewer assets.

(See independent auditor's report.)

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

- The LifeChangers Church was accepted into the Village, adding \$145,646 to watermain assets.
- Lot 7A in Fountain Crossing was accepted into the Village, adding \$18,585 to watermain assets.
- The Police Department purchased 11 new vehicles, totaling \$228,128.
- The Fire Department purchased a new ambulance in the amount of \$147,715 and refurbished an aerial ladder truck for \$68,066.
- The Public Works Department purchased a pickup truck for \$38,774.

The following schedule reflects the Village's capital asset balances as of December 31, 2005.

**Table 4**  
**Capital Assets**  
**As of December 31, 2005**

	<i>Governmental</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Land and Land Right of Way	\$ 37,337,446	\$ 38,872,360	\$ 474,000	\$ 474,000	\$ 37,811,446	\$ 39,346,360
Buildings and Improvements	17,134,610	17,172,036	37,899,998	39,926,128	55,034,608	57,098,164
Machinery, Vehicles and Equipment	9,363,568	9,531,639	1,260,610	1,304,442	10,624,178	10,836,081
Infrastructure	78,478,971	82,353,209	-	-	78,478,971	82,353,209
Construction in Progress	-	-	-	-	-	-
Less:						
Accumulated Depreciation	(41,845,624)	(44,719,772)	(17,060,369)	(18,135,606)	(58,905,993)	(62,855,378)
<b>Total</b>	<b>100,468,971</b>	<b>103,209,472</b>	<b>22,574,239</b>	<b>23,568,964</b>	<b>123,043,210</b>	<b>126,778,436</b>

Additional information on the Village's capital assets can be found in note 4 on pages 45 and 46 of this report.

**Long-Term Debt.** The following schedule summarizes the Village's bonded and similar indebtedness.

(See independent auditor's report.)

**Table 5**  
**Bonded and Similar Indebtedness**  
**As of December 31, 2005**

	<i>Governmental</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
General Obligation Bonds	\$ 24,180,000	\$ 76,170,000	\$ -	\$ -	\$ 24,180,000	\$ 76,170,000
TIF Revenue Bonds	121,410,341	105,856,847	-	-	121,410,341	105,856,847
TIF Revenue Notes	89,750,593	92,730,674	-	-	89,750,593	92,730,674
Installment Contract Certificate	94,471	-	-	-	94,471	-
<b><i>Total</i></b>	<b>\$ 235,435,405</b>	<b>\$ 274,757,521</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 235,435,405</b>	<b>\$ 274,757,521</b>

At the end of the current fiscal year, the Village had total debt outstanding of \$274,757,521 (excluding compensated absences and Net Pension Obligation). Of this amount, \$76,170,000 comprises general obligation bonds backed by the full faith and credit of the Village. The Village also issues bonds and notes where the Village pledges incremental tax income derived from a separately created tax increment financing district. These bonds and notes are not obligations of the Village and are secured only by the incremental revenues generated by the EDA TIF district.

In 2005, the Village's total debt increased by \$39,322,116 which was 16.7 percent. The Village refunded the 1997 EDA TIF Refunding bond issue to take advantage of favorable interest rates. The result was the 2005 EDA TIF Refunding in the amount of \$65,400,000. The Village also issued \$54,935,000 of General Obligation Taxable Bonds, Series 2005A related to the Sears Centre Arena.

As an Illinois home-rule community, the Village is not subject to any debt limitation. The Village's general obligation bonds have been given a credit rating of Aa2 from Moody's Investors Services and AA+ from Standard and Poor's, which were reaffirmed as a result of the 2005 issuances. Moody's reported that the high-grade Aa2 rating reflects the long-term trend of growth expected in the Village's large economic base, the tax base concentration created by the presence of two large corporate office complexes, sound and well-managed financial operations that derive flexibility from home rule status and an above average debt burden that remains manageable.

Additional information on the Village's long-term debt can be found in note 5 on pages 47 through 56 of this report.

**Economic Factors and Next Year's Budgets and Rates**

Property taxes imposed on property within the Village's corporate limits provide a stable revenue source. The Village also receives revenue from a variety of other sources, and a

(See independent auditor's report.)

significant increase in two of these revenues occurred in 2004. The full effect of these increases was realized in 2005 as both increases were effective July 1, 2004. The Village has adopted the Medicare-approved rates for ambulance services. These new rates were phased in starting in 2004 and ending in 2005. Also, the Village's home rule sales tax rate increased from 0.5 percent to 1.0 percent.

Effective January 1, 2006 the Village will experience another increase in two primary sources of revenues. The food and beverage tax will be increased by 1.0 percent to a total of 2.0 percent and the hotel tax will be increased by 1.0 percent to a total of 5.0 percent.

The unemployment rate for the Village is currently 4.0 percent, which compares favorably to the county's average unemployment rate of 5.6 percent and the state's average rate of 5.5 percent. The 2000 census found that the median household income was \$65,937 and the median home value was \$181,700. The Village undertook a special census in 2003. The census found that the population of Hoffman Estates was 50,573, which was an increase from the 2000 census figure of 49,495. Putting the increased population on record means that the Village will be entitled to larger portions of state-shared revenue such as income taxes and motor fuel taxes.

All of these factors were considered in preparing the Village's budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$14,363,833. The Village has appropriated \$1,616,155 of this amount for spending in the 2006 fiscal year budget.

The water and sewer rates were increased in December 2004 by an average of 5.8 percent for all customers, and again in December 2005 by the same amount. These rate increases were necessary in order to fund future water and sewer system improvements. This rate is expected to continue to minimally increase every year to fund improvements that must be made to the water and sewer systems.

### **Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability of the money it receives. Questions concerning this report or requests for additional financial information should be directed to Michael F. DuCharme, Director of Finance/Village Treasurer, Village of Hoffman Estates, 1900 Hassell Road, Hoffman Estates, IL 60195.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 99,525,705	\$ 8,747,938	\$ 108,273,643
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Property Taxes	13,516,515	-	13,516,515
Accounts	40,584	1,364,907	1,405,491
Accrued Interest	187,820	45,165	232,985
Other	722,660	68,437	791,097
Deposits	59,200	-	59,200
Prepaid Expenses	486,795	14,806	501,601
Inventory	197,325	234,119	431,444
Land Held for Resale	515,000	-	515,000
Due from Other Governments	3,314,200	-	3,314,200
Due to/from Other Funds	66,098	(66,098)	-
Net Pension Asset	336,495	-	336,495
Capital Assets			
Not Depreciated	38,872,360	474,000	39,346,360
Depreciated (Net of Accumulated Depreciation)	64,337,112	23,094,964	87,432,076
Deferred Charges	2,928,484	-	2,928,484
<b>Total Assets</b>	<b>225,106,353</b>	<b>33,978,238</b>	<b>259,084,591</b>
<b>LIABILITIES</b>			
Accounts Payable	2,164,205	479,802	2,644,007
Accrued Payroll	879,574	77,213	956,787
Accrued Interest Payable	507,636	-	507,636
Claims Payable	1,000,634	-	1,000,634
Benefits Payable	63,307	-	63,307
Unearned Revenues	14,060,238	-	14,060,238
Due to Fiduciary Funds	58,588	-	58,588
Deposits Payable	1,943,844	51,162	1,995,006
Long-Term Liabilities			
Due Within One Year	32,927,115	123,639	33,050,754
Due in More than One Year	243,784,985	65,308	243,850,293
Unamortized Bond Premium	(234,140)	-	(234,140)
<b>Total Liabilities</b>	<b>297,155,986</b>	<b>797,124</b>	<b>297,953,110</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt Restricted for	81,974,472	23,568,964	105,543,436
Highways and Streets	209,497	-	209,497
Emergency Equipment	859,443	-	859,443
Public Safety	232,949	-	232,949
Economic Development	6,481,056	-	6,481,056
Bridge Maintenance and Repairs	367,666	-	367,666
Debt Service	17,360,240	-	17,360,240
Unrestricted (Deficit)	(179,534,956)	9,612,150	(169,922,806)
<b>TOTAL NET ASSETS</b>	<b>\$ (72,049,633)</b>	<b>\$ 33,181,114</b>	<b>\$ (38,868,519)</b>

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General Government	\$ 4,977,318	\$ 1,075,793	\$ 75,597	\$ -
Public Safety	25,173,738	1,811,621	184,418	-
Highways and Streets	11,532,401	1,415,253	1,658,757	687,300
Sanitation	930,335	880,637	-	-
Health and Welfare	1,662,082	1,698,013	-	-
Culture and Recreation	226,608	513,635	-	-
Economic Development	1,303,688	12,585,713	-	-
Interest	11,447,448	-	-	-
Total Governmental Activities	57,253,618	19,980,665	1,918,772	687,300
Business-Type Activities				
Waterworks and Sewerage	10,584,059	10,240,821	-	-
Total Business-Type Activities	10,584,059	10,240,821	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 67,837,677</b>	<b>\$ 30,221,486</b>	<b>\$ 1,918,772</b>	<b>\$ 687,300</b>

	Net (Expense) Revenue and Change in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (3,825,928)	\$ -	\$ (3,825,928)
	(23,177,699)	-	(23,177,699)
	(7,771,091)	-	(7,771,091)
	(49,698)	-	(49,698)
	35,931	-	35,931
	287,027	-	287,027
	11,282,025	-	11,282,025
	(11,447,448)	-	(11,447,448)
	(34,666,881)	-	(34,666,881)
	-	(343,238)	(343,238)
	-	(343,238)	(343,238)
	(34,666,881)	(343,238)	(35,010,119)
General Revenues			
Taxes			
Property	17,575,496	-	17,575,496
Sales	5,059,287	-	5,059,287
Home Rule Sales	2,659,124	-	2,659,124
Real Estate Transfer	3,040,388	-	3,040,388
Income and Local Use	4,356,243	-	4,356,243
Hotel/Motel	750,028	-	750,028
Telecommunications	4,097,034	-	4,097,034
Food and Beverage	787,277	-	787,277
Replacement	252,672	-	252,672
Other	17,863	-	17,863
Investment Income	2,526,601	251,322	2,777,923
Miscellaneous	236,165	27,455	263,620
Contributions	5,671,102	2,026,130	7,697,232
Transfers In (Out)	(50,500)	50,500	-
Total	46,978,780	2,355,407	49,334,187
CHANGE IN NET ASSETS	12,311,899	2,012,169	14,324,068
NET ASSETS (DEFICIT), JANUARY 1	(84,361,532)	31,168,945	(53,192,587)
NET ASSETS (DEFICIT), DECEMBER 31	\$ (72,049,633)	\$ 33,181,114	\$ (38,868,519)

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2005

	General	1991 EDA TIF Bond	2005 EDA TIF Refunding Bond	Sears Centre Capital Projects	Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and Investments	\$ 14,366,578	\$ 18,098	\$ 12,273,119	\$ 48,869,079	\$ 22,595,518	\$ 98,122,392
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)						
Property Taxes	11,426,163	-	-	-	2,090,352	13,516,515
Accounts	40,584	-	-	-	-	40,584
Accrued Interest	81,970	57	40,911	102	63,264	186,304
Other	429,213	-	-	-	172,959	602,172
Prepaid Items	16,993	-	-	-	469,802	486,795
Inventory	166,857	-	-	-	-	166,857
Land Held for Resale	-	-	-	-	515,000	515,000
Due from Other Governments	3,192,471	-	-	-	121,729	3,314,200
Due from Other Funds	52,416	-	-	-	26,289	78,705
Advance to Other Funds	1,237,885	-	-	-	-	1,237,885
<b>TOTAL ASSETS</b>	<b>\$ 31,011,130</b>	<b>\$ 18,155</b>	<b>\$ 12,314,030</b>	<b>\$ 48,869,181</b>	<b>\$ 26,054,913</b>	<b>\$ 118,267,409</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 716,456	\$ -	\$ 124,157	\$ -	\$ 1,093,476	\$ 1,934,089
Accrued Payroll	786,865	-	-	-	75,930	862,795
Deferred Revenues	12,082,680	-	-	-	2,663,034	14,745,714
Due to Other Funds	2,363	-	-	-	-	2,363
Due to Fiduciary Funds	58,588	-	-	-	-	58,588
Advance from Other Funds	-	-	-	-	1,237,885	1,237,885
Deposits Payable	1,336,823	-	-	-	607,021	1,943,844
<b>Total Liabilities</b>	<b>14,983,775</b>	<b>-</b>	<b>124,157</b>	<b>-</b>	<b>5,677,346</b>	<b>20,785,278</b>
<b>FUND BALANCES</b>						
Reserved for Prepaid Items	16,993	-	-	-	469,802	486,795
Reserved for Inventory	166,857	-	-	-	-	166,857
Reserved for Advances to Other Funds	1,237,885	-	-	-	-	1,237,885
Reserved for Employee Loan Program	99,468	-	-	-	-	99,468
Reserved for Highways and Streets	-	-	-	-	209,497	209,497
Reserved for Emergency Equipment	-	-	-	-	859,443	859,443
Reserved for Public Safety	142,319	-	-	-	90,630	232,949
Reserved for Economic Development	-	-	-	48,869,181	6,461,428	55,330,609
Reserved for Bridge Maintenance and Repairs	-	-	-	-	367,666	367,666
Reserved for Debt Service	-	18,155	12,189,873	-	5,152,212	17,360,240
Unreserved						
Designated for Compensated Absences						
General Fund	1,696,714	-	-	-	-	1,696,714
Special Revenue Funds	-	-	-	-	18,594	18,594
Designated for Capital Projects	-	-	-	-	6,568,668	6,568,668
Undesignated - Special Revenue Funds	-	-	-	-	179,627	179,627
Undesignated - General Fund	12,667,119	-	-	-	-	12,667,119
<b>Total Fund Balances</b>	<b>16,027,355</b>	<b>18,155</b>	<b>12,189,873</b>	<b>48,869,181</b>	<b>20,377,567</b>	<b>97,482,131</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 31,011,130</b>	<b>\$ 18,155</b>	<b>\$ 12,314,030</b>	<b>\$ 48,869,181</b>	<b>\$ 26,054,913</b>	<b>\$ 118,267,409</b>

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

December 31, 2005

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 97,482,131
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Governmental Funds	
Capital Assets	103,209,472
Less Capital Assets of Internal Service Funds Included Below	(58,132)
Net Pension Asset is Reported as an Asset on the Statement of Net Assets	336,495
Unamortized Loss on Refunding is Shown as a Deferred Charge on the Statement of Net Assets	673,750
Unamortized Bond Issuance Cost is Shown as a Deferred Charge on the Statement of Net Assets	2,254,734
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and, Therefore, are not Reported in the Governmental Funds:	
Compensated Absences	(1,733,869)
Plus Compensated Absences of Internal Service Funds Included Below	18,561
Net Pension Obligation	(220,710)
Unamortized Bond Premium	234,140
General Obligation Bonds Payable	(76,170,000)
Tax Increment Financing Bonds Payable	(105,856,847)
Tax Increment Financing Notes Payable	(92,730,674)
Accrued Interest on Long-Term Liabilities is Shown as a Liability on the Statement of Net Assets	(507,636)
Certain Revenues that are Deferred in Governmental Funds are Recognized as Revenue on the Statement of Net Assets	685,476
The Net Assets of the Internal Service Funds are Included in the Governmental Activities in the Statement of Net Assets	<u>333,476</u>
NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (72,049,633)</u></u>

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

	General	1991 EDA TIF Bond	2005 EDA TIF Refunding Bond	Sears Centre Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 21,358,959	\$ 694,247	\$ 432,011	\$ -	\$ 6,106,715	\$ 28,591,932
Licenses and Permits	2,032,103	-	-	-	-	2,032,103
Intergovernmental	10,191,818	-	-	-	1,720,424	11,912,242
Charges for Services	3,754,742	12,461,716	-	-	2,172,035	18,388,493
Fines and Forfeits	597,037	-	-	-	166,152	763,189
Investment Income	426,348	44,624	594,435	745,159	716,035	2,526,601
Miscellaneous	279,439	-	-	-	165,200	444,639
<b>Total Revenues</b>	<b>38,640,446</b>	<b>13,200,587</b>	<b>1,026,446</b>	<b>745,159</b>	<b>11,046,561</b>	<b>64,659,199</b>
<b>EXPENDITURES</b>						
Current						
General Government	4,559,935	-	-	-	196,760	4,756,695
Public Safety	21,932,451	-	-	-	2,996,132	24,928,583
Highways and Streets	4,265,588	-	-	-	1,415,884	5,681,472
Sanitation	-	-	-	-	930,335	930,335
Health and Welfare	1,671,142	-	-	-	-	1,671,142
Culture and Recreation	223,112	-	-	-	-	223,112
Economic Development	1,219,030	-	-	-	76,316	1,295,346
Capital Outlay	-	-	-	-	3,827,231	3,827,231
Debt Service						
Principal Retirement	-	18,210,000	-	-	3,039,471	21,249,471
Interest and Fiscal Charges	-	-	4,460,772	976,316	1,797,930	7,235,018
<b>Total Expenditures</b>	<b>33,871,258</b>	<b>18,210,000</b>	<b>4,460,772</b>	<b>976,316</b>	<b>14,280,059</b>	<b>71,798,405</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,769,188</b>	<b>(5,009,413)</b>	<b>(3,434,326)</b>	<b>(231,157)</b>	<b>(3,233,498)</b>	<b>(7,139,206)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	963,281	30,000	-	2,650,580	3,643,861
Transfers (Out)	(2,403,077)	(30,000)	(963,281)	-	(344,890)	(3,741,248)
Sale of Capital Assets	3,161	-	-	-	58,923	62,084
Bond Issued, at Par	-	-	65,400,000	49,521,242	5,413,758	120,335,000
Payment to Escrow Agent	-	-	(66,518,105)	-	-	(66,518,105)
Discount on Issuance of Bonds	-	-	-	(420,904)	-	(420,904)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,399,916)</b>	<b>933,281</b>	<b>(2,051,386)</b>	<b>49,100,338</b>	<b>7,778,371</b>	<b>53,360,688</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,369,272</b>	<b>(4,076,132)</b>	<b>(5,485,712)</b>	<b>48,869,181</b>	<b>4,544,873</b>	<b>46,221,482</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>13,658,083</b>	<b>4,094,287</b>	<b>17,675,585</b>	<b>-</b>	<b>15,832,694</b>	<b>51,260,649</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 16,027,355</b>	<b>\$ 18,155</b>	<b>\$ 12,189,873</b>	<b>\$ 48,869,181</b>	<b>\$ 20,377,567</b>	<b>\$ 97,482,131</b>

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 46,221,482
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental Funds Report Capital Outlay as Expenditures, However, They are Capitalized and Depreciated in the Statement of Activities	758,928
Contributions of Capital Assets are Reported Only in the Statement of Activities	5,671,102
Sales of Capital Assets are Reported as a Proceed in Governmental Funds but as a Gain (Loss) from Sale on the Statement of Activities	(216,729)
The Issuance of Long-Term Debt is Reported as an Other Financing Source in Governmental Funds but as an Increase of Principal Outstanding in the Statement of Net Assets	(120,335,000)
The Discount on Issuance of Long-Term Debt is Reported as an Other Financing Use in Governmental Funds but as a Decrease of Unamortized Bond Premium on the Statement of Net Assets	420,904
The Payment to Escrow Agent is Reported as an Other Financing Use in Governmental Funds but as a Decrease in Principal Outstanding in the Statement of Activities	66,518,105
The Repayment of the Principal on Long-Term Debt is Reported as an Expenditure When Due in Governmental Funds but as a Reduction of Principal Outstanding in the Statement of Activities	21,249,471
Certain Items are Reported as Interest Expense on the Statement of Activities:	
Accretion of Bonds	(3,221,506)
Change in Accrued Interest Payable	(2,991,082)
Amortization of Certain Deferred Charges	(456,480)
Bond Issuance Costs are Capitalized on the Statement of Net Assets	2,456,638
Some Expenses in the Statement of Activities (e.g. Depreciation) do not Require the Use of Current Financial Resources and, Therefore, are not Reported as Expenditures in Governmental Funds	(3,496,840)
Certain Revenues Recognition is Different on the Full Accrual Basis Than on the Modified Accrual Basis	(8,657)
The Decrease in the Net Pension Obligation is Shown as a Decrease in Expense on the Statement of Activities	11,858
The Increase in the Net Pension Asset is Shown as a Decrease in Expense on the Statement of Activities	36,717
The Change in Compensated Absences Payable is Shown as an Expense on the Statement of Activities	(37,479)
The Change in Net Assets of Certain Activities of Internal Service Funds (Excluding Depreciation Included Above) is in Governmental Funds	(269,533)
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,311,899</u>

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

	Business-Type Activities	Governmental Activities
	Waterworks and Sewerage	Internal Service
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 8,747,938	\$ 1,403,313
Receivables		
Accounts	1,364,907	-
Accrued Interest	45,165	1,516
Other	68,437	120,488
Deposits	-	59,200
Prepaid Expenses	14,806	30,468
Inventories	234,119	-
Due from Other Funds	-	21,783
	<u>10,475,372</u>	<u>1,636,768</u>
Total Current Assets		
<b>CAPITAL ASSETS</b>		
Not Depreciated	474,000	-
Depreciated	41,230,570	206,018
Accumulated Depreciation	<u>(18,135,606)</u>	<u>(147,886)</u>
	<u>23,568,964</u>	<u>58,132</u>
Net Capital Assets		
	<u>34,044,336</u>	<u>1,694,900</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	479,802	230,116
Accrued Payroll	77,213	16,779
Claims Payable	-	1,000,634
Benefits Payable	-	63,307
Due to Other Funds	66,098	32,027
Deposits Payable	51,162	-
Compensated Absences Payable	<u>123,639</u>	<u>18,561</u>
	<u>797,914</u>	<u>1,361,424</u>
Total Current Liabilities		
<b>LONG-TERM LIABILITIES</b>		
Compensated Absences Payable	<u>65,308</u>	<u>-</u>
	<u>65,308</u>	<u>-</u>
Total Long-Term Liabilities		
	<u>863,222</u>	<u>1,361,424</u>
Total Liabilities		
<b>NET ASSETS</b>		
Invested in Capital Assets	23,568,964	58,132
Unrestricted	<u>9,612,150</u>	<u>275,344</u>
	<u>\$ 33,181,114</u>	<u>\$ 333,476</u>
TOTAL NET ASSETS		

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

	Business-Type Activities	Governmental Activities
	Waterworks and Sewerage	Internal Service
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 10,240,821	\$ 2,355,620
Total Operating Revenues	10,240,821	2,355,620
<b>OPERATING EXPENSES</b>		
Operations	-	898,277
Claims and Insurance	-	1,814,567
Water Division	8,166,406	-
Sewer Division	1,342,416	-
Depreciation	1,075,237	19,262
Total Operating Expenses	10,584,059	2,732,106
OPERATING INCOME (LOSS)	(343,238)	(376,486)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	251,322	38,456
Miscellaneous Revenue	27,455	-
Recoveries	-	2,348
Total Nonoperating Revenues (Expenses)	278,777	40,804
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(64,461)	(335,682)
<b>TRANSFERS</b>		
Transfers In	50,500	46,887
Total Transfers	50,500	46,887
CONTRIBUTIONS	2,026,130	-
CHANGE IN NET ASSETS	2,012,169	(288,795)
NET ASSETS, JANUARY 1	31,168,945	622,271
NET ASSETS, DECEMBER 31	\$ 33,181,114	\$ 333,476

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

	Business-Type Activities	Governmental Activities
	Waterworks and Sewerage	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 10,196,438	\$ -
Receipts from Interfund Services Transactions	-	3,198,906
Payments to Suppliers	(6,491,578)	(2,860,243)
Payments for Interfund Services Transactions	(881,040)	-
Payments to Employees	(2,248,140)	(665,933)
Net Cash from Operating Activities	<u>575,680</u>	<u>(327,270)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous Receipts	48,555	-
Recoveries	-	2,348
Transfers In	50,500	46,887
Net Cash from Noncapital Financing Activities	<u>99,055</u>	<u>49,235</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Assets Purchased	(43,832)	(24,040)
Net Cash from Capital and Related Financing Activities	<u>(43,832)</u>	<u>(24,040)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(196,555)	-
Sale of Investments	-	386,237
Interest Received	222,826	48,706
Net Cash from Investing Activities	<u>26,271</u>	<u>434,943</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>657,174</b>	<b>132,868</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b><u>3,225,752</u></b>	<b><u>970,445</u></b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b><u>\$ 3,882,926</u></b>	<b><u>\$ 1,103,313</u></b>
<b>CASH AND INVESTMENTS</b>		
Cash	\$ 3,882,926	\$ 1,103,313
Investments	4,865,012	300,000
<b>TOTAL CASH AND INVESTMENTS</b>	<b><u>\$ 8,747,938</u></b>	<b><u>\$ 1,403,313</u></b>

(This statement is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

	Business-Type Activities	Governmental Activities
	Waterworks and Sewerage	Internal Service
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (343,238)	\$ (376,486)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash from Operating Activities		
Depreciation and Amortization	1,075,237	19,262
Changes in Assets and Liabilities		
Receivables	(44,384)	(67,377)
Prepaid Expenses	4,671	29,049
Due from Other Funds	248	757,704
Inventory	(97,263)	-
Accounts Payable	32,705	(216,245)
Accrued Payroll	16,871	(688)
Claims Payable	-	(512,607)
Benefits Payable	-	2,638
Due to Other Funds	(75,519)	31,519
Compensated Absences Payable	6,352	5,961
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 575,680</b>	<b>\$ (327,270)</b>
<b>NONCASH TRANSACTIONS</b>		
Developer Contributions	\$ 2,026,130	\$ -

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

December 31, 2005

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 2,722,395	\$ 15,470,534
Investments, at Fair Value		
U.S. Treasury Securities	21,597,498	-
U.S. Agency Securities	21,684,842	-
Illinois Metropolitan Investment Trust	661,787	-
Mutual Funds	17,934,067	-
Money Market Mutual Funds	1,517,952	-
Equity Securities	14,862,091	-
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)		
Accrued Interest	526,765	-
Due from General Fund	58,588	-
Assets Held by Agents	-	26,655
<b>Total Assets</b>	<b>81,565,985</b>	<b>15,497,189</b>
<b>LIABILITIES</b>		
Accounts Payable	46,011	-
Due to Participants	-	26,655
Due to Other Entities	-	15,470,534
<b>Total Liabilities</b>	<b>46,011</b>	<b>\$ 15,497,189</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 81,519,974</b>	

See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS

For the Year Ended December 31, 2005

ADDITIONS

Contributions

Employer Contributions	\$ 2,618,010
Employee Contributions	1,305,875
Other Contributions	61,530

Total Contributions	3,985,415
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Investment Income

Net Appreciation in Fair Value of Investments	1,116,974
Interest	2,823,460

Total Investment Income	3,940,434
Less Investment Expense	(253,752)

Net Investment Income	3,686,682
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Total Additions	7,672,097
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DEDUCTIONS

Benefits and Refunds	3,130,800
Miscellaneous	64,647

Total Deductions	3,195,447
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NET INCREASE	4,476,650
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NET ASSETS HELD IN TRUST  
FOR PENSION BENEFITS

January 1	77,043,324
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December 31	\$ 81,519,974
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See accompanying notes to financial statements.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
INDEX TO NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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# VILLAGE OF HOFFMAN ESTATES, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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 governmental units (hereinafter to be referred to as generally accepted accounting principles). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

#### A. Reporting Entity

The Village is a municipal corporation governed by an elected president and six-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the primary government. "Blended" component units, whether or not legally separate entities, are in substance part of the Village's operations. Therefore, financial data from any blended component units are combined with data of the primary government.

The Village's financial statements include two pension trust funds: the Police Pension System and the Firefighters' Pension System.

**Police Pension System:** The Village's sworn police employees participate in the Police Pension System (PPS). The PPS functions for the benefit of those employees and is governed by a five-member pension board. Two members appointed by the Village President, one elected pension beneficiary and two elected police officers constitute the pension board. The Village and PPS participants are obligated to fund all PPS 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. The PPS is reported as a pension trust fund because of the Village's fiduciary responsibility.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Firefighters' Pension System: The Village's sworn firefighters participate in the Firefighters' Pension System (FPS). The FPS functions for the benefit of those employees and is governed by a nine-member pension board. The Village President, Treasurer, Clerk, Attorney, Fire Chief, one elected pension beneficiary and three elected fire employees constitute the pension board. The Village and FPS participants are obligated to fund all FPS 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. The FPS is reported as a pension trust fund because of the Village's fiduciary responsibility.

B. Fund Accounting

The Village uses funds to report on its financial position and the results of its operations. 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 minimum number of funds is maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Village utilizes pension trust funds and agency funds which are generally used to account for assets that the Village holds in a fiduciary capacity or on behalf of others as their agent.

C. Government-Wide and Fund Financial Statements

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

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

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

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 1991 EDA TIF Bond Fund, a debt service fund, is used to account for the accumulation of resources and the payment of principal and interest on the Series 1991 EDA tax increment revenue bond issue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 2005 EDA TIF Refunding Bond Fund, a debt service fund, is used to account for the accumulation of resources and the payment of principal, interest and fiscal charges on the Series 2005 tax increment revenue refunding bond issue.

The Sears Centre Capital Projects Fund is used to account for the resources that are for the development of a multi-purpose indoor arena. Under the terms of the Redevelopment Financing Agreement between the Village and the Developer, the moneys held in this fund may not be paid to the Developer until certain conditions have been met, including but not limited to completion of construction and issuance of a certificate of occupancy.

The Village reports the following major proprietary fund:

The Waterworks and Sewerage Fund accounts for the provision of water and sewer 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, maintenance, financing and related debt service and billing and collection.

Additionally, the Village reports the following internal service funds:

Internal service funds account for the Village's self-insured property, casualty, worker's compensation and health insurance programs and the operations of the information systems division provided to other departments or agencies of the Village on a cost reimbursement basis. These are reported as part of the governmental activities on the government-wide financial statements as they provide services to the Village's governmental funds/activities.

The Village reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighter's Pension Fund. Furthermore, the Village reports the following agency funds as fiduciary funds: Barrington/Higgins TIF Fund, EDA Special Tax Allocation Fund and Flexible Spending Account Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes, sales taxes owed to the state at year end, franchise taxes, licenses, charges for services, food and beverage taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permit revenue are considered to be measurable and available only when cash is received by the Village.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)

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

E. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

Investments with a maturity 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. All investments of the pension trust funds, regardless of length of maturity, are reported at fair value. Fair value is based on published market quotes as of December 31 or contract values for insurance contracts.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer is reported at a \$1 per share value, which equals the Village's fair value in the pool.

Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code and 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 IMET's share price, the price for which the investment could be sold.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

Property taxes for 2005 attach as an enforceable lien on January 1, 2005 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, 2006 and August 1, 2006, and are payable in two installments, on or about March 1, 2006 and September 1, 2006. The County collects such taxes and remits them periodically. Since the 2005 levy is intended to finance the 2006 fiscal year, the levy has been recorded as receivable and deferred revenue.

G. Inventories

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

H. Deferred Charges

Deferred charges in the proprietary funds, if any, and the governmental activities in the government-wide financial statements represents bond issuance costs and accounting losses on advance refundings of bonds which are being amortized over the life of the bonds.

I. Prepaid Items/Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items/expenses.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

The costs of normal maintenance and repairs, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40
Infrastructure	30
Office Equipment	5-15
Department Equipment	5-15
Office Furniture	10-15
Vehicles	10-15
Plant System	40

K. Compensated Absences

It is the Village's policy for employees to accrue vacation and sick leave. Accrued vacation must be used within twelve months of being earned. Vested or accumulated vacation and sick leave that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation leave of proprietary funds and governmental activities is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, an expense is recorded for that portion of vesting accumulated sick leave benefits that is expected to be taken as "terminal leave" at retirement.

L. Interfund Transactions

Interfund services transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services transactions and reimbursements, are reported as transfers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Receivables/Payables

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

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

N. Long-Term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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 funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

O. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the Village’s investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

2. DEPOSITS AND INVESTMENTS

The Village's investment policy authorizes the Village to invest in debt securities guaranteed by the United States (explicitly or implicitly), debt securities of the United States 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, 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). In addition, the pension funds may invest in certain tax anticipation warrants, certain savings and loan institutions, certain credit unions, certain mutual funds, certain obligations of the State of Israel (Fire Pension only) and life insurance contracts and separate accounts.

It is the policy of the Village and pension funds to invest their funds in a manner which will provide the highest investment return with the maximum security while meeting the operating demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

The Village maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the Village's funds.

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, police and fire pension 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.

b. Investments

Village

The following table presents the investments and maturities of the Village's debt securities as of December 31, 2005:

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Village (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Agency Obligations	\$ 6,443,525	\$ 6,443,525	\$ -	\$ -	\$ -
U.S. Agency Notes	53,353,000	-	53,353,000	-	-
Money Market Mutual Funds	19,155,845	19,155,845	-	-	-
Investment Contracts	12,098,000	12,098,000	-	-	-
Illinois Funds	18,307,680	18,307,680	-	-	-
IMET	1,592,617	1,592,617	-	-	-
Negotiable Certificates of Deposit	8,496,484	8,496,484	-	-	-
<b>TOTAL</b>	<b>\$119,447,151</b>	<b>\$ 66,094,151</b>	<b>\$ 53,353,000</b>	<b>\$ -</b>	<b>\$ -</b>

Police Pension

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2005:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 10,315,931	\$ 605,412	\$ 5,921,355	\$ 3,789,164	\$ -
U.S. Agency Obligations	10,599,115	2,686,208	3,448,474	3,016,689	1,447,744
Money Market Mutual Funds	381,988	381,988	-	-	-
Illinois Funds	1,049,943	1,049,943	-	-	-
<b>TOTAL</b>	<b>\$ 22,346,977</b>	<b>\$ 4,723,551</b>	<b>\$ 9,369,829</b>	<b>\$ 6,805,853</b>	<b>\$ 1,447,744</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Fire Pension

The following table presents the investments and maturities of the Fire Pension Fund's debt securities as of December 31, 2005:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 11,281,567	\$ -	\$ 255,305	\$ 9,133,039	\$ 1,893,223
U.S. Agency Obligations	11,085,727	1,167	2,502,528	3,646,124	4,935,908
Equities	14,862,091	14,862,091	-	-	-
Money Market Mutual Funds	1,135,964	1,135,964	-	-	-
Illinois Funds	1,672,442	1,672,442	-	-	-
IMET	661,787	661,787	-	-	-
<b>TOTAL</b>	<b>\$ 40,699,578</b>	<b>\$ 18,333,451</b>	<b>\$ 2,757,833</b>	<b>\$ 12,779,163</b>	<b>\$ 6,829,131</b>

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. There are no specified maximum maturity lengths for the pension funds. The Police Pension policy has an investment horizon for its investments of three years. The Fire Pension has an investment horizon for its investments of three to five years. Also, up to 5% of police plan assets may be invested in non-liquid, long-term investments.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in 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. The Illinois Funds and IMET are rated AAA by a national rating agency. Additionally, the U.S. Agency Obligations that consist of FHLMC and FNMA securities are rated AAA by a national rating agency. For the pension funds, the U.S. Agency Obligations consist of FHLMC, FNMA, FHLB, GNMA and FFCB securities. For ratings that were available, these securities were rated AAA by a national rating agency.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Fire Pension (Continued)

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, police and fire pension 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 - At December 31, 2005, the Village had greater than 5% of its overall portfolio invested in FNMA and FHLMC securities implicitly guaranteed by the United States Government. This is allowable under the Village's investment policy, as long as no more than 40% of the Village's investments are held at any one financial institution, exclusive of bonds, notes debenture or other obligations of the United States or its agencies. The Police Pension Fund has the following limitations: 10% to 45% of the overall portfolio should be invested in equities, 40% to 80% should be invested in fixed income securities and 1% to 10% should be invested in cash and cash equivalents. The Fire Pension Fund does not have specific benchmarks for diversification other than as defined in Illinois Compiled Statutes.

3. RECEIVABLES

The following receivables are included in Other Receivables on the Statement of Net Assets:

GOVERNMENTAL ACTIVITIES

Hotel Tax	\$ 151,763
Cable Franchise Fees	79,991
911 Surcharge	53,884
Tipping Fees	38,129
Food and Beverage Tax	77,042
Other entities	92,922
Employee Computer Program	99,468
Reinsurance	120,488
Other Miscellaneous	<u>8,973</u>

TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 722,660</u>
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BUSINESS-TYPE ACTIVITIES

Recapture	\$ 56,412
Other Miscellaneous	<u>12,025</u>

TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 68,437</u>
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VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES (Continued)

The following receivables are included in Due from Other Governments on the Statement of Net Assets:

GOVERNMENTAL ACTIVITIES	
Sales Tax	\$ 1,154,351
Home Rule Sales Tax	634,131
Income Tax	223,753
Local Use Tax	139,214
Motor Fuel Tax	121,729
Simplified Telecommunications Tax	993,511
Court Fines	<u>47,511</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 3,314,200</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets not Being Depreciated				
Land	\$ 4,249,750	\$ -	\$ -	\$ 4,249,750
Land Right of Way	33,087,696	1,534,914	-	32,622,610
Total Capital Assets not Being Depreciated	<u>37,337,446</u>	<u>1,534,914</u>	<u>-</u>	<u>38,872,360</u>
Capital Assets Being Depreciated				
Buildings and Improvements	17,134,610	37,426	-	17,172,036
Department Equipment	1,460,015	52,990	-	1,513,005
Vehicles	7,740,185	566,684	451,603	7,855,266
Office Furniture	15,225	-	-	15,225
Office Equipment	148,143	-	-	148,143
Infrastructure	78,478,971	4,262,055	387,817	82,353,209
Total Capital Assets Being Depreciated	<u>104,977,149</u>	<u>4,919,155</u>	<u>839,420</u>	<u>109,056,884</u>
Less Accumulated Depreciation for				
Buildings and Improvements	6,119,809	427,740	-	6,547,549
Department Equipment	946,539	106,006	-	1,052,545
Vehicles	3,237,537	615,701	251,104	3,602,134
Office Furniture	7,105	1,015	-	8,120
Office Equipment	93,407	9,123	-	102,530
Infrastructure	31,441,227	2,337,255	371,588	33,406,894
Total Accumulated Depreciation	<u>41,845,624</u>	<u>3,496,840</u>	<u>622,692</u>	<u>44,719,772</u>
Total Capital Assets Being Depreciated, Net	<u>63,131,525</u>	<u>1,422,315</u>	<u>216,728</u>	<u>64,337,112</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>\$ 100,468,971</u>	<u>\$ 2,957,229</u>	<u>\$ 216,728</u>	<u>\$ 103,209,472</u>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets not Being Depreciated				
Land	\$ 474,000	\$ -	\$ -	\$ 474,000
Total Capital Assets not Being Depreciated	474,000	-	-	474,000
Capital Assets Being Depreciated				
Plant System and Equipment	37,899,998	2,026,130	-	39,926,128
Vehicles	834,345	-	-	834,345
Department Equipment	426,265	43,832	-	470,097
Total Capital Assets Being Depreciated	39,160,608	2,069,962	-	41,230,570
Less Accumulated Depreciation for				
Plant System and Equipment	16,047,142	960,103	-	17,007,245
Vehicles	657,583	104,317	-	761,900
Department Equipment	355,644	10,817	-	366,461
Total Accumulated Depreciation	17,060,369	1,075,237	-	18,135,606
Total Capital Assets Being Depreciated, Net	22,100,239	994,725	-	23,094,964
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS, NET	\$ 22,574,239	\$ 994,725	\$ -	\$ 23,568,964

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

<b>GOVERNMENTAL ACTIVITIES</b>	
General Government	\$ 211,828
Public Safety	591,512
Highways and Streets, including Depreciation of General Infrastructure Assets	2,658,214
Health and Welfare	16,484
Culture and Recreation	3,171
Economic Development	15,631
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 3,496,840</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

A. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. 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	Balances January 1	Issuances	Reductions	Refundings	Balances December 31	Current Portion
\$6,365,000 General Obligation Bonds, Series 1997A, dated December 15, 1997 with interest at 4.50% to 4.70%.	Debt Service	\$ 3,600,000	\$ -	\$ 380,000	\$ -	\$ 3,220,000	\$ 400,000
\$10,760,000 General Obligation Refunding Bonds, Series 2001, dated July 15, 2001 with interest at 4.00% to 4.50%.	Debt Service	8,525,000	-	1,165,000	-	7,360,000	1,265,000
\$6,155,000 General Obligation Refunding Bonds, Series 2003, dated September 1, 2003 with interest at 2.00% to 3.35%.	Debt Service	5,420,000	-	665,000	-	4,755,000	725,000
\$6,765,000 General Obligation Refunding Bonds, Series 2004, dated October 15, 2004 with interest at 3.00% to 3.75%.	Debt Service	6,635,000	-	735,000	-	5,900,000	760,000
\$54,935,000 General Obligation Taxable Bonds, Series 2005A, dated August 1, 2005 with interest at 4.40% to 5.40%.	Debt Service	-	54,935,000	-	-	54,935,000	-
<b>TOTAL GENERAL OBLIGATION BONDS</b>		<b>\$24,180,000</b>	<b>\$ 54,935,000</b>	<b>\$ 2,945,000</b>	<b>\$ -</b>	<b>\$ 76,170,000</b>	<b>\$ 3,150,000</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

B. Tax Increment Financing Bonds and Notes

The Village also issues bonds and notes where the Village pledges incremental tax income derived from a separately created tax increment financing district. These bonds and notes are not obligations of the Village and are secured only by the incremental revenues generated by the district. Tax increment financing bonds and notes currently outstanding are as follows:

Issue	Fund Debt Retired by	Balance January 1	Issuances or Accretions	Retirements or Accretions	Refundings	Balances December 31	Current Portion
\$68,947,092 Tax Increment Revenue Bonds Series 1991, dated October 15, 1991 with interest at 5.9% to 7.2%.	Debt Service	\$ 55,445,341	\$ 3,221,506	\$ 18,210,000	\$ -	\$ 40,456,847	\$ 19,109,224
\$118,430,000 Tax Increment Revenue Refunding Bonds Series 1997, dated October 15, 1997 with interest at 4.5% to 5.5%.	Debt Service	65,965,000	-	-	65,965,000	-	
\$65,400,000 Tax Increment Revenue Refunding Bonds Series 2005, dated July 1, 2005 with interest of varied rates.	Debt Service	-	65,400,000	-	-	65,400,000	9,500,000
<b>TOTAL TAX INCREMENT FINANCING BONDS</b>		<b>\$121,410,341</b>	<b>\$68,621,506</b>	<b>\$18,210,000</b>	<b>\$65,965,000</b>	<b>\$105,856,847</b>	<b>\$28,609,224</b>
Tax Increment Revenue Notes due in annual installments only if tax increment revenues are available.	Debt Service	\$ 86,165,753	\$ 2,980,081	\$ -	\$ -	\$ 89,145,834	\$ -
Tax Increment Redevelopment Note due in annual installments only if tax increment revenues are available.	Debt Service	3,584,840	-	-	-	3,584,840	-
<b>TOTAL TAX INCREMENT REVENUE NOTES</b>		<b>\$ 89,750,593</b>	<b>\$ 2,980,081</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,730,674</b>	<b>\$ -</b>

5. LONG-TERM DEBT (Continued)

B. Tax Increment Financing Bonds and Notes (Continued)

The increase of \$3,221,506 in the 1991 Tax Increment Revenue Bonds reflects the increase in the accumulated value during the year ended December 31, 2005. The \$2,980,081 of the increase in the Tax Increment Revenue Notes represents interest due March 31 and September 30, 2005 that accrues to the principal balance if not paid. There were no new Tax Increment Revenue Notes issued in 2005.

2005 Tax Increment Revenue Refunding Bonds - Interest Rate Swap

*Objective* As a means to lower its borrowing costs, when compared against fixed-rate bonds at time of issuance in July 2005, the Village entered into an interest rate swap in connection with its \$65,400,000 2005 Tax Increment Revenue Refunding Bonds, Series 2005. The intention of the swap was to effectively change the Village's variable interest rate to a synthetic fixed rate of 3.185%.

*Terms* The bonds and the related swap agreement mature on January 1, 2010 and the swap's notional amount of \$65,400,000 matches the \$65,400,000 variable-rate bonds. The swap was entered into at the same time the bonds were issued (July 2005). The notional value of the swap and the principal amount of the associated debt decline beginning in 2006 by equal principal amounts as noted in the debt service requirements to maturity schedule. Under the swap, the Village pays the counterparty a fixed payment of 3.185% and receives a variable payment equal to The Bond Market Associated Municipal Swap Index (BMA). The bond's variable rate coupons fluctuate weekly. As of December 31, 2005, rates were as follows:

Interest rate swap		
Fixed payment to counterparty	Fixed	3.185%
Variable payment from counterparty	BMA Index	(3.510)%
Net interest rate swap payments		(0.325)%
Variable-rate bond coupon payments	Variable	(3.520)%
Synthetic variable interest rate on bonds		3.195%

*Fair value* As of December 31, 2005, the swap had a positive fair value of \$414,738. The fair value of the swap may be countered by reductions in interest rate payments required under the variable-rate bond, creating a lower synthetic rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

B. Tax Increment Financing Bonds and Notes (Continued)

*Credit risk* The swap's fair value represented the Village's credit exposure to the counterparty as of December 31, 2005. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the Village faced a maximum possible loss equivalent to the swap's fair value. The swap counterparty was rated AA- by Fitch Ratings and Standard and Poor's and Aa1 by Moody's Investors Service as of December 31, 2005.

*Termination risk* The Village or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Village would be liable to the counterparty for a payment equal to the swap's fair value.

Debt service requirements to maturity for the debt are disclosed at the net interest rate of 3.195% at December 31, 2005. As rates vary in the future, variable rate bond interest payments will change.

C. Installment Contracts/Notes Payable

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

Issue	Fund Debt Retired by	Balances January 1	Issuances	Reductions	Balances December 31	Current Portion
\$2,300,000 Installment Note dated September 6, 1988 due in monthly installments of \$15,883 (including interest at 3%).	Debt Service	\$ 94,471	\$ -	\$ 94,471	\$ -	\$ -

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

D. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Year Ending December 31	General Obligation Bonds		Tax Increment Financing Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 3,150,000	\$ 3,678,563	\$ 28,609,224	\$ 3,812,075
2007	4,350,000	3,565,876	31,647,623	2,051,722
2008	4,610,000	3,399,305	10,700,000	1,143,544
2009	4,920,000	3,215,543	11,100,000	789,964
2010	4,530,000	3,016,052	23,800,000	63,368
2011-2015	10,835,000	12,951,650	-	-
2016-2020	8,625,000	10,859,440	-	-
2021-2025	11,155,000	8,337,505	-	-
2026-2030	14,485,000	4,996,620	-	-
2031-2033	9,510,000	982,530	-	-
<b>TOTALS</b>	<b>\$ 76,170,000</b>	<b>\$ 55,003,084</b>	<b>\$105,856,847</b>	<b>\$ 7,860,673</b>

Year Ending December 31	Tax Increment Financing Notes*	
	Principal	Interest
2006	\$	\$
2007		
2008		
2009		
2010		
2011		
2012		
<b>TOTALS</b>	<b>\$</b>	<b>\$</b>

\* The Hoffman Estates Economic Development Project Area Tax Increment Revenue Notes provide that the payment of principal and interest on the notes are due only if tax increment revenues are available for payment of debt service in the Sears EDA General Account Fund before the TIF expires in 2012. Any amount of unpaid interest at the interest due dates is added to the principal balance of the note. As there is no known revenue stream, and the interest rates are tied to the "Weekly 25-Bond Revenue Index" as published by "The Bond Buyer", no set debt service schedule is available.

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 7.5%.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

E. Changes in Long-Term Liabilities

During the fiscal year the following changes occurred in liabilities reported in the Governmental Activities:

	Balances January 1	Issuances or Accretions	Reductions	Refundings	Balances December 31	Current Portion
General Obligation Bonds Payable	\$ 24,180,000	\$ 54,935,000	\$ 2,945,000	\$ -	\$ 76,170,000	\$ 3,150,000
Tax Increment Financing Bonds Payable	121,410,341	68,621,506	18,210,000	65,965,000	105,856,847	28,609,224
Notes Payable	89,750,593	2,980,081	-	-	92,730,674	-
Installment Contracts Payable	94,471	-	94,471	-	-	-
Net Pension Obligation	232,568	-	11,858	-	220,710	-
Compensated Absences Payable - Governmental Funds *	1,677,829	1,193,584	1,156,105	-	1,715,308	1,149,330
Compensated Absences Payable - Internal Services Fund	12,600	18,561	12,600	-	18,561	18,561
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$237,358,402</b>	<b>\$127,748,732</b>	<b>\$ 22,430,034</b>	<b>\$ 65,965,000</b>	<b>\$276,712,100</b>	<b>\$ 32,927,115</b>

\* The General Fund, EDA Administration Fund and the Asset Seizure Fund typically have been used in prior years to liquidate the compensated absences payable.

F. Legal Debt Margin

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

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

To date the Illinois General Assembly has set no limits for home rule municipalities. The Village is a home rule municipality.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

G. Advance Refunding

On August 9, 2005, the Village issued \$65,400,000 par value Tax Increment Revenue Refunding Bonds, Series 2005 to advance refund \$65,965,000 of the Tax Increment Revenue Refunding Bonds, Series 1997. Through the refunding, the Village reduced its debt service by \$3,960,000 and had an economic gain of \$3,746,702. Conditions for defeasance have been met and assets were placed in escrow through an irrevocable transfer and the liability has been removed from the financial statements. As of December 31, 2005, all of the refunded bonds were paid from escrow.

H. Tax Increment Revenue Bond Ordinance Disclosures

The ordinances authorizing the issuance of the Series 2005 Tax Increment Revenue Refunding Bonds and the Series 1991 Junior Lien Tax Increment Revenue Bonds provide for the creation of separate accounts designated as the “Governmental Share Account”, “Program Expense Account”, “Senior Lien Bond and Interest Account”, “Senior Lien Debt Service Reserve and Redemption Account”, “Junior Lien Bond and Interest Account”, “Junior Lien Debt Service Reserve and Redemption Account” and the “General Account”, into which there shall be credited as of the first day of each month all revenues of the Sears EDA Tax Increment Financing District in accordance with the following priority:

1) The Governmental Share Account

There is hereby created a special account to be known as the Governmental Share Account. As monies are deposited into the EDA Special Tax Allocation Fund, the Village shall deposit into the Governmental Share Account incremental property taxes in accordance with the following schedule:

Tax Levy Year	Phase I Increment Revenues	Percentage of Phase II Tax Increment Revenues
2005	\$ 4,221,301	25
2006	4,432,366	25
2007	4,653,985	25
2008	4,886,684	30
2009	5,131,018	30
2010	5,387,569	30
2011	5,656,947	30
2012	5,939,795	30

5. LONG-TERM DEBT (Continued)

H. Tax Increment Revenue Bond Ordinance Disclosures (Continued)

1) The Governmental Share Account (Continued)

Phase I tax increment revenues refer to the incremental revenues generated by the approximately 200 acre Sears Merchandise Group Home Office Complex. Phase II tax increment revenues refer to the incremental revenues generated by the balance of the land (approximately 580 acres) within the Sears Economic Development Area Tax Increment Financing District.

Funds within the Governmental Share Account are to be promptly paid to the affected taxing districts in accordance with the Sears Development Agreement.

2) The Program Expense Account

There shall be credited to the Program Expense Account an amount sufficient to pay all initial and ongoing administrative expenses related to the issuance of the tax increment financing revenue bonds for the current and next succeeding bond year.

3) The Senior Lien Bond and Interest Account

There is hereby created a special account to be known as the Senior Lien Bond and Interest Account. The Village shall have on deposit an amount necessary to pay the principal and interest for the next bond year.

4) The Senior Lien Debt Service Reserve and Redemption Account

The Village shall have on deposit an amount equal to one-half of the maximum annual debt service. Monies on deposit in the Senior Lien Debt Service Reserve and Redemption Account may be used to redeem Senior Lien Bonds and shall be transferred to the Senior Lien Bond and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of the Senior Lien Bonds.

5) The Junior Lien Bond and Interest Account

The Village shall next transfer available incremental revenues into the Series 1991 Junior Lien Bond and Interest Account in an amount sufficient to pay principal and interest for the next bond year.

5. LONG-TERM DEBT (Continued)

H. Tax Increment Revenue Bond Ordinance Disclosures (Continued)

6) The Junior Lien Debt Service Reserve and Redemption Account

The Village shall then transfer available incremental revenues to the Series 1991 Junior Lien Debt Service Reserve and Redemption Account until funds on deposit aggregates the Series 1991 Junior Lien Debt Service Reserve Requirement. For the Series 1991 Junior Lien Tax Increment Revenue Bonds, the Junior Lien Debt Service Reserve Requirement is \$0.

7) The General Account

All monies remaining in the EDA Special Tax Allocation Fund after crediting the required amounts to the aforementioned accounts shall be credited to the General Account. Monies on deposit in the General Account shall first be used to remedy any deficiencies in the prior accounts, second to cover any arbitrage rebate to maintain the tax exempt status of the bonds, and thereafter in the order of priority as follows:

- a) For purposes of paying project costs
- b) For the purpose of paying principal and interest on any outstanding notes issued under the development agreement
- c) To pay for anticipated project costs for the next three years
- d) To refund, advance refund, redeem, prepay, defease or purchase any outstanding bonds
- e) To establish such additional reserves as may be deemed necessary by the Village Board
- f) To distribute funds to applicable taxing districts in accordance with state laws

A schedule summarizing the Village's compliance with the bond indentures can be found in the Supplemental Data section of this report on pages 154-155.

I. Tax Increment Revenue Note Disclosures

The Village, pursuant to an economic development agreement dated February 25, 1990, has agreed to reimburse Sears, Roebuck and Co. for certain project costs Sears has incurred as the Village's agent in furthering the economic development plan and project. The economic development agreement requires that an economic development tax increment revenue note be executed each time Sears makes such an advance. These notes are payable from and secured solely by the pledged incremental revenues deposited from time to time in the Sears EDA General Account Fund created by the indenture of the Series 2005 and Series 1991 tax increment revenue bonds.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

I. Tax Increment Revenue Note Disclosures (Continued)

The interest rates on the notes change every March 1, June 1, September 1 and December 1, indexed to a percentage of the weekly 25 Revenue Bond Index as published by "The Bond Buyer". For developer advance notes and project cost notes, the interest rate is 90% of the index. For developer cash advance notes, the interest rate is 75% of the index. Payments on the notes are due semi-annually as and to the extent monies are available in the EDA General Account Fund. Any amount of interest not paid on the due date is to be added to the principal balance of the note then outstanding.

J. Noncommitment Debt

Illinois municipalities have the authority to issue a limited amount of industrial development bonds to further economic development. The purpose of issuance is to provide assistance to a developer in the acquisition, purchase, construction, reconstruction or improvement of certain qualified development projects.

Industrial development bonds are not a debt of the Village. The entity using the bond proceeds to finance the project is liable for the bonds. Since the Village does not act as an agent for the industrial development bonds, the transactions relating to the bonds and project do not appear in the Village's financial statements.

Material industrial development bonds outstanding at December 31, 2005 are as follows:

Debtor	Project	Original Issue	Balance December 31
Shorewood Builders	Apartments	\$ 21,500,000	\$ 16,815,000

6. INTERFUND ACCOUNTS

Due from/to other funds at December 31, 2005 consist of the following:

	Due From	Due To
General	\$ 52,416	\$ 60,951
Waterworks and Sewerage	-	66,098
Nonmajor Governmental	26,289	-
Fiduciary	58,588	-
Internal Service	21,783	32,027
<b>TOTAL</b>	<b>\$ 159,076</b>	<b>\$ 159,076</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. INTERFUND ACCOUNTS (Continued)

The above due from/to amounts outstanding primarily relate to the allocation of health and dental insurance expenses and property tax revenue. Repayment is expected within one year.

Advances from/to other funds at December 31, 2005 consisted of the following:

	Advance To	Advance From
General	\$ -	\$ 1,237,885
Nonmajor Governmental	1,237,885	-
<b>TOTAL</b>	<b>\$ 1,237,885</b>	<b>\$ 1,237,885</b>

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

- \$1,237,885 Advance to Nonmajor Governmental Funds from the General Fund: This balance relates to 1) \$1,065,258 that the General Fund advanced to the EDA Administration Fund for the payment of TIF related expenses until incremental property taxes increase, which will then increase the governmental share going to the EDA Administration Fund and 2) \$172,627 that the General Fund advanced to the Roselle Road TIF Fund for TIF eligible expenses incurred that will be repaid when TIF funds become available. Repayment is not expected within one year.

Interfund transfers during the year ended December 31, 2005 consisted of the following:

	Transfer In	Transfer Out
General	\$ -	\$ 2,403,077
1991 EDA TIF Bond	963,281	30,000
2005 EDA TIF Refunding Bond	30,000	963,281
Nonmajor Governmental	2,650,580	344,890
Waterworks and Sewerage	50,500	-
Internal Service	46,887	-
<b>TOTAL</b>	<b>\$ 3,741,248</b>	<b>\$ 3,741,248</b>

6. INTERFUND ACCOUNTS (Continued)

The purposes of significant interfund transfers are as follows:

- \$2,403,077 transferred to other funds from the General Fund. This relates to routine transfers from the General Fund to the 2001 General Obligation (GO) Debt Service Fund (\$245,110), 1997A & B GO Debt Service Fund (\$427,220), 2004 GO Debt Service Fund (\$563,730), Capital Improvements Fund (\$326,280), Capital Replacement Fund (\$727,670), Capital Vehicle & Equipment Fund (\$63,830), 1988 DCCA Note Debt Service Fund (\$2,350), Information Systems Fund (\$36,077) and Insurance Fund (\$10,810) for the payment of debt service, capital projects and other costs. The transfers will not be repaid.
- \$963,281 transferred from the 2005 EDA TIF Refunding Bond Fund to the 1991 EDA TIF Bond Fund. This relates to interest earned on the debt service reserve and excess funds transferred to be used for the debt service payments in the 1991 EDA TIF Bond Fund. The transfer will not be repaid.
- \$2,650,580 transferred from other funds to the nonmajor governmental funds. This relates primarily to transfers from the General Fund to the 2001 GO Debt Service Fund (\$245,110), 1997A & B GO Debt Service Fund (\$427,220), 2004 GO Debt Service Fund (\$563,730), Capital Improvements Fund (\$326,280), Capital Replacement Fund (\$727,670), Capital Vehicle & Equipment Fund (\$63,830) and 1988 DCCA Note Debt Service Fund (\$2,350), transfers from the Motor Fuel Tax Fund to the 1997A & B GO Debt Service Fund (\$164,360), transfers from the EDA Administration Fund to the 1997A & B GO Debt Service Fund (\$32,970), the Capital Improvements Fund (\$2,500) and the Capital Vehicle & Equipment Fund (\$9,560), and transfers from the E-911 Fund to the 1997 A & B GO Debt Service Fund (\$85,000), all for the payment of debt service and capital project costs. The transfers will not be repaid.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. The Village is self-insured for general liability and workers compensation, and has established a risk financing Insurance Fund (the Fund) for those risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the Fund provides coverage up to a maximum of \$100,000 for each general liability and property damage claim, \$250,000 for each workers compensation claim in 2003 and prior, \$300,000 for each workers compensation claim in 2004, and \$350,000 for each workers compensation claims in 2005. The Fund provided coverage up to a maximum of \$50,000 for each health claim through 2004. As of January 1, 2005, the Village joined the Intergovernmental Personnel Benefit Cooperative (IPBC) for health claims. The Village purchases commercial insurance for claims in excess of the coverages provided by the Fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. RISK MANAGEMENT (Continued)

All operating funds of the Village participate and make payments to the Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and societal factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2005	2004
UNPAID CLAIMS, BEGINNING OF YEAR	\$ 1,513,241	\$ 1,366,755
Incurred claims (including IBNR)	1,240,262	4,968,760
Claim payments	<u>(1,752,869)</u>	<u>(4,822,274)</u>
UNPAID CLAIMS, END OF YEAR	<u>\$ 1,000,634</u>	<u>\$ 1,513,241</u>

High-Level Excess Liability Pool

The Village participates in the High-level Excess Liability Pool (HELP). HELP is a public entity risk pool established by certain municipalities in Illinois to provide excess liability coverage (\$10,000,000 of coverage after a \$2,000,000 self-insurance retention). The Village's payments to HELP are displayed on the financial statements as expenditures/expenses in appropriate funds.

HELP was organized on April 1, 1987. The purpose of HELP is to act as joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the Members and other parties included within the scope of coverage of HELP.

HELP is governed by a Board of Directors which consists of one appointed representative from each member municipality. Each Director has an equal vote. The officers of HELP are appointed by the Board of Directors. The Board of Directors determines the general policy of HELP, makes all appropriations, approves contracts, adopts resolutions providing for the issuance of debt by HELP, adopts by-laws, rules and regulations, and exercises such powers and performs such duties as may be prescribed in the HELP agreement or the by-laws.

The Village does not exercise any control over the activities of HELP beyond its representation on the Board of Directors.

7. RISK MANAGEMENT (Continued)

High-Level Excess Liability Pool (Continued)

The Village of Elk Grove Village, Illinois (the initial Host Member) issued \$5,000,000 of general obligation bonds in 1987 to provide initial funding for HELP. The bond proceeds were put into escrow. An intergovernmental agreement among HELP, the Village of Elk Grove Village, and the Members provided that HELP and its Members were obligated to the Village of Elk Grove Village for payment of principal and interest on the bonds until such bonds were retired. Additionally, each Member was liable for its proportionate share of any default by other Members. The obligations of HELP and its Members are unconditional. The bonds were paid in full as of April 30, 1997.

Intergovernmental Personnel Benefit Cooperative (IPBC)

Effective January 1, 2005, the Village participates in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC is a public entity risk pool established by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental and life insurance coverage) offered by these members to their officers and employees and to the officers and employees of certain other governmental, quasi governmental and nonprofit public service entities.

The IPBC receives, processes and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers: a Benefit Administrator and a Treasurer. The Village does not exercise any control over the activities of the IPBC beyond its representation on the Board of Directors.

8. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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.

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Village's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Village.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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9. CONTRACTUAL COMMITMENTS

A. High-level Excess Liability Pool

The Village has committed to purchase excess liability insurance from the High-level Excess Liability Pool (HELP) through April 30, 2008. The Village expects to make the following payments to HELP:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 194,730
2007	223,940
2008	257,530

These amounts have been estimated using the Village's current contribution levels.

B. Northwest Suburban Municipal Joint Action Water Agency (JAWA)

The Village has committed to purchase water from JAWA through the year 2022. The Village expects to pay the following payments to JAWA:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 5,027,000
2007	5,027,000
2008	5,027,000
2009	5,027,000
2010	5,027,000
2011-2015	25,135,000
2016-2020	25,135,000
2021-2022	10,054,000

These amounts have been estimated based upon the Village's current water consumption figures and current water costs. In future years the annual cost will be subject to change.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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9. CONTRACTUAL COMMITMENTS (Continued)

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

The Village has committed to make payments to SWANCC for solid waste refuse disposal and expects to pay the following amounts:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 33,691
2007	40,370
2008	50,499
2009	49,288
2010	48,077
2011-2015	236,128

These amounts have been estimated based upon the Village's commitment for 2005. In future years, the annual expense will be subject to change based upon the actual tonnage of refuse disposed of and current SWANCC costs.

D. Economic Incentive Agreements

The Village has entered into economic incentive agreements with commercial entities whereby the Village has agreed to reimburse the commercial entities for certain unique infrastructure costs incurred by the commercial entities through sales tax rebates. The amount of the rebates is limited to the lower of actual costs or \$1,535,000 (\$845,652 paid as of December 31, 2005) and are payable over seven - twelve years solely from sales taxes generated by the commercial entities. The rebates are to be paid semi-annually beginning in 1999 by each March 31<sup>st</sup> and September 30<sup>th</sup> for the previous six months ending December 31<sup>st</sup> and June 30<sup>th</sup>, respectively or annually within 120 days after the end of the Village's fiscal year for amounts collected by the state for the prior fiscal year or quarterly. At December 31, 2005, the Village has accrued an estimated rebate liability of \$95,624 for amounts collected by the state through December 31, 2005. The amounts to be reimbursed annually are limited to various percentages of sales taxes generated by the commercial entities.

10. JOINT VENTURES

A. Northwest Suburban Municipal Joint Action Water Agency (JAWA)

Description of Joint Venture

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

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

Complete financial statements can be obtained from the Northwest Suburban Municipal Joint Action Water Agency, 903 Brantwood Avenue, Elk Grove Village, Illinois 60007.

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

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

JAWA has entered into an agreement with the City of Chicago under which the Village has agreed to sell quantities of Lake Michigan water sufficient to meet the projected water needs of the members through the year 2020.

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

In accordance with the joint venture agreement, the Village remitted \$4,968,228 to JAWA for 2005. The Village does not have an equity interest in JAWA at December 31, 2005.

10. JOINT VENTURES (Continued)

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

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

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

Complete financial statements for SWANCC can be obtained from the SWANCC's administrative office at 2700 Patriot Blvd., Suite 110, Glenview, Illinois 60026.

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

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

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

10. JOINT VENTURES (Continued)

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

In accordance with the contract, the Village made payments totaling \$886,363 to SWANCC in 2005. The payments have been recorded in the Municipal Waste System Fund. The Village does not have an equity interest in SWANCC at December 31, 2005.

11. DEFINED BENEFIT PENSION PLANS

The Village contributes to three defined benefit pension plans: the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The police and fire pension plans issue separate reports on the pension plans. These reports can be obtained from the Village, 1900 Hassell Road, Hoffman Estates, Illinois 60195. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

A. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the year ended December 31, 2005 was 9.96% of covered payroll.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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11. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2004, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	44
Terminated Employees Entitled to Benefits but not yet Receiving Them	1
Current Employees	
Vested	66
Nonvested	31
	<hr/>
TOTAL	<u>142</u>

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

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service costs for the Police Pension Plan. For the year ended December 31, 2004, the Village's contribution was 20.74% of covered payroll.

11. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At December 31, 2004, the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	32
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Current Employees	
Vested	61
Nonvested	34
	<hr/>
TOTAL	<u>127</u>

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

Covered employees are required to contribute 8.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended December 31, 2004, the Village's contribution was 18.84% of covered payroll.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. Significant Investments

Investments in Vanguard mutual funds exceed 5.00% of plan net assets for both the Police and Firefighters' Pension Plans. There are no other significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets for either the Police or Firefighters' Pension Plans. Information for the IMRF is not available.

C. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	December 31, 2003	December 31, 2003	December 31, 2003
Actuarial Cost Method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset Valuation Method	5 Year Smoothed Market	Market	Market
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization Period	29 Years, Closed	29 Years, Closed	29 Years, Closed
Significant Actuarial Assumptions			
a) Rate of Return on Present and Future Assets	7.50% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
b) Projected Salary Increase - Attributable to Inflation	4.00% Compounded Annually	5.00% Compounded Annually	5.00% Compounded Annually
c) Additional Projected Salary Increases - Seniority/Merit	.40 to 11.60%	1.00%	1.00%
d) Post-Retirement Benefit Increases	3.00%	3.00%	3.00%

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Annual Pension Costs (Continued)

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

	Fiscal Year	Illinois Municipal Retirement	Fiscal Year	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2003	\$ 531,812	2002	\$ 1,000,624	\$ 825,394
	2004	872,022	2003	1,200,412	948,818
	2005	956,952	2004	1,336,949	1,182,673
Actual Contribution	2003	\$ 531,812	2002	\$ 986,517	\$ 805,030
	2004	872,022	2003	1,228,908	951,957
	2005	956,952	2004	1,373,666	1,194,531
Percentage of APC Contributed	2003	100.00%	2002	98.60%	97.50%
	2004	100.00	2003	102.40	100.30
	2005	100.00	2004	102.70	101.00
NPO (Asset)	2003	\$ -	2002	\$ (271,282)	\$ 235,707
	2004	-	2003	(299,778)	232,568
	2005	-	2004	(336,495)	220,710

The net pension obligation (asset) has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual Required Contributions	\$ 1,345,336	\$ 1,176,166
Interest on Net Pension Obligation	(22,483)	17,443
Adjustment to Annual Required Contribution	14,096	(10,936)
Annual Pension Cost	1,336,949	1,182,673
Contributions Made	1,373,666	1,194,531
Change in Net Pension Obligation (Asset)	(36,717)	(11,858)
Net Pension Obligation (Asset), Beginning of Year	(299,778)	232,568
NET PENSION OBLIGATION (ASSET), END OF YEAR	\$ (336,495)	\$ 220,710

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Segment Information

Fiduciary Net Assets

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
<b>ASSETS</b>			
Cash and Short-Term Investments	\$ 1,049,948	\$ 1,672,447	\$ 2,722,395
Investments, at Fair Value			
U.S. Treasury Securities	10,315,931	11,281,567	21,597,498
U.S. Agency Securities	10,599,115	11,085,727	21,684,842
Illinois Metropolitan Investment Trust	-	661,787	661,787
Mutual Funds	15,580,148	2,353,919	17,934,067
Money Market Mutual Funds	381,988	1,135,964	1,517,952
Equities	-	14,862,091	14,862,091
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Accrued Interest	250,854	275,911	526,765
Due from General Fund	32,237	26,351	58,588
<b>Total Assets</b>	<b>38,210,221</b>	<b>43,355,764</b>	<b>81,565,985</b>
<b>LIABILITIES</b>			
Accounts Payable	12,818	33,193	46,011
<b>Total Liabilities</b>	<b>12,818</b>	<b>33,193</b>	<b>46,011</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 38,197,403</b>	<b>\$ 43,322,571</b>	<b>\$ 81,519,974</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Segment Information (Continued)

Changes in Plan Net Assets

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
<b>ADDITIONS</b>			
Contributions			
Employer Contributions	\$ 1,355,494	\$ 1,262,516	\$ 2,618,010
Employee Contributions	682,919	622,956	1,305,875
Other Contributions	14,483	47,047	61,530
<b>Total Contributions</b>	<b>2,052,896</b>	<b>1,932,519</b>	<b>3,985,415</b>
Investment Income			
Net Appreciation in Fair Value of Investments	488,135	628,839	1,116,974
Interest	1,219,397	1,604,063	2,823,460
<b>Total Investment Income</b>	<b>1,707,532</b>	<b>2,232,902</b>	<b>3,940,434</b>
Less Investment Expense	(78,016)	(175,736)	(253,752)
<b>Net Investment Income</b>	<b>1,629,516</b>	<b>2,057,166</b>	<b>3,686,682</b>
<b>Total Additions</b>	<b>3,682,412</b>	<b>3,989,685</b>	<b>7,672,097</b>
<b>DEDUCTIONS</b>			
Benefits and Refunds	1,767,133	1,363,667	3,130,800
Miscellaneous	30,093	34,554	64,647
<b>Total Deductions</b>	<b>1,797,226</b>	<b>1,398,221</b>	<b>3,195,447</b>
<b>NET INCREASE</b>	<b>1,885,186</b>	<b>2,591,464</b>	<b>4,476,650</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
January 1	36,312,217	40,731,107	77,043,324
December 31	\$ 38,197,403	\$ 43,322,571	\$ 81,519,974

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended December 31, 2005  
 (with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 19,315,546	\$ 19,521,596	\$ 21,358,959	\$ 18,390,341
Licenses and Permits	1,372,500	1,372,500	2,032,103	1,613,441
Intergovernmental	10,248,120	10,248,120	10,191,818	9,348,021
Charges for Services	2,672,260	3,359,070	3,754,742	2,503,993
Fines and Forfeits	580,500	580,500	597,037	571,439
Investment Income	175,000	175,000	426,348	161,811
Miscellaneous	181,500	181,500	279,439	436,486
<b>Total Revenues</b>	<b>34,545,426</b>	<b>35,438,286</b>	<b>38,640,446</b>	<b>33,025,532</b>
<b>EXPENDITURES</b>				
Current				
General Government	4,374,270	4,562,920	4,559,935	4,213,656
Public Safety	21,309,913	21,944,463	21,932,451	20,443,226
Highways and Streets	4,251,400	4,268,800	4,265,588	4,053,212
Health and Welfare	1,685,110	1,685,110	1,671,142	1,637,951
Culture and Recreation	249,480	249,480	223,112	222,720
Economic Development	1,166,770	1,219,030	1,219,030	1,127,451
<b>Total Expenditures</b>	<b>33,036,943</b>	<b>33,929,803</b>	<b>33,871,258</b>	<b>31,698,216</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,508,483</b>	<b>1,508,483</b>	<b>4,769,188</b>	<b>1,327,316</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (Out)	(2,409,380)	(2,409,380)	(2,403,077)	(2,322,513)
Sale of Capital Assets	4,000	4,000	3,161	1,535
<b>Total Other Financing Sources (Uses)</b>	<b>(2,405,380)</b>	<b>(2,405,380)</b>	<b>(2,399,916)</b>	<b>(2,320,978)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (896,897)</b>	<b>\$ (896,897)</b>	<b>2,369,272</b>	<b>(993,662)</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>13,658,083</b>	<b>14,651,745</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 16,027,355</b>	<b>\$ 13,658,083</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2005

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BUDGETARY INFORMATION

All departments submit requests for appropriations to the Village Manager so that a budget may be prepared. The proposed budget is prepared by line-item, program, department and fund and includes information on previous years' spending, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the Village Board for review. The Village Board holds public hearings and may add to, subtract or change appropriations. Once the budget is approved, a formal budget ordinance is adopted providing the legal authority to spend public funds.

The annual budget within functions can be changed by the Village Manager. Changes affecting total functions or funds must be approved by the Village Board. Expenditures/expenses may not legally exceed budget at the function/fund level. During the year several budget amendments were approved by the Village Board. The budget figures included in this report reflect all budget amendments made during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service and all trust funds. All annual budgets lapse at year end.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FUNDING PROGRESS

ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2005

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (OAAL) (2) - (1)	(5) Covered Payroll	UAAL (OAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 21,313,922	\$ 18,116,129	117.65%	\$ (3,197,793)	\$ 7,403,852	(43.19%)
2001	23,017,584	20,740,670	110.98%	(2,276,914)	8,222,320	(27.69%)
2002	20,951,836	21,967,250	95.38%	1,015,414	8,789,689	11.55%
2003	21,537,876	23,777,749	90.58%	2,239,873	9,106,366	24.60%
2004	22,711,178	26,116,924	86.96%	3,405,746	9,188,213	37.07%
2005	24,975,810	28,864,113	86.53%	3,888,303	9,607,953	40.47%

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FUNDING PROGRESS

POLICE PENSION FUND

December 31, 2005

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL As a Percentage of Covered Payroll (4) / (5)
1999	\$ 24,523,073	\$ 33,719,514	72.73%	\$ 9,196,441	\$ 5,277,908	174.24%
2000	27,748,731	37,790,067	73.43%	10,041,336	5,432,973	184.82%
2001	28,333,908	41,590,258	68.13%	13,256,350	5,628,950	235.50%
2002	29,478,058	44,943,914	65.59%	15,465,856	5,839,753	264.84%
2003	33,455,485	48,354,837	69.19%	14,899,352	6,224,502	239.37%
2004	36,312,217	52,154,449	69.62%	15,842,232	6,624,855	239.13%
2005	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information not available.

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FUNDING PROGRESS

FIREFIGHTERS' PENSION FUND

December 31, 2005

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (OAAL) (2) - (1)	(5) Covered Payroll	UAAL As a Percentage of Covered Payroll (4) / (5)
1999	\$ 27,343,276	\$ 30,382,983	90.00%	\$ 3,039,707	\$ 4,962,510	61.25%
2000	31,972,876	33,328,381	95.93%	1,355,505	5,074,974	26.71%
2001	32,844,579	36,224,569	90.67%	3,379,990	5,335,465	63.35%
2002	32,792,236	39,735,129	82.53%	6,942,893	5,495,896	126.33%
2003	36,983,919	43,920,572	84.21%	6,936,653	5,975,159	116.09%
2004	40,731,107	49,152,952	82.87%	8,421,845	6,340,870	132.82%
2005	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information not available.

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2005

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<u>Fiscal Year December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 496,058	\$ 496,058	100.00%
2001	370,004	370,004	100.00%
2002	350,709	350,709	100.00%
2003	531,812	531,812	100.00%
2004	872,022	872,022	100.00%
2005	956,952	956,952	100.00%

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 POLICE PENSION FUND

December 31, 2005

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<u>Fiscal Year December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 779,801	\$ 791,242	98.55%
2001	903,239	936,288	96.47%
2002	986,517	1,009,184	97.75%
2003	1,228,908	1,208,284	101.71%
2004	1,373,666	1,345,336	102.11%
2005	1,355,494	N/A	N/A

N/A - Information not available.

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 FIREFIGHTERS' PENSION FUND

December 31, 2005

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<u>Fiscal Year December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 708,916	\$ 729,356	97.20%
2001	844,885	871,526	96.94%
2002	805,030	818,935	98.30%
2003	951,957	941,978	101.06%
2004	1,194,531	1,176,166	101.56%
2005	1,262,516	N/A	N/A

N/A - Information not available.

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMPARATIVE BALANCE SHEET

GENERAL FUND

December 31, 2005  
(with comparative totals for 2004)

	2005	2004
<b>ASSETS</b>		
Cash and Investments	\$ 14,366,578	\$ 11,490,275
Receivables		
Property Taxes	11,426,163	11,381,614
Accounts	40,584	42,987
Accrued Interest	81,970	4,770
Other	429,213	309,307
Prepaid Expenses	16,993	16,959
Inventory	166,857	152,058
Due from Other Governments	3,192,471	3,316,532
Due from Other Funds	52,416	89,811
Advance to Other Funds	1,237,885	1,185,532
Advance to Fiduciary Funds	-	5,470
<b>TOTAL ASSETS</b>	<b>\$ 31,011,130</b>	<b>\$ 27,995,315</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 716,456	\$ 526,370
Accrued Payroll	786,865	695,220
Deferred Revenues	12,082,680	11,504,468
Due to Other Funds	2,363	649,862
Due to Fiduciary Funds	58,588	56,692
Deposits Payable	1,336,823	904,620
<b>Total Liabilities</b>	<b>14,983,775</b>	<b>14,337,232</b>
<b>FUND BALANCE</b>		
Reserved for Prepaid Expenses	16,993	16,959
Reserved for Inventory	166,857	152,058
Reserved for Advances to Other Funds	1,237,885	1,191,002
Reserved for Public Safety	142,319	134,286
Reserved for Employee Loan Program	99,468	83,805
Unreserved - Designated for Compensated Absences	1,696,714	1,671,102
Unreserved - Undesignated	12,667,119	10,408,871
<b>Total Fund Balance</b>	<b>16,027,355</b>	<b>13,658,083</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 31,011,130</b>	<b>\$ 27,995,315</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>GENERAL GOVERNMENT</b>				
Legislative	\$ 282,780	\$ 282,780	\$ 273,676	\$ 253,786
Administration	623,330	623,330	619,548	589,163
Legal	271,020	377,080	418,212	277,793
Finance	711,070	711,070	708,149	686,285
Village Clerk	164,400	164,400	155,490	142,761
Human Resources Management	289,360	289,360	276,079	280,093
Buildings and Grounds	754,920	754,920	746,783	678,407
Equipment and Supply	1,104,570	1,187,160	1,246,769	1,136,324
Police and Fire Commission	39,910	39,910	28,394	55,264
Miscellaneous Boards and Commissions	132,910	132,910	86,835	113,780
<b>Total General Government</b>	<b>4,374,270</b>	<b>4,562,920</b>	<b>4,559,935</b>	<b>4,213,656</b>
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Administration	1,274,990	1,298,440	1,299,989	1,131,259
Juvenile Investigations	616,580	616,580	629,732	602,272
Problem Oriented Policing	199,970	199,970	202,767	189,218
Tactical	736,220	736,220	743,683	660,106
Patrol and Response	5,748,043	5,913,033	5,939,544	5,706,866
Traffic Control	756,540	780,840	795,030	728,578
Investigations	844,950	874,360	875,866	837,273
Community Relations	217,140	217,140	220,927	212,973
Communications	530,900	563,550	563,546	520,200
Canine	236,260	236,260	179,070	117,251
Special Services	26,310	51,330	58,538	27,404
Records	229,060	229,060	224,925	256,435
Administrative Services	663,760	663,760	646,090	596,623
<b>Total Police Department</b>	<b>12,080,723</b>	<b>12,380,543</b>	<b>12,379,707</b>	<b>11,586,458</b>
<b>Fire Department</b>				
Administration	620,480	620,480	598,207	563,324
Public Education	103,440	119,290	119,170	106,842
Suppression	4,502,180	4,776,160	4,889,256	4,560,340
Emergency Medical Services	3,631,150	3,676,050	3,596,576	3,220,361
Fire Prevention	239,560	239,560	248,966	295,912
E.S.D.A.	63,230	63,230	39,412	58,971
Fire Stations	69,150	69,150	61,157	51,018
<b>Total Fire Department</b>	<b>9,229,190</b>	<b>9,563,920</b>	<b>9,552,744</b>	<b>8,856,768</b>
<b>Total Public Safety</b>	<b>21,309,913</b>	<b>21,944,463</b>	<b>21,932,451</b>	<b>20,443,226</b>

(This schedule is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

GENERAL FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>HIGHWAYS AND STREETS</b>				
Administration - Public Works	\$ 277,110	\$ 277,110	\$ 266,207	\$ 227,684
Snow and Ice Control	1,150,480	1,167,880	1,334,374	1,112,240
Asphalt	245,610	245,610	246,009	237,082
Forestry	733,380	733,380	642,436	710,111
Maintenance	213,810	213,810	217,554	216,232
Storm Sewers	158,040	158,040	155,765	142,871
Utilities	520,020	520,020	544,003	529,873
Engineering	568,360	568,360	451,231	546,880
Transportation	384,590	384,590	408,009	330,239
<b>Total Highways and Streets</b>	<b>4,251,400</b>	<b>4,268,800</b>	<b>4,265,588</b>	<b>4,053,212</b>
<b>HEALTH AND WELFARE</b>				
Health and Human Services	662,290	662,290	648,862	655,531
Code Enforcement	1,022,820	1,022,820	1,022,280	982,420
<b>Total Health and Welfare</b>	<b>1,685,110</b>	<b>1,685,110</b>	<b>1,671,142</b>	<b>1,637,951</b>
<b>CULTURE AND RECREATION</b>				
Cable T.V.	136,260	136,260	116,070	120,929
4th of July	113,220	113,220	107,042	101,791
<b>Total Culture and Recreation</b>	<b>249,480</b>	<b>249,480</b>	<b>223,112</b>	<b>222,720</b>
<b>ECONOMIC DEVELOPMENT</b>				
Administration - Community Development	202,620	202,620	201,202	199,173
Planning	603,680	603,680	593,520	566,207
Economic Development	360,470	412,730	424,308	362,071
<b>Total Economic Development</b>	<b>1,166,770</b>	<b>1,219,030</b>	<b>1,219,030</b>	<b>1,127,451</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 33,036,943</b>	<b>\$ 33,929,803</b>	<b>\$ 33,871,258</b>	<b>\$ 31,698,216</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

1991 EDA TIF BOND FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 7,520,000	\$ 7,520,000	\$ 694,247	\$ 2,241,862
Investment Income	30,000	30,000	44,624	145,900
Miscellaneous	9,700,000	9,730,000	12,461,716	10,845,011
<b>Total Revenues</b>	<b>17,250,000</b>	<b>17,280,000</b>	<b>13,200,587</b>	<b>13,232,773</b>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	18,210,000	18,210,000	18,210,000	17,380,000
<b>Total Expenditures</b>	<b>18,210,000</b>	<b>18,210,000</b>	<b>18,210,000</b>	<b>17,380,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(960,000)</b>	<b>(930,000)</b>	<b>(5,009,413)</b>	<b>(4,147,227)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	960,000	960,000	963,281	2,196,531
Transfer (Out)	-	(30,000)	(30,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>960,000</b>	<b>930,000</b>	<b>933,281</b>	<b>2,196,531</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(4,076,132)</b>	<b>(1,950,696)</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>4,094,287</b>	<b>6,044,983</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 18,155</b>	<b>\$ 4,094,287</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

2005 EDA TIF REFUNDING BOND FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 12,542,595	\$ 12,542,595	\$ 432,011	\$ 14,000,000
Investment Income	975,000	975,000	594,435	976,202
<b>Total Revenues</b>	<b>13,517,595</b>	<b>13,517,595</b>	<b>1,026,446</b>	<b>14,976,202</b>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	9,155,000	9,155,000	-	8,690,000
Interest and Fiscal Charges	3,402,595	3,402,595	4,460,772	3,876,982
<b>Total Expenditures</b>	<b>12,557,595</b>	<b>12,557,595</b>	<b>4,460,772</b>	<b>12,566,982</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>960,000</b>	<b>960,000</b>	<b>(3,434,326)</b>	<b>2,409,220</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	30,000	-
Transfer (Out)	(960,000)	(960,000)	(963,281)	(2,196,531)
Bond Issued, at Par	-	58,424,570	65,400,000	-
Payment to Escrow Agent	-	58,424,570	(66,518,105)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(960,000)</b>	<b>115,889,140</b>	<b>(2,051,386)</b>	<b>(2,196,531)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 116,849,140</b>	<b>(5,485,712)</b>	<b>212,689</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>17,675,585</b>	<b>17,462,896</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 12,189,873</b>	<b>\$ 17,675,585</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 SEARS CENTRE CAPITAL PROJECTS FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Investment Income	\$ -	\$ -	\$ 745,159
Total Revenues	-	-	745,159
<b>EXPENDITURES</b>			
Debt Service			
Interest and Fiscal Charges	-	976,320	976,316
Total Expenditures	-	976,320	976,316
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(976,320)	(231,157)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issued, at Par	-	976,320	49,521,242
Discount on Issuance of Bonds	-	-	(420,904)
Total Other Financing Sources (Uses)	-	976,320	49,100,338
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	48,869,181
<b>FUND BALANCE, JANUARY 1</b>			<u>-</u>
<b>FUND BALANCE, DECEMBER 31</b>			<u><u>\$ 48,869,181</u></u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2005

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 3,106,000	\$ 5,038,205	\$ 14,451,313	\$ 22,595,518
Receivables				
Property Taxes	535,335	1,555,017	-	2,090,352
Accrued Interest	13,052	1,057	49,155	63,264
Other	95,917	77,042	-	172,959
Prepaid Items	47,260	-	422,542	469,802
Land Held for Resale	515,000	-	-	515,000
Due from Other Governments	121,729	-	-	121,729
Due from Other Funds	1,683	24,606	-	26,289
<b>TOTAL ASSETS</b>	<b>\$ 4,435,976</b>	<b>\$ 6,695,927</b>	<b>\$ 14,923,010</b>	<b>\$ 26,054,913</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 116,717	\$ 300	\$ 976,459	\$ 1,093,476
Accrued Payroll	75,930	-	-	75,930
Deferred Revenues	1,119,619	1,543,415	-	2,663,034
Advance from Other Funds	1,237,885	-	-	1,237,885
Deposits Payable	14,790	-	592,231	607,021
<b>Total Liabilities</b>	<b>2,564,941</b>	<b>1,543,715</b>	<b>1,568,690</b>	<b>5,677,346</b>
<b>FUND BALANCES</b>				
Reserved for Prepaid Items	47,260	-	422,542	469,802
Reserved for Highways and Streets	209,497	-	-	209,497
Reserved for Emergency Equipment	859,443	-	-	859,443
Reserved for Public Safety	90,630	-	-	90,630
Reserved for Debt Service	-	5,152,212	-	5,152,212
Reserved for Economic Development	465,984	-	5,995,444	6,461,428
Reserved for Bridge Maintenance and Repairs	-	-	367,666	367,666
Unreserved - Designated for Compensated Absences	18,594	-	-	18,594
Unreserved - Designated for Capital Projects	-	-	6,568,668	6,568,668
Unreserved - Undesignated	179,627	-	-	179,627
<b>Total Fund Balances</b>	<b>1,871,035</b>	<b>5,152,212</b>	<b>13,354,320</b>	<b>20,377,567</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,435,976</b>	<b>\$ 6,695,927</b>	<b>\$ 14,923,010</b>	<b>\$ 26,054,913</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,810,357	\$ 2,296,358	\$ -	\$ 6,106,715
Intergovernmental	1,720,279	-	145	1,720,424
Charges for Services	880,637	-	1,291,398	2,172,035
Fines and Forfeits	166,152	-	-	166,152
Investment Income	111,431	124,569	480,035	716,035
Miscellaneous	17,533	92,949	54,718	165,200
<b>Total Revenues</b>	<b>6,706,389</b>	<b>2,513,876</b>	<b>1,826,296</b>	<b>11,046,561</b>
<b>EXPENDITURES</b>				
Current				
General Government	196,760	-	-	196,760
Public Safety	2,996,132	-	-	2,996,132
Highways and Streets	1,415,884	-	-	1,415,884
Sanitation	930,335	-	-	930,335
Economic Development	76,316	-	-	76,316
Capital Outlay	-	-	3,827,231	3,827,231
Debt Service				
Principal Retirement	-	3,039,471	-	3,039,471
Interest and Fiscal Charges	-	1,797,930	-	1,797,930
<b>Total Expenditures</b>	<b>5,615,427</b>	<b>4,837,401</b>	<b>3,827,231</b>	<b>14,280,059</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,090,962</b>	<b>(2,323,525)</b>	<b>(2,000,935)</b>	<b>(3,233,498)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,520,740	1,129,840	2,650,580
Transfers (Out)	(344,890)	-	-	(344,890)
Sale of Capital Assets	-	-	58,923	58,923
Bond Issued, at Par	-	5,413,758	-	5,413,758
<b>Total Other Financing Sources (Uses)</b>	<b>(344,890)</b>	<b>6,934,498</b>	<b>1,188,763</b>	<b>7,778,371</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>746,072</b>	<b>4,610,973</b>	<b>(812,172)</b>	<b>4,544,873</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,124,963</b>	<b>541,239</b>	<b>14,166,492</b>	<b>15,832,694</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,871,035</b>	<b>\$ 5,152,212</b>	<b>\$ 13,354,320</b>	<b>\$ 20,377,567</b>

(See independent auditor's report.)

## NONMAJOR SPECIAL REVENUE FUNDS

Motor Fuel Tax Fund - to account for the maintenance and various street improvements in the Village. Financing is provided by the Village's share of Motor Fuel Tax allotments. State statutes require those allotments to be used to maintain streets.

Asset Seizure Fund - to account for the fines and forfeitures received under the "Zero Tolerance Act" which by law are restricted to use in the fight against drug abuse.

Economic Development Area (EDA) Administration Fund - to account for revenues and expenditures pertaining to the Village's establishment of an Economic Development Area, and the Sears Development, in accordance with State statutes.

Emergency 911 Fund - to account for revenues and expenditures pertaining to the telephone surcharge authorized by voter referendum and required to be established as a separate fund by State statutes.

Municipal Waste System Fund - to account for waste system revenues and payments to the Solid Waste Agency of Northern Cook County pursuant to the Project Use Agreement dated March 25, 1992.

Roselle Road TIF Fund - to account for the revenues and expenditures pertaining to the activity in the Roselle Road TIF district.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2005

	Motor Fuel Tax	Asset Seizure	EDA Administration
<b>ASSETS</b>			
Cash and Investments	\$ 88,375	\$ 689,797	\$ 1,314,055
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Property Taxes	-	-	-
Accrued Interest	-	-	-
Other	-	-	3,904
Prepaid Items	-	-	34
Land Held for Resale	-	-	-
Due from Other Governments	121,729	-	-
Due from Other Funds	-	468	1,215
<b>TOTAL ASSETS</b>	<b>\$ 210,104</b>	<b>\$ 690,265</b>	<b>\$ 1,319,208</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 607	\$ 2,567	\$ 15,125
Accrued Payroll	-	3,799	72,131
Deferred Revenues	-	593,269	-
Advance from Other Funds	-	-	1,065,258
Deposits Payable	-	-	14,790
<b>Total Liabilities</b>	<b>607</b>	<b>599,635</b>	<b>1,167,304</b>
<b>FUND BALANCES</b>			
Reserved for Prepaid Items	-	-	34
Reserved for Highways and Streets	209,497	-	-
Reserved for Emergency Equipment	-	-	-
Reserved for Economic Development	-	-	133,276
Reserved for Public Safety	-	90,630	-
Unreserved			
Designated for Compensated Absences	-	-	18,594
Undesignated	-	-	-
<b>Total Fund Balances</b>	<b>209,497</b>	<b>90,630</b>	<b>151,904</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 210,104</b>	<b>\$ 690,265</b>	<b>\$ 1,319,208</b>

Emergency 911	Municipal Waste System	Roselle Road TIF	Total
\$ 792,507	\$ 220,201	\$ 1,065	\$ 3,106,000
-	-	535,335	535,335
13,052	-	-	13,052
53,884	38,129	-	95,917
-	47,226	-	47,260
-	-	515,000	515,000
-	-	-	121,729
-	-	-	1,683
<u>\$ 859,443</u>	<u>\$ 305,556</u>	<u>\$ 1,051,400</u>	<u>\$ 4,435,976</u>
\$ -	\$ 78,703	\$ 19,715	\$ 116,717
-	-	-	75,930
-	-	526,350	1,119,619
-	-	172,627	1,237,885
-	-	-	14,790
-	78,703	718,692	2,564,941
-	47,226	-	47,260
-	-	-	209,497
859,443	-	-	859,443
-	-	332,708	465,984
-	-	-	90,630
-	-	-	18,594
-	179,627	-	179,627
<u>859,443</u>	<u>226,853</u>	<u>332,708</u>	<u>1,871,035</u>
<u>\$ 859,443</u>	<u>\$ 305,556</u>	<u>\$ 1,051,400</u>	<u>\$ 4,435,976</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2005

	Motor Fuel Tax	Asset Seizure	EDA Administration
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 3,284,102
Intergovernmental	1,502,581	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	166,152	-
Investment Income	5,567	1,933	69,329
Miscellaneous	-	-	15,199
<b>Total Revenues</b>	<b>1,508,148</b>	<b>168,085</b>	<b>3,368,630</b>
<b>EXPENDITURES</b>			
Current			
General Government	-	-	196,760
Public Safety	-	174,354	2,821,778
Highways and Streets	1,298,726	-	117,158
Sanitation	-	-	-
Economic Development	-	-	-
<b>Total Expenditures</b>	<b>1,298,726</b>	<b>174,354</b>	<b>3,135,696</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>209,422</b>	<b>(6,269)</b>	<b>232,934</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (Out)	(164,360)	-	(95,530)
<b>Total Other Financing Sources (Uses)</b>	<b>(164,360)</b>	<b>-</b>	<b>(95,530)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>45,062</b>	<b>(6,269)</b>	<b>137,404</b>
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<b>164,435</b>	<b>96,899</b>	<b>14,500</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 209,497</b>	<b>\$ 90,630</b>	<b>\$ 151,904</b>

Emergency 911	Municipal Waste System	Roselle Road TIF	Total
\$ -	\$ 3	\$ 526,252	\$ 3,810,357
217,698	-	-	1,720,279
-	880,637	-	880,637
-	-	-	166,152
24,050	9,404	1,148	111,431
-	2,334	-	17,533
241,748	892,378	527,400	6,706,389
-	-	-	196,760
-	-	-	2,996,132
-	-	-	1,415,884
-	930,335	-	930,335
-	-	76,316	76,316
-	930,335	76,316	5,615,427
241,748	(37,957)	451,084	1,090,962
(85,000)	-	-	(344,890)
(85,000)	-	-	(344,890)
156,748	(37,957)	451,084	746,072
702,695	264,810	(118,376)	1,124,963
\$ 859,443	\$ 226,853	\$ 332,708	\$ 1,871,035

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

MOTOR FUEL TAX FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Intergovernmental	\$ 1,445,000	\$ 1,445,000	\$ 1,502,581	\$ 1,471,136
Investment Income	1,400	1,400	5,567	2,037
Total Revenues	1,446,400	1,446,400	1,508,148	1,473,173
<b>EXPENDITURES</b>				
Current				
Highways and Streets	1,313,510	1,313,510	1,298,726	1,289,996
Total Expenditures	1,313,510	1,313,510	1,298,726	1,289,996
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	132,890	132,890	209,422	183,177
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (Out)	(164,360)	(164,360)	(164,360)	(159,570)
Total Other Financing Sources (Uses)	(164,360)	(164,360)	(164,360)	(159,570)
NET CHANGE IN FUND BALANCE	\$ (31,470)	\$ (31,470)	45,062	23,607
FUND BALANCE, JANUARY 1			164,435	140,828
FUND BALANCE, DECEMBER 31			\$ 209,497	\$ 164,435

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

ASSET SEIZURE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Fines and Forfeits	\$ 440,830	\$ 440,830	\$ 166,152	\$ 237,057
Investment Income	600	600	1,933	768
Total Revenues	441,430	441,430	168,085	237,825
<b>EXPENDITURES</b>				
Current				
Public Safety	260,830	260,830	174,354	241,107
Total Expenditures	260,830	260,830	174,354	241,107
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	180,600	180,600	(6,269)	(3,282)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (Out)	(180,000)	(180,000)	-	-
Total Other Financing Sources (Uses)	(180,000)	(180,000)	-	-
NET CHANGE IN FUND BALANCE	\$ 600	\$ 600	(6,269)	(3,282)
FUND BALANCE, JANUARY 1			96,899	100,181
FUND BALANCE, DECEMBER 31			\$ 90,630	\$ 96,899

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

ECONOMIC DEVELOPMENT AREA (EDA) ADMINISTRATION FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 3,284,102	\$ 3,284,102	\$ 3,284,102	\$ 3,140,626
Investment Income	14,660	41,000	69,329	21,984
Miscellaneous	-	-	15,199	10,324
<b>Total Revenues</b>	<b>3,298,762</b>	<b>3,325,102</b>	<b>3,368,630</b>	<b>3,172,934</b>
<b>EXPENDITURES</b>				
Current				
General Government	197,470	197,470	196,760	181,713
Public Safety	2,790,790	2,817,130	2,821,778	2,570,011
Highways and Streets	125,750	125,750	117,158	136,867
<b>Total Expenditures</b>	<b>3,114,010</b>	<b>3,140,350</b>	<b>3,135,696</b>	<b>2,888,591</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>184,752</b>	<b>184,752</b>	<b>232,934</b>	<b>284,343</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (Out)	(95,530)	(95,530)	(95,530)	(41,480)
<b>Total Other Financing Sources (Uses)</b>	<b>(95,530)</b>	<b>(95,530)</b>	<b>(95,530)</b>	<b>(41,480)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 89,222</b>	<b>\$ 89,222</b>	<b>137,404</b>	<b>242,863</b>
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>			<b>14,500</b>	<b>(228,363)</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 151,904</b>	<b>\$ 14,500</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

EMERGENCY 911 FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 217,698	\$ 229,037
Investment Income	3,290	3,290	24,050	7,653
<b>Total Revenues</b>	<b>233,290</b>	<b>233,290</b>	<b>241,748</b>	<b>236,690</b>
<b>EXPENDITURES</b>				
Current				
Public Safety	-	-	-	59
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>233,290</b>	<b>233,290</b>	<b>241,748</b>	<b>236,631</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	-	259,782
Transfer (Out)	(85,000)	(85,000)	(85,000)	(107,915)
<b>Total Other Financing Sources (Uses)</b>	<b>(85,000)</b>	<b>(85,000)</b>	<b>(85,000)</b>	<b>151,867</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 148,290</b>	<b>\$ 148,290</b>	<b>156,748</b>	<b>388,498</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>702,695</b>	<b>314,197</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 859,443</b>	<b>\$ 702,695</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

MUNICIPAL WASTE SYSTEM FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		Actual	2004
	Original Budget	Final Budget		Actual
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 3	\$ 1,751
Charges for Services	842,600	880,640	880,637	816,056
Investment Income	250	9,410	9,404	1,586
Miscellaneous	2,500	2,500	2,334	2,346
Total Revenues	845,350	892,550	892,378	821,739
<b>EXPENDITURES</b>				
Current				
Sanitation	857,470	930,340	930,335	600,961
Total Expenditures	857,470	930,340	930,335	600,961
NET CHANGE IN FUND BALANCE	\$ (12,120)	\$ (37,790)	(37,957)	220,778
FUND BALANCE, JANUARY 1			264,810	44,032
FUND BALANCE, DECEMBER 31			\$ 226,853	\$ 264,810

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

ROSELLE ROAD TIF FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 526,252	\$ 156,209
Investment Income	100	100	1,148	192
Total Revenues	200,100	200,100	527,400	156,401
<b>EXPENDITURES</b>				
Current				
Economic Development	585,000	585,000	76,316	240,137
Total Expenditures	585,000	585,000	76,316	240,137
NET CHANGE IN FUND BALANCE	\$ (384,900)	\$ (384,900)	451,084	(83,736)
FUND BALANCE (DEFICIT), JANUARY 1			(118,376)	(34,640)
FUND BALANCE (DEFICIT), DECEMBER 31			\$ 332,708	\$ (118,376)

(See independent auditor's report.)

## NONMAJOR DEBT SERVICE FUNDS

1997A & B General Obligation Debt Service Fund - to account for the accumulation of resources for the payment of bond principal and interest on the 1997A & B general obligation bond issue.

1988 DCCA Note Debt Service Fund - to account for the accumulation of resources and payment of principal and interest on the 1988 Illinois Department of Commerce and Community Affairs (DCCA) installment note.

2001 General Obligation Refunding Bond Fund - to account for the accumulation of resources for the payment of bond principal and interest on the 2001 general obligation bond issue.

Sears EDA General Account Fund - to account for Sears EDA incremental revenues not needed for debt service on the Series 1991 and Series 1997 tax increment revenue bonds or for the guarantee distribution to local governments. Revenues in this fund will be used to pay principal and interest on tax increment revenue notes issued under the Development Agreement, to pay other outstanding project costs or to distribute surplus funds to applicable local governmental units.

2003 General Obligation Refunding Bond Fund - to account for the accumulation of resources for the payment of bond principal and interest on the 2003 general obligation bond issue.

2004 General Obligation Refunding Bond Fund - to account for the accumulation of resources for the payment of bond principal and interest on the 2004 general obligation bond issue.

2005A General Obligation Debt Service Fund - to account for the accumulation of resources for the payment of bond principal and interest on the 2005A general obligation bond issue.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

December 31, 2005

	1997A & B General Obligation Debt Service	1988 DCCA Note Debt Service	2001 General Obligation Refunding Bond
<b>ASSETS</b>			
Cash and Investments	\$ 1,462	\$ -	\$ 208,055
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Property Taxes	-	-	462,187
Accrued Interest	-	-	395
Other	-	-	77,042
Due from Other Funds	-	-	7,942
<b>TOTAL ASSETS</b>	<b>\$ 1,462</b>	<b>\$ -</b>	<b>\$ 755,621</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 300	\$ -	\$ -
Deferred Revenues	-	-	458,442
<b>Total Liabilities</b>	<b>300</b>	<b>-</b>	<b>458,442</b>
<b>FUND BALANCES</b>			
Reserved for Debt Service	1,162	-	297,179
<b>Total Fund Balances</b>	<b>1,162</b>	<b>-</b>	<b>297,179</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,462</b>	<b>\$ -</b>	<b>\$ 755,621</b>

Sears EDA General Account	2003 General Obligation Refunding Bond	2004 General Obligation Refunding Bond	2005A General Obligation Debt Service	Total
\$ -	\$ 120,428	\$ 96,002	\$ 4,612,258	\$ 5,038,205
-	866,401	226,429	-	1,555,017
-	326	-	336	1,057
-	-	-	-	77,042
-	12,997	3,667	-	24,606
<u>\$ -</u>	<u>\$ 1,000,152</u>	<u>\$ 326,098</u>	<u>\$ 4,612,594</u>	<u>\$ 6,695,927</u>
\$ -	\$ -	\$ -	\$ -	\$ 300
-	860,273	224,700	-	1,543,415
-	860,273	224,700	-	1,543,715
-	139,879	101,398	4,612,594	5,152,212
-	139,879	101,398	4,612,594	5,152,212
<u>\$ -</u>	<u>\$ 1,000,152</u>	<u>\$ 326,098</u>	<u>\$ 4,612,594</u>	<u>\$ 6,695,927</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended December 31, 2005

	1997A & B General Obligation Debt Service	1988 DCCA Note Debt Service	2001 General Obligation Refunding Bond
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 1,274,505
Investment Income	1,822	-	20,244
Miscellaneous	-	92,949	-
<b>Total Revenues</b>	<b>1,822</b>	<b>92,949</b>	<b>1,294,749</b>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	380,000	94,471	1,165,000
Interest and Fiscal Charges	166,088	828	371,800
<b>Total Expenditures</b>	<b>546,088</b>	<b>95,299</b>	<b>1,536,800</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(544,266)</b>	<b>(2,350)</b>	<b>(242,051)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	545,190	2,350	245,110
Bonds Issued, at Par	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>545,190</b>	<b>2,350</b>	<b>245,110</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>924</b>	<b>-</b>	<b>3,059</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>238</b>	<b>-</b>	<b>294,120</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,162</b>	<b>\$ -</b>	<b>\$ 297,179</b>

Sears EDA General Account	2003 General Obligation Refunding Bond	2004 General Obligation Refunding Bond	2005A General Obligation Debt Service	Total
\$ -	\$ 796,643	\$ 225,210	\$ -	\$ 2,296,358
-	13,722	5,166	83,615	124,569
-	-	-	-	92,949
-	810,365	230,376	83,615	2,513,876
-	665,000	735,000	-	3,039,471
-	150,835	223,600	884,779	1,797,930
-	815,835	958,600	884,779	4,837,401
-	(5,470)	(728,224)	(801,164)	(2,323,525)
-	-	728,090	-	1,520,740
-	-	-	5,413,758	5,413,758
-	-	728,090	5,413,758	6,934,498
-	(5,470)	(134)	4,612,594	4,610,973
-	145,349	101,532	-	541,239
\$ -	\$ 139,879	\$ 101,398	\$ 4,612,594	\$ 5,152,212

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

1997A & B GENERAL OBLIGATION DEBT SERVICE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 4,000	\$ 4,000	\$ -	\$ 300,013
Investment Income	2,000	2,000	1,822	2,098
<b>Total Revenues</b>	<b>6,000</b>	<b>6,000</b>	<b>1,822</b>	<b>302,111</b>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	380,000	380,000	380,000	1,045,000
Interest and Fiscal Charges	166,388	166,388	166,088	365,455
<b>Total Expenditures</b>	<b>546,388</b>	<b>546,388</b>	<b>546,088</b>	<b>1,410,455</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(540,388)</b>	<b>(540,388)</b>	<b>(544,266)</b>	<b>(1,108,344)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	545,190	545,190	545,190	1,263,720
Transfer (Out)	-	-	-	(245,640)
<b>Total Other Financing Sources (Uses)</b>	<b>545,190</b>	<b>545,190</b>	<b>545,190</b>	<b>1,018,080</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 4,802</b>	<b>\$ 4,802</b>	<b>924</b>	<b>(90,264)</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>238</b>	<b>90,502</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 1,162</b>	<b>\$ 238</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

1988 DCCA NOTE DEBT SERVICE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Miscellaneous	\$ 95,300	\$ 95,300	\$ 92,949	\$ 190,600
Total Revenues	95,300	95,300	92,949	190,600
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	94,472	94,472	94,471	184,750
Interest and Fiscal Charges	828	828	828	5,850
Total Expenditures	95,300	95,300	95,299	190,600
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(2,350)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	2,350	-
Total Other Financing Sources (Uses)	-	-	2,350	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	-
FUND BALANCE, JANUARY 1			-	-
FUND BALANCE, DECEMBER 31			<u>\$ -</u>	<u>\$ -</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

2001 GENERAL OBLIGATION REFUNDING BOND FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		Actual	2004
	Original Budget	Final Budget		Actual
<b>REVENUES</b>				
Taxes	\$ 1,294,090	\$ 1,294,090	\$ 1,274,505	\$ 1,322,245
Investment Income	5,000	5,000	20,244	8,709
<b>Total Revenues</b>	<b>1,299,090</b>	<b>1,299,090</b>	<b>1,294,749</b>	<b>1,330,954</b>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	1,165,000	1,165,000	1,165,000	1,075,000
Interest and Fiscal Charges	372,550	372,550	371,800	414,800
<b>Total Expenditures</b>	<b>1,537,550</b>	<b>1,537,550</b>	<b>1,536,800</b>	<b>1,489,800</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(238,460)</b>	<b>(238,460)</b>	<b>(242,051)</b>	<b>(158,846)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	245,110	245,110	245,110	164,830
<b>Total Other Financing Sources (Uses)</b>	<b>245,110</b>	<b>245,110</b>	<b>245,110</b>	<b>164,830</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 6,650</b>	<b>\$ 6,650</b>	<b>3,059</b>	<b>5,984</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>294,120</b>	<b>288,136</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 297,179</b>	<b>\$ 294,120</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

SEARS EDA GENERAL ACCOUNT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
REVENUES				
None	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
None	-	-	-	-
Total Expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	-
FUND BALANCE, JANUARY 1			-	-
FUND BALANCE, DECEMBER 31			\$ -	\$ -

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

2003 GENERAL OBLIGATION REFUNDING BOND FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 820,235	\$ 820,235	\$ 796,643	\$ 780,913
Investment Income	4,000	4,000	13,722	4,912
Total Revenues	824,235	824,235	810,365	785,825
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	665,000	665,000	665,000	610,000
Interest and Fiscal Charges	152,235	152,235	150,835	163,073
Total Expenditures	817,235	817,235	815,835	773,073
NET CHANGE IN FUND BALANCE	\$ 7,000	\$ 7,000	(5,470)	12,752
FUND BALANCE, JANUARY 1			145,349	132,597
FUND BALANCE, DECEMBER 31			\$ 139,879	\$ 145,349

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

2004 GENERAL OBLIGATION REFUNDING BOND FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Taxes	\$ 230,010	\$ 230,010	\$ 225,210	\$ -
Investment Income	4,000	4,000	5,166	27
Total Revenues	234,010	234,010	230,376	27
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	735,000	735,000	735,000	130,000
Interest and Fiscal Charges	225,100	225,100	223,600	90,497
Total Expenditures	960,100	960,100	958,600	220,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(726,090)	(726,090)	(728,224)	(220,470)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	728,090	728,090	728,090	245,640
Bond Issued, at Par	-	-	-	6,765,000
Payment to Escrow Agent	-	-	-	(6,852,230)
Premium on Issuance of Bonds	-	-	-	163,592
Total Other Financing Sources (Uses)	728,090	728,090	728,090	322,002
NET CHANGE IN FUND BALANCE	\$ 2,000	\$ 2,000	(134)	101,532
FUND BALANCE, JANUARY 1			101,532	-
FUND BALANCE, DECEMBER 31			\$ 101,398	\$ 101,532

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

2005A GENERAL OBLIGATION DEBT SERVICE FUND

For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Investment Income	\$ -	\$ -	\$ 83,615
Total Revenues	-	-	83,615
<b>EXPENDITURES</b>			
Debt Service			
Interest and Fiscal Charges	-	884,780	884,779
Total Expenditures	-	884,780	884,779
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(884,780)	(801,164)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issued, at Par	-	884,780	5,413,758
Total Other Financing Sources (Uses)	-	884,780	5,413,758
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	4,612,594
<b>FUND BALANCE, JANUARY 1</b>			<u>-</u>
<b>FUND BALANCE, DECEMBER 31</b>			<u>\$ 4,612,594</u>

(See independent auditor's report.)

## NONMAJOR CAPITAL PROJECTS FUNDS

Central Area Road Improvement Impact Fee Fund - to account for developer impact fees assessed under an impact fee ordinance. Resources accumulated are to be used for specific street improvements required due to development along the Barrington Road/Central Road corridors.

Central Road Corridor Improvement Fund - to account for financial resources to be used for the construction of public improvements such as streets, storm sewers, street lighting, located in the Central Road area.

Traffic Improvement Fund - to account for financial resources arising from developer donations, to be used for various infrastructure improvements.

EDA Series 1991 Project Fund - to account for bond proceeds used to pay qualified project costs related to the Village's Economic Development Area.

Western Area Traffic Improvement Fund - to account for financial resources arising from donations by developers building within the Village's western area. Such donations are to be used for needed infrastructure improvements.

Capital Improvements Fund - to account for financial resources set aside for large capital improvements for the Village.

Western Area Road Improvement Impact Fee Fund - to account for developer impact fees assessed under an impact fee ordinance. Resources are to be used for specific street improvements within the Village's western area.

Capital Vehicle and Equipment Fund - to account for financial resources set aside for large vehicle and equipment purchases for the Village.

Columbine Bridge Maintenance Fund - to account for the maintenance of the Columbine Bridge in accordance with a development agreement.

Capital Replacement Fund - to account for financial resources set aside for the replacement of large capital assets.

Western Corridor Fund - to account for financial resources to be used for the reconstruction of the new alignment section of Shoe Factory Road.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2005

	Central Area Road Improvement Impact Fee	Central Road Corridor Improvement	Traffic Improvement	EDA Series 1991 Project
<b>ASSETS</b>				
Cash and Investments	\$ 218,788	\$ 224,599	\$ 694,309	\$ 6,336,199
Receivables				
Accrued Interest	-	-	9,212	13,520
Prepaid Items	-	-	-	1,000
<b>TOTAL ASSETS</b>	<b>\$ 218,788</b>	<b>\$ 224,599</b>	<b>\$ 703,521</b>	<b>\$ 6,350,719</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 52,290	\$ -	\$ 46,861	\$ 354,275
Deposits Payable	73,831	-	-	-
<b>Total Liabilities</b>	<b>126,121</b>	<b>-</b>	<b>46,861</b>	<b>354,275</b>
<b>FUND BALANCES</b>				
Reserved for Prepaid Items	-	-	-	1,000
Reserved for Economic Development	-	-	-	5,995,444
Reserved for Bridge Maintenance and Repairs	-	-	-	-
Unreserved - Designated for Capital Projects	92,667	224,599	656,660	-
<b>Total Fund Balances</b>	<b>92,667</b>	<b>224,599</b>	<b>656,660</b>	<b>5,996,444</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 218,788</b>	<b>\$ 224,599</b>	<b>\$ 703,521</b>	<b>\$ 6,350,719</b>

Western Area Traffic Improvement	Capital Improvements	Western Area Road Improvement Impact Fee	Capital Vehicle and Equipment	Columbine Bridge Maintenance	Capital Replacement	Western Corridor	Total
\$ 358,296	\$ 1,228,272	\$ 790,453	\$ 380,845	\$ 367,666	\$ 3,599,663	\$ 252,223	\$ 14,451,313
-	5,564	-	-	-	20,859	-	49,155
-	-	-	-	-	421,542	-	422,542
<b>\$ 358,296</b>	<b>\$ 1,233,836</b>	<b>\$ 790,453</b>	<b>\$ 380,845</b>	<b>\$ 367,666</b>	<b>\$ 4,042,064</b>	<b>\$ 252,223</b>	<b>\$ 14,923,010</b>
\$ 46,861	\$ 348,462	\$ 126,698	\$ 1,012	\$ -	\$ -	\$ -	\$ 976,459
-	255,884	262,516	-	-	-	-	592,231
46,861	604,346	389,214	1,012	-	-	-	1,568,690
-	-	-	-	-	421,542	-	422,542
-	-	-	-	-	-	-	5,995,444
-	-	-	-	367,666	-	-	367,666
311,435	629,490	401,239	379,833	-	3,620,522	252,223	6,568,668
311,435	629,490	401,239	379,833	367,666	4,042,064	252,223	13,354,320
<b>\$ 358,296</b>	<b>\$ 1,233,836</b>	<b>\$ 790,453</b>	<b>\$ 380,845</b>	<b>\$ 367,666</b>	<b>\$ 4,042,064</b>	<b>\$ 252,223</b>	<b>\$ 14,923,010</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended December 31, 2005

	Central Area Road Improvement Impact Fee	Central Road Corridor Improvement	Traffic Improvement	EDA Series 1991 Project
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	292,038	-	-	576,572
Investment Income	8,062	6,822	20,621	197,252
Miscellaneous	-	-	-	-
Total Revenues	300,100	6,822	20,621	773,824
EXPENDITURES				
Capital Outlay	290,416	-	100,602	1,538,197
Total Expenditures	290,416	-	100,602	1,538,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,684	6,822	(79,981)	(764,373)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	9,684	6,822	(79,981)	(764,373)
FUND BALANCES, JANUARY 1	82,983	217,777	736,641	6,760,817
FUND BALANCES, DECEMBER 31	\$ 92,667	\$ 224,599	\$ 656,660	\$ 5,996,444

Western Area Traffic Improvement	Capital Improvements	Western Area Road Improvement Impact Fee	Capital Vehicle and Equipment	Columbine Bridge Maintenance	Capital Replacement	Western Corridor	Total
\$ -	\$ 145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145
-	21,143	358,199	-	-	-	43,446	1,291,398
10,246	58,415	22,206	18,500	11,554	119,541	6,816	480,035
-	54,718	-	-	-	-	-	54,718
10,246	134,421	380,405	18,500	11,554	119,541	50,262	1,826,296
100,602	1,119,929	271,999	364,558	-	40,928	-	3,827,231
100,602	1,119,929	271,999	364,558	-	40,928	-	3,827,231
(90,356)	(985,508)	108,406	(346,058)	11,554	78,613	50,262	(2,000,935)
-	328,780	-	73,390	-	727,670	-	1,129,840
-	-	-	-	-	58,923	-	58,923
-	328,780	-	73,390	-	786,593	-	1,188,763
(90,356)	(656,728)	108,406	(272,668)	11,554	865,206	50,262	(812,172)
401,791	1,286,218	292,833	652,501	356,112	3,176,858	201,961	14,166,492
\$ 311,435	\$ 629,490	\$ 401,239	\$ 379,833	\$ 367,666	\$ 4,042,064	\$ 252,223	\$ 13,354,320

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

CENTRAL AREA ROAD IMPROVEMENT IMPACT FEE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Charges for Services	\$ 189,710	\$ 290,420	\$ 292,038	\$ 298,510
Investment Income	6,900	6,900	8,062	6,876
Total Revenues	196,610	297,320	300,100	305,386
<b>EXPENDITURES</b>				
Capital Outlay	189,710	290,420	290,416	298,480
Total Expenditures	189,710	290,420	290,416	298,480
NET CHANGE IN FUND BALANCE	\$ 6,900	\$ 6,900	9,684	6,906
FUND BALANCE, JANUARY 1			82,983	76,077
FUND BALANCE, DECEMBER 31			\$ 92,667	\$ 82,983

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

CENTRAL ROAD CORRIDOR IMPROVEMENT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Investment Income	\$ 2,520	\$ 2,520	\$ 6,822	\$ 3,073
Total Revenues	2,520	2,520	6,822	3,073
EXPENDITURES				
None	-	-	-	-
Total Expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ 2,520	\$ 2,520	6,822	3,073
FUND BALANCE, JANUARY 1			217,777	214,704
FUND BALANCE, DECEMBER 31			\$ 224,599	\$ 217,777

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

TRAFFIC IMPROVEMENT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Investment Income	\$ 10,230	\$ 10,230	\$ 20,621	\$ 12,338
Total Revenues	10,230	10,230	20,621	12,338
<b>EXPENDITURES</b>				
Capital Outlay	320,170	320,170	100,602	110,286
Total Expenditures	320,170	320,170	100,602	110,286
NET CHANGE IN FUND BALANCE	\$ (309,940)	\$ (309,940)	(79,981)	(97,948)
FUND BALANCE, JANUARY 1			736,641	834,589
FUND BALANCE, DECEMBER 31			\$ 656,660	\$ 736,641

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

EDA SERIES 1991 PROJECT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Charges for Services	\$ 150,000	\$ 150,000	\$ 576,572	\$ 421,969
Investment Income	43,060	43,060	197,252	65,784
Total Revenues	193,060	193,060	773,824	487,753
<b>EXPENDITURES</b>				
Capital Outlay	2,700,000	2,700,000	1,538,197	1,500
Total Expenditures	2,700,000	2,700,000	1,538,197	1,500
NET CHANGE IN FUND BALANCE	\$ (2,506,940)	\$ (2,506,940)	(764,373)	486,253
FUND BALANCE, JANUARY 1			6,760,817	6,274,564
FUND BALANCE, DECEMBER 31			\$ 5,996,444	\$ 6,760,817

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

WESTERN AREA TRAFFIC IMPROVEMENT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Investment Income	\$ 6,080	\$ 6,080	\$ 10,246	\$ 7,581
Total Revenues	6,080	6,080	10,246	7,581
EXPENDITURES				
Capital Outlay	320,170	320,170	100,602	110,286
Total Expenditures	320,170	320,170	100,602	110,286
NET CHANGE IN FUND BALANCE	\$ (314,090)	\$ (314,090)	(90,356)	(102,705)
FUND BALANCE, JANUARY 1			401,791	504,496
FUND BALANCE, DECEMBER 31			\$ 311,435	\$ 401,791

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

CAPITAL IMPROVEMENTS FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 145	\$ 43,635
Charges for Services	-	-	21,143	-
Investment Income	55,300	55,300	58,415	38,606
Miscellaneous	50,000	50,000	54,718	37,488
<b>Total Revenues</b>	<b>105,300</b>	<b>105,300</b>	<b>134,421</b>	<b>119,729</b>
<b>EXPENDITURES</b>				
Capital Outlay	1,388,780	1,388,780	1,119,929	1,422,314
<b>Total Expenditures</b>	<b>1,388,780</b>	<b>1,388,780</b>	<b>1,119,929</b>	<b>1,422,314</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,283,480)</b>	<b>(1,283,480)</b>	<b>(985,508)</b>	<b>(1,302,585)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	328,780	328,780	328,780	376,040
<b>Total Other Financing Sources (Uses)</b>	<b>328,780</b>	<b>328,780</b>	<b>328,780</b>	<b>376,040</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (954,700)</b>	<b>\$ (954,700)</b>	<b>(656,728)</b>	<b>(926,545)</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>1,286,218</b>	<b>2,212,763</b>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 629,490</b>	<b>\$ 1,286,218</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

WESTERN AREA ROAD IMPROVEMENT IMPACT FEE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Charges for Services	\$ 189,710	\$ 272,000	\$ 358,199	\$ 475,863
Investment Income	11,850	11,850	22,206	12,587
Total Revenues	201,560	283,850	380,405	488,450
<b>EXPENDITURES</b>				
Capital Outlay	189,710	272,000	271,999	298,182
Total Expenditures	189,710	272,000	271,999	298,182
NET CHANGE IN FUND BALANCE	\$ 11,850	\$ 11,850	108,406	190,268
FUND BALANCE, JANUARY 1			292,833	102,565
FUND BALANCE, DECEMBER 31			\$ 401,239	\$ 292,833

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

CAPITAL VEHICLE AND EQUIPMENT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Investment Income	\$ 10,440	\$ 10,440	\$ 18,500	\$ 12,160
Total Revenues	10,440	10,440	18,500	12,160
EXPENDITURES				
Capital Outlay	448,210	448,210	364,558	280,736
Total Expenditures	448,210	448,210	364,558	280,736
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(437,770)	(437,770)	(346,058)	(268,576)
OTHER FINANCING SOURCES (USES)				
Transfers In	86,150	86,150	73,390	7,500
Total Other Financing Sources (Uses)	86,150	86,150	73,390	7,500
NET CHANGE IN FUND BALANCE	\$ (351,620)	\$ (351,620)	(272,668)	(261,076)
FUND BALANCE, JANUARY 1			652,501	913,577
FUND BALANCE, DECEMBER 31			\$ 379,833	\$ 652,501

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

COLUMBINE BRIDGE MAINTENANCE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Investment Income	\$ 3,920	\$ 3,920	\$ 11,554	\$ 4,623
Total Revenues	3,920	3,920	11,554	4,623
EXPENDITURES				
Capital Outlay	15,000	15,000	-	-
Total Expenditures	15,000	15,000	-	-
NET CHANGE IN FUND BALANCE	\$ (11,080)	\$ (11,080)	11,554	4,623
FUND BALANCE, JANUARY 1			356,112	351,489
FUND BALANCE, DECEMBER 31			\$ 367,666	\$ 356,112

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

CAPITAL REPLACEMENT FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		Actual	2004
	Original Budget	Final Budget		Actual
REVENUES				
Investment Income	\$ 50,000	\$ 50,000	\$ 119,541	\$ 46,947
Total Revenues	50,000	50,000	119,541	46,947
EXPENDITURES				
Capital Outlay	754,000	754,000	40,928	471,011
Total Expenditures	754,000	754,000	40,928	471,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(704,000)	(704,000)	78,613	(424,064)
OTHER FINANCING SOURCES (USES)				
Transfers In	727,670	727,670	727,670	777,945
Transfers (Out)	-	-	-	(259,782)
Sale of Capital Assets	20,000	20,000	58,923	60,254
Total Other Financing Sources (Uses)	747,670	747,670	786,593	578,417
NET CHANGE IN FUND BALANCE	\$ 43,670	\$ 43,670	865,206	154,353
FUND BALANCE, JANUARY 1			3,176,858	3,022,505
FUND BALANCE, DECEMBER 31			\$ 4,042,064	\$ 3,176,858

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

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

WESTERN CORRIDOR FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>REVENUES</b>				
Charges for Services	\$ 36,360	\$ 36,360	\$ 43,446	\$ 43,758
Investment Income	1,750	1,750	6,816	2,727
Total Revenues	38,110	38,110	50,262	46,485
<b>EXPENDITURES</b>				
None	-	-	-	-
Total Expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ 38,110	\$ 38,110	50,262	46,485
FUND BALANCE, JANUARY 1			201,961	155,476
FUND BALANCE, DECEMBER 31			\$ 252,223	\$ 201,961

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF NET ASSETS

WATERWORKS AND SEWERAGE FUND

December 31, 2005  
(with comparative totals for 2004)

	2005	2004
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 8,747,938	\$ 7,894,210
Receivables		
Accounts - Billed	675,988	671,413
Accounts - Unbilled	688,919	649,112
Accrued Interest	45,165	16,666
Other	68,437	88,377
Prepaid Expenses	14,806	19,477
Inventories	234,119	136,856
Due from Other Funds	-	248
<b>Total Current Assets</b>	<b>10,475,372</b>	<b>9,476,359</b>
<b>CAPITAL ASSETS</b>		
Not Depreciated	474,000	474,000
Depreciated	41,230,570	39,160,608
Accumulated Depreciation	(18,135,606)	(17,060,369)
<b>Net Capital Assets</b>	<b>23,568,964</b>	<b>22,574,239</b>
<b>Total Assets</b>	<b>34,044,336</b>	<b>32,050,598</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	479,802	447,097
Accrued Payroll	77,213	60,342
Due to Other Funds	66,098	141,617
Deposits Payable	51,162	50,002
Compensated Absences Payable	123,639	125,246
<b>Total Current Liabilities</b>	<b>797,914</b>	<b>824,304</b>
<b>LONG-TERM LIABILITIES</b>		
Compensated Absences Payable	65,308	57,349
<b>Total Long-Term Liabilities</b>	<b>65,308</b>	<b>57,349</b>
<b>Total Liabilities</b>	<b>863,222</b>	<b>881,653</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	23,568,964	22,574,239
Unrestricted	9,612,150	8,594,706
<b>TOTAL NET ASSETS</b>	<b>\$ 33,181,114</b>	<b>\$ 31,168,945</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

WATERWORKS AND SEWERAGE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		2004	
	Original Budget	Final Budget	Actual	Actual
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 9,332,400	\$ 9,332,400	\$ 10,240,821	\$ 8,919,572
Total Operating Revenues	9,332,400	9,332,400	10,240,821	8,919,572
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>				
Water Division	10,109,500	10,109,500	8,166,406	7,946,721
Sewer Division	1,928,080	1,928,080	1,342,416	1,237,701
Total Operating Expenses Excluding Depreciation	12,037,580	12,037,580	9,508,822	9,184,422
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(2,705,180)	(2,705,180)	731,999	(264,850)
DEPRECIATION	1,084,450	1,084,450	1,075,237	1,075,177
OPERATING INCOME (LOSS)	(3,789,630)	(3,789,630)	(343,238)	(1,340,027)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	100,140	100,140	251,322	105,028
Miscellaneous Revenue	4,000	4,000	27,455	310,810
Total Nonoperating Revenues (Expenses)	104,140	104,140	278,777	415,838
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(3,685,490)	(3,685,490)	(64,461)	(924,189)
TRANSFERS IN	50,500	50,500	50,500	-
CONTRIBUTIONS	-	-	2,026,130	116,750
CHANGE IN NET ASSETS	\$ (3,634,990)	\$ (3,634,990)	2,012,169	(807,439)
NET ASSETS, JANUARY 1			31,168,945	31,976,384
NET ASSETS, DECEMBER 31			\$ 33,181,114	\$ 31,168,945

(See independent auditor's report.)

## INTERNAL SERVICE FUNDS

Information Systems Fund - to account for the operations of the information systems division of the Village. Financing is provided through billings to various Village departments.

Insurance Fund - to account for the servicing and payment of claims for all Village insurance programs including Health, Workers' Compensation and Liability. Financing is provided through billings to the various Village departments.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2005

	Information Systems	Insurance	Total
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 223,549	\$ 1,179,764	\$ 1,403,313
Receivables			
Accrued Interest	-	1,516	1,516
Other	-	120,488	120,488
Deposits	-	59,200	59,200
Prepaid Expenses	30,468	-	30,468
Due from Other Funds	16,193	5,590	21,783
	<hr/>		
Total Current Assets	270,210	1,366,558	1,636,768
<hr/>			
<b>CAPITAL ASSETS</b>			
Depreciated	206,018	-	206,018
Accumulated Depreciation	(147,886)	-	(147,886)
	<hr/>		
Net Capital Assets	58,132	-	58,132
	<hr/>		
Total Assets	328,342	1,366,558	1,694,900
<hr/>			
<b>LIABILITIES</b>			
Accounts Payable	66,734	163,382	230,116
Accrued Payroll	14,151	2,628	16,779
Claims Payable	-	1,000,634	1,000,634
Benefits Payable	-	63,307	63,307
Due to Other Funds	27	32,000	32,027
Compensated Absences Payable	17,911	650	18,561
	<hr/>		
Total Liabilities	98,823	1,262,601	1,361,424
<hr/>			
<b>NET ASSETS</b>			
Invested in Capital Assets	58,132	-	58,132
Unrestricted	171,387	103,957	275,344
	<hr/>		
TOTAL NET ASSETS	\$ 229,519	\$ 103,957	\$ 333,476
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(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

	Information Systems	Insurance	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 766,280	\$ 1,589,340	\$ 2,355,620
Total Operating Revenues	766,280	1,589,340	2,355,620
<b>OPERATING EXPENSES</b>			
Operations	898,277	-	898,277
Claims and Insurance	-	1,814,567	1,814,567
Depreciation	19,262	-	19,262
Total Operating Expenses	917,539	1,814,567	2,732,106
OPERATING INCOME (LOSS)	(151,259)	(225,227)	(376,486)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	6,427	32,029	38,456
Recoveries	2,348	-	2,348
Total Nonoperating Revenues (Expenses)	8,775	32,029	40,804
INCOME (LOSS) BEFORE TRANSFERS	(142,484)	(193,198)	(335,682)
<b>TRANSFERS</b>			
Transfers In	36,077	10,810	46,887
Total Transfers	36,077	10,810	46,887
CHANGES IN NET ASSETS	(106,407)	(182,388)	(288,795)
NET ASSETS, JANUARY 1	335,926	286,345	622,271
NET ASSETS, DECEMBER 31	\$ 229,519	\$ 103,957	\$ 333,476

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

	Information Systems	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Interfund Services Transactions	\$ 871,046	\$ 2,327,860	\$ 3,198,906
Payments to Suppliers	(442,335)	(2,417,908)	(2,860,243)
Payments to Employees	(510,846)	(155,087)	(665,933)
Net Cash from Operating Activities	(82,135)	(245,135)	(327,270)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Recoveries	2,348	-	2,348
Transfers In	36,077	10,810	46,887
Net Cash from Noncapital Financing Activities	38,425	10,810	49,235
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Assets Purchased	(24,040)	-	(24,040)
Net Cash from Capital and Related Financing Activities	(24,040)	-	(24,040)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of Investments	-	386,237	386,237
Interest Received	6,427	42,279	48,706
Net Cash from Investing Activities	6,427	428,516	434,943
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(61,323)	194,191	132,868
CASH AND CASH EQUIVALENTS, JANUARY 1	284,872	685,573	970,445
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 223,549	\$ 879,764	\$ 1,103,313
<b>CASH AND INVESTMENTS</b>			
Cash	\$ 223,549	\$ 879,764	\$ 1,103,313
Investments	-	300,000	300,000
TOTAL CASH AND INVESTMENTS	\$ 223,549	\$ 1,179,764	\$ 1,403,313

(This statement is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS (Continued)

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

	Information Systems	Insurance	Total
<b>RECONCILIATION OF OPERATING INCOME</b>			
<b>(LOSS) TO NET CASH FLOWS FROM</b>			
<b>OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (151,259)	\$ (225,227)	\$ (376,486)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash from Operating Activities			
Depreciation and Amortization	19,262	-	19,262
Changes in Assets and Liabilities			
Receivables	-	(67,377)	(67,377)
Prepaid Expenses	29,049	-	29,049
Due from Other Funds	(16,193)	773,897	757,704
Accounts Payable	30,326	(246,571)	(216,245)
Accrued Payroll	1,439	(2,127)	(688)
Claims Payable	-	(512,607)	(512,607)
Benefits Payable	-	2,638	2,638
Due to Other Funds	(481)	32,000	31,519
Compensated Absences Payable	5,722	239	5,961
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (82,135)</b>	<b>\$ (245,135)</b>	<b>\$ (327,270)</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

INFORMATION SYSTEMS FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 766,280	\$ 766,280	\$ 766,280	\$ 752,250
Total Operating Revenues	766,280	766,280	766,280	752,250
<b>OPERATING EXPENSES</b>				
Operations	1,173,400	1,173,400	898,277	999,516
Depreciation	36,710	36,710	19,262	29,374
Total Operating Expenses	1,210,110	1,210,110	917,539	1,028,890
OPERATING INCOME (LOSS)	(443,830)	(443,830)	(151,259)	(276,640)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	4,060	4,060	6,427	4,630
Recoveries	-	-	2,348	6,067
Total Nonoperating Revenues (Expenses)	4,060	4,060	8,775	10,697
INCOME (LOSS) BEFORE TRANSFERS	(439,770)	(439,770)	(142,484)	(265,943)
<b>TRANSFERS</b>				
Transfers In	215,990	215,990	36,077	32,542
Total Transfers	215,990	215,990	36,077	32,542
CHANGES IN NET ASSETS	\$ (223,780)	\$ (223,780)	(106,407)	(233,401)
NET ASSETS, JANUARY 1			335,926	569,327
NET ASSETS, DECEMBER 31			\$ 229,519	\$ 335,926

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

STATEMENT OF NET ASSETS - BY PROGRAM

INSURANCE FUND

December 31, 2005  
(with comparative totals for 2004)

	Administration	Health Program	Workers' Compensation Program	Liability Program	Totals		
					2005	2004	
<b>ASSETS</b>							
Cash and Investments	\$ 83,684	\$ 94,290	\$ 754,218	\$ 247,572	\$ 1,179,764	\$ 1,371,809	
Receivables							
Accrued Interest	4	1,464	-	48	1,516	11,767	
Other	-	-	120,488	-	120,488	53,111	
Deposits	-	-	20,000	39,200	59,200	59,200	
Due from Other Funds	5,590	-	-	-	5,590	779,487	
<b>Total Assets</b>	<b>89,278</b>	<b>95,754</b>	<b>894,706</b>	<b>286,820</b>	<b>1,366,558</b>	<b>2,275,374</b>	
<b>LIABILITIES</b>							
Accounts Payable	85,260	447	72,852	4,823	163,382	409,953	
Accrued Payroll	2,628	-	-	-	2,628	4,755	
Claims Payable	-	-	734,944	265,690	1,000,634	1,513,241	
Benefits Payable	-	63,307	-	-	63,307	60,669	
Due to General Fund	-	32,000	-	-	32,000	-	
Compensated Absences Payable	650	-	-	-	650	411	
<b>Total Liabilities</b>	<b>88,538</b>	<b>95,754</b>	<b>807,796</b>	<b>270,513</b>	<b>1,262,601</b>	<b>1,989,029</b>	
<b>NET ASSETS</b>							
Unrestricted	740	-	86,910	16,307	103,957	286,345	
<b>TOTAL NET ASSETS</b>	<b>\$ 740</b>	<b>\$ -</b>	<b>\$ 86,910</b>	<b>\$ 16,307</b>	<b>\$ 103,957</b>	<b>\$ 286,345</b>	

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

INSURANCE FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005			2004
	Original Budget	Final Budget	Actual	Actual
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 5,642,450	\$ 5,642,450	\$ 1,589,340	\$ 4,978,280
Contributions	577,640	577,640	-	641,986
Total Operating Revenues	6,220,090	6,220,090	1,589,340	5,620,266
<b>OPERATING EXPENSES</b>				
Claims and Insurance	6,257,800	6,257,800	1,814,567	5,664,709
Total Operating Expenses	6,257,800	6,257,800	1,814,567	5,664,709
OPERATING INCOME (LOSS)	(37,710)	(37,710)	(225,227)	(44,443)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	30,920	30,920	32,029	20,657
Miscellaneous	-	-	-	200
Total Nonoperating Revenues (Expenses)	30,920	30,920	32,029	20,857
INCOME (LOSS) BEFORE TRANSFERS	(6,790)	(6,790)	(193,198)	(23,586)
<b>TRANSFERS</b>				
Transfers In	6,790	6,790	10,810	8,901
Total Transfers	6,790	6,790	10,810	8,901
CHANGES IN NET ASSETS	\$ -	\$ -	(182,388)	(14,685)
NET ASSETS, JANUARY 1			286,345	301,030
NET ASSETS, DECEMBER 31			\$ 103,957	\$ 286,345

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS - BY PROGRAM

INSURANCE FUND

For the Year Ended December 31, 2005  
(with comparative totals for 2004)

	Administration	Health Program	Workers' Compensation Program	Liability Program	Eliminations	Totals	
						2005	2004
<b>OPERATING REVENUES</b>							
Charges for Services	\$ 142,084	\$ -	\$ 764,469	\$ 682,787	\$ -	\$ 1,589,340	\$ 4,978,280
Contributions	-	-	-	-	-	-	641,986
Total Operating Revenues	142,084	-	764,469	682,787	-	1,589,340	5,620,266
<b>OPERATING EXPENSES</b>							
Claims and Insurance	152,981	116,253	578,076	967,257	-	1,814,567	5,664,709
Total Operating Expenses	152,981	116,253	578,076	967,257	-	1,814,567	5,664,709
OPERATING INCOME (LOSS)	(10,897)	(116,253)	186,393	(284,470)	-	(225,227)	(44,443)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment Income	87	30,932	-	1,010	-	32,029	20,657
Miscellaneous	-	-	-	-	-	-	200
Total Nonoperating Revenues (Expenses)	87	30,932	-	1,010	-	32,029	20,857
INCOME (LOSS) BEFORE TRANSFERS	(10,810)	(85,321)	186,393	(283,460)	-	(193,198)	(23,586)
<b>TRANSFERS</b>							
Transfers In	10,810	-	1,415,641	265,618	(1,681,259)	10,810	8,901
Transfers (Out)	-	(1,681,259)	-	-	1,681,259	-	-
Total Transfers	10,810	(1,681,259)	1,415,641	265,618	-	10,810	8,901
CHANGES IN NET ASSETS	-	(1,766,580)	1,602,034	(17,842)	-	(182,388)	(14,685)
NET ASSETS (DEFICIT), JANUARY 1	740	1,766,580	(1,515,124)	34,149	-	286,345	301,030
NET ASSETS, DECEMBER 31	\$ 740	\$ -	\$ 86,910	\$ 16,307	\$ -	\$ 103,957	\$ 286,345

(See independent auditor's report.)

## FIDUCIARY FUNDS

### Pension Trust Funds

Police Pension Fund - to account for the accumulation of resources to pay pension costs. Resources are contributed by police force members at rates fixed by state statutes and by the government through an annual property tax levy.

Firefighters' Pension Fund - to account for the accumulation of resources to pay pension costs. Resources are contributed by fire personnel members at rates fixed by state statutes and by the government through an annual property tax levy.

### Agency Funds

Barrington/Higgins TIF Fund - to account for the collection of incremental taxes and other financial resources received to retire any tax increment revenue notes and pay certain qualified project costs.

EDA Special Tax Allocation Fund - to account for the collection of incremental taxes and other financial resources received to retire certain tax increment revenue bonds and notes and to pay certain qualified project costs, all pertaining to the Village's Economic Development Area.

Flexible Spending Account Fund - to account for salary deductions held by the Village and payments to certain employees for eligible medical and dependent care expenses. The fund is operated pursuant to Section 125 of the Internal Revenue Code.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 COMBINING STATEMENT OF PLAN NET ASSETS  
 PENSION TRUST FUNDS

December 31, 2005

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
<b>ASSETS</b>			
Cash and Short-Term Investments	\$ 1,049,948	\$ 1,672,447	\$ 2,722,395
Investments, at Fair Value			
U.S. Treasury Securities	10,315,931	11,281,567	21,597,498
U.S. Agency Securities	10,599,115	11,085,727	21,684,842
Illinois Metropolitan Investment Trust Mutual Funds	-	661,787	661,787
Money Market Mutual Funds	15,580,148	2,353,919	17,934,067
Equities	381,988	1,135,964	1,517,952
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Accrued Interest	250,854	275,911	526,765
Due from General Fund	32,237	26,351	58,588
<b>Total Assets</b>	<b>38,210,221</b>	<b>43,355,764</b>	<b>81,565,985</b>
<b>LIABILITIES</b>			
Accounts Payable	12,818	33,193	46,011
<b>Total Liabilities</b>	<b>12,818</b>	<b>33,193</b>	<b>46,011</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 38,197,403</b>	<b>\$ 43,322,571</b>	<b>\$ 81,519,974</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUNDS

For the Year Ended December 31, 2005

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
<b>ADDITIONS</b>			
Contributions			
Employer Contributions	\$ 1,355,494	\$ 1,262,516	\$ 2,618,010
Employee Contributions	682,919	622,956	1,305,875
Other Contributions	14,483	47,047	61,530
Total Contributions	2,052,896	1,932,519	3,985,415
Investment Income			
Net Appreciation in Fair Value of Investments	488,135	628,839	1,116,974
Interest	1,219,397	1,604,063	2,823,460
Total Investment Income	1,707,532	2,232,902	3,940,434
Less Investment Expense	(78,016)	(175,736)	(253,752)
Net Investment Income	1,629,516	2,057,166	3,686,682
Total Additions	3,682,412	3,989,685	7,672,097
<b>DEDUCTIONS</b>			
Benefits and Refunds	1,767,133	1,363,667	3,130,800
Miscellaneous	30,093	34,554	64,647
Total Deductions	1,797,226	1,398,221	3,195,447
NET INCREASE	1,885,186	2,591,464	4,476,650
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
January 1	36,312,217	40,731,107	77,043,324
December 31	\$ 38,197,403	\$ 43,322,571	\$ 81,519,974

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF CHANGES IN PLAN NET ASSETS - BUDGET AND ACTUAL

POLICE PENSION FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		2004	
	Original Budget	Final Budget	Actual	Actual
<b>ADDITIONS</b>				
Contributions				
Employer Contributions				
Taxes	\$ 1,292,523	\$ 1,292,523	\$ 1,270,585	\$ 1,292,513
Intergovernmental	81,130	81,130	84,909	81,153
Employee Contributions	677,360	677,360	682,919	646,080
Other Contributions	11,670	11,670	14,483	11,667
<b>Total Contributions</b>	<b>2,062,683</b>	<b>2,062,683</b>	<b>2,052,896</b>	<b>2,031,413</b>
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	488,135	1,521,705
Interest	981,870	1,077,180	1,219,397	1,140,691
<b>Total Investment Income</b>	<b>981,870</b>	<b>1,077,180</b>	<b>1,707,532</b>	<b>2,662,396</b>
Less Investment Expense	(100,000)	(100,000)	(78,016)	(71,944)
<b>Net Investment Income</b>	<b>881,870</b>	<b>977,180</b>	<b>1,629,516</b>	<b>2,590,452</b>
<b>Total Additions</b>	<b>2,944,553</b>	<b>3,039,863</b>	<b>3,682,412</b>	<b>4,621,865</b>
<b>DEDUCTIONS</b>				
Benefits and Refunds	1,656,820	1,752,130	1,767,133	1,735,847
Miscellaneous	23,120	23,120	30,093	19,286
<b>Total Deductions</b>	<b>1,679,940</b>	<b>1,775,250</b>	<b>1,797,226</b>	<b>1,755,133</b>
<b>NET INCREASE</b>	<b>\$ 1,264,613</b>	<b>\$ 1,264,613</b>	<b>1,885,186</b>	<b>2,866,732</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
January 1			36,312,217	33,445,485
December 31			\$ 38,197,403	\$ 36,312,217

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF CHANGES IN PLAN NET ASSETS - BUDGET AND ACTUAL

FIREFIGHTERS' PENSION FUND

For the Year Ended December 31, 2005  
(with comparative actual for 2004)

	2005		2004	
	Original Budget	Final Budget	Actual	Actual
<b>ADDITIONS</b>				
Contributions				
Employer Contributions				
Taxes	\$ 1,034,240	\$ 1,034,240	\$ 1,015,877	\$ 957,288
Intergovernmental	242,860	242,860	246,639	237,243
Employee Contributions	634,480	634,480	622,956	559,006
Other Contributions	-	-	47,047	167,885
<b>Total Contributions</b>	<b>1,911,580</b>	<b>1,911,580</b>	<b>1,932,519</b>	<b>1,921,422</b>
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	628,839	1,762,942
Interest	1,232,440	1,449,020	1,604,063	1,354,776
<b>Total Investment Income</b>	<b>1,232,440</b>	<b>1,449,020</b>	<b>2,232,902</b>	<b>3,117,718</b>
Less Investment Expense	(100,000)	(173,800)	(175,736)	(136,784)
<b>Net Investment Income</b>	<b>1,132,440</b>	<b>1,275,220</b>	<b>2,057,166</b>	<b>2,980,934</b>
<b>Total Additions</b>	<b>3,044,020</b>	<b>3,186,800</b>	<b>3,989,685</b>	<b>4,902,356</b>
<b>DEDUCTIONS</b>				
Benefits and Refunds	1,244,820	1,387,600	1,363,667	1,114,788
Miscellaneous	12,560	12,560	34,554	40,380
<b>Total Deductions</b>	<b>1,257,380</b>	<b>1,400,160</b>	<b>1,398,221</b>	<b>1,155,168</b>
<b>NET INCREASE</b>	<b>\$ 1,786,640</b>	<b>\$ 1,786,640</b>	<b>2,591,464</b>	<b>3,747,188</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
January 1			40,731,107	36,983,919
December 31			\$ 43,322,571	\$ 40,731,107

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended December 31, 2005

	Balances January 1	Additions	Deletions	Balances December 31
<b>ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 1,278,474	\$ 15,116,131	\$ 924,071	\$ 15,470,534
Assets Held by Agents	30,600	1,525	5,470	26,655
<b>TOTAL ASSETS</b>	<b>\$ 1,309,074</b>	<b>\$ 15,117,656</b>	<b>\$ 929,541</b>	<b>\$ 15,497,189</b>
<b>LIABILITIES</b>				
Due to Participants	\$ 25,130	\$ 1,525	\$ -	\$ 26,655
Advance from Other Funds	5,470	-	5,470	-
Due to Other Entities	1,278,474	15,116,131	924,071	15,470,534
<b>TOTAL LIABILITIES</b>	<b>\$ 1,309,074</b>	<b>\$ 15,117,656</b>	<b>\$ 929,541</b>	<b>\$ 15,497,189</b>
<b>BARRINGTON/HIGGINS TIF FUND</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 656,139	\$ 758,970	\$ 923,914	\$ 491,195
<b>TOTAL ASSETS</b>	<b>\$ 656,139</b>	<b>\$ 758,970</b>	<b>\$ 923,914</b>	<b>\$ 491,195</b>
<b>LIABILITIES</b>				
Due to Other Entities	\$ 656,139	\$ 758,970	\$ 923,914	\$ 491,195
<b>TOTAL LIABILITIES</b>	<b>\$ 656,139</b>	<b>\$ 758,970</b>	<b>\$ 923,914</b>	<b>\$ 491,195</b>

(This statement is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)

AGENCY FUNDS

For the Year Ended December 31, 2005

	Balances January 1	Additions	Deletions	Balances December 31
<b>EDA SPECIAL TAX ALLOCATION FUND</b>				
ASSETS				
Cash and Investments	\$ 622,335	\$ 14,357,161	\$ 157	\$ 14,979,339
<b>TOTAL ASSETS</b>	<b>\$ 622,335</b>	<b>\$ 14,357,161</b>	<b>\$ 157</b>	<b>\$ 14,979,339</b>
LIABILITIES				
Due to Other Entities	\$ 622,335	\$ 14,357,161	\$ 157	\$ 14,979,339
<b>TOTAL LIABILITIES</b>	<b>\$ 622,335</b>	<b>\$ 14,357,161</b>	<b>\$ 157</b>	<b>\$ 14,979,339</b>
<b>FLEXIBLE SPENDING ACCOUNT FUND</b>				
ASSETS				
Assets Held by Agents	\$ 30,600	\$ 1,525	\$ 5,470	\$ 26,655
<b>TOTAL ASSETS</b>	<b>\$ 30,600</b>	<b>\$ 1,525</b>	<b>\$ 5,470</b>	<b>\$ 26,655</b>
LIABILITIES				
Due to Participants	\$ 25,130	\$ 1,525	\$ -	\$ 26,655
Advance from Other Funds	5,470	-	5,470	-
<b>TOTAL LIABILITIES</b>	<b>\$ 30,600</b>	<b>\$ 1,525</b>	<b>\$ 5,470</b>	<b>\$ 26,655</b>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF INSURANCE IN FORCE

December 31, 2005

Type of Coverage	Self-Insured Retention	Specific Excess Limit	Aggregate Excess Limit	Insurance Carrier	Expiration Date of Policy
Property, Mobile Equipment, Auto Physical Damage	\$ 100,000 *	N/A	\$ 40,037,882	St. Paul Fire and Marine Insurance Co.	01/01/2007
General Liability, Employee Benefits, Law Enforcement Liability	100,000 *	\$ 2,000,000	3,000,000	St. Paul Fire and Marine Insurance Co.	01/01/2007
Auto Liability	100,000 *	2,000,000	N/A	St. Paul Fire and Marine Insurance Co.	01/01/2007
Employee Dishonesty, Crime	10,000 *	100,000	N/A	St. Paul Fire and Marine Insurance Co.	01/01/2007
General Liability, Auto Liability, Law Enforcement Liability, Ambulance Attendants' Liability, Public Officials' Liability	2,000,000	10,000,000	10,000,000	High-Level Excess Liability Pool (HELP)	07/01/2006
Boiler and Machinery	1,000	55,000,000	55,000,000	Kemper Insurance	01/01/2007
Public Officials' Liability	25,000	2,000,000	3,000,000	St. Paul Fire and Marine Insurance Co.	01/01/2007
Ambulance Attendants' Liability	N/A	2,000,000	3,000,000	St. Paul Fire and Marine Insurance Co.	01/01/2007
Health Division Malpractice	N/A	2,000,000	3,000,000	St. Paul Fire and Marine Insurance Co.	01/01/2007
Pollution Legal Liability	5,000	2,000,000	3,000,000	Agricultural Excess and Surplus Insurance Co.	01/01/2007
Position Surety Bonds					
William McLeod Village President	N/A	3,000	3,000	Fidelity & Deposit Co.	01/01/2007
Karen Mills Deputy President	N/A	3,000	3,000	Fidelity & Deposit Co.	01/01/2007
Virginia Hayter Village Clerk	N/A	3,000	3,000	Fidelity & Deposit Co.	01/01/2007
James Norris Village Manager	N/A	5,000	5,000	Fidelity & Deposit Co.	01/01/2007
Michael DuCharme, Treasurer	N/A	150,000	150,000	Fidelity & Deposit Co.	01/01/2007
Police and Fire Commission Members	N/A	500	500	Fidelity & Deposit Co.	01/01/2007
Excess Workers' Compensation	500,000	Statutory	Statutory	Safety National	12/31/2006
Social Service Agency Professional Liability	N/A	1,000,000	1,000,000	American Home Assurance Co.	05/01/2006

\* All retentions subject to a maximum \$400,000 aggregate loss fund.

N/A - Not Applicable

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION BOND SERIES OF 1997A

December 31, 2005

Date of Issue	December 15, 1997
Date of Maturity	December 1, 2012
Authorized Issue	\$ 6,365,000
Denomination of Bonds	\$ 5,000
Interest Rates	1998 4.50%
	2008 4.60%
	2011 4.65%
	2012 4.70%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	American National Bank, Chicago, Illinois

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Total	June 1	Amount	Dec. 1	Amount
2005	\$ 400,000	\$ 148,088	\$ 548,088	2006	\$ 74,044	2006	\$ 74,044
2006	415,000	130,088	545,088	2007	65,044	2007	65,044
2007	435,000	111,412	546,412	2008	55,706	2008	55,706
2008	455,000	91,402	546,402	2009	45,701	2009	45,701
2009	480,000	70,472	550,472	2010	35,236	2010	35,236
2010	505,000	48,392	553,392	2011	24,196	2011	24,196
2011	530,000	24,910	554,910	2012	12,455	2012	12,455
	<u>\$ 3,220,000</u>	<u>\$ 624,764</u>	<u>\$ 3,844,764</u>		<u>\$ 312,382</u>		<u>\$ 312,382</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION REFUNDING BOND SERIES OF 2001

December 31, 2005

Date of Issue	July 15, 2001
Date of Maturity	December 1, 2011
Authorized Issue	\$ 10,760,000
Denomination of Bonds	\$ 5,000
Interest Rates	2001 4.00%
	2006 4.25%
	2008 4.50%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	American National Bank, Chicago, Illinois

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Total	June 1	Amount	Dec. 1	Amount
2005	\$ 1,265,000	\$ 324,600	\$ 1,589,600	2006	\$ 162,300	2006	\$ 162,300
2006	1,375,000	270,838	1,645,838	2007	135,419	2007	135,419
2007	1,490,000	212,400	1,702,400	2008	106,200	2008	106,200
2008	1,620,000	145,350	1,765,350	2009	72,675	2009	72,675
2009	1,090,000	72,450	1,162,450	2010	36,225	2010	36,225
2010	520,000	23,400	543,400	2011	11,700	2011	11,700
	<u>\$ 7,360,000</u>	<u>\$ 1,049,038</u>	<u>\$ 8,409,038</u>		<u>\$ 524,519</u>		<u>\$ 524,519</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION REFUNDING BOND SERIES OF 2003

December 31, 2005

Date of Issue	September 1, 2003
Date of Maturity	December 1, 2011
Authorized Issue	\$ 6,155,000
Denomination of Bonds	\$ 5,000
Interest Rates	2003 2.00%
	2005 2.25%
	2006 2.50%
	2008 2.75%
	2009 2.80%
	2010 3.15%
	2011 3.35%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	American National Bank, Chicago, Illinois

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Total	June 1	Amount	Dec. 1	Amount
2005	\$ 725,000	\$ 135,272	\$ 860,272	2006	\$ 67,636	2006	\$ 67,636
2006	745,000	117,148	862,148	2007	58,574	2007	58,574
2007	800,000	98,522	898,522	2008	49,261	2008	49,261
2008	890,000	76,522	966,522	2009	38,261	2009	38,261
2009	915,000	51,604	966,604	2010	25,802	2010	25,802
2010	680,000	22,780	702,780	2011	11,390	2011	11,390
	<u>\$ 4,755,000</u>	<u>\$ 501,848</u>	<u>\$ 5,256,848</u>		<u>\$ 250,924</u>		<u>\$ 250,924</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION REFUNDING BOND SERIES OF 2004

December 31, 2005

Date of Issue	October 15, 2004
Date of Maturity	December 1, 2012
Authorized Issue	\$ 6,765,000
Denomination of Bonds	\$ 5,000
Interest Rates	2004 3.00%
	2007 3.25%
	2009 3.50%
	2012 3.75%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	American National Bank, Chicago, Illinois

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Total	June 1	Amount	Dec. 1	Amount
2005	\$ 760,000	\$ 201,050	\$ 961,050	2006	\$ 100,525	2006	\$ 100,525
2006	785,000	178,250	963,250	2007	89,125	2007	89,125
2007	810,000	152,738	962,738	2008	76,369	2008	76,369
2008	835,000	126,412	961,412	2009	63,206	2009	63,206
2009	870,000	97,188	967,188	2010	48,594	2010	48,594
2010	905,000	66,737	971,737	2011	33,369	2011	33,368
2011	935,000	35,063	970,063	2012	17,531	2012	17,532
	<u>\$ 5,900,000</u>	<u>\$ 857,438</u>	<u>\$ 6,757,438</u>		<u>\$ 428,719</u>		<u>\$ 428,719</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

GENERAL OBLIGATION TAXABLE BOND SERIES OF 2005A

December 31, 2005

Date of Issue	August 1, 2005
Date of Maturity	December 1, 2033
Authorized Issue	\$ 54,935,000
Denomination of Bonds	\$ 5,000
Interest Rates	2007 4.40%
	2008 4.50%
	2009 4.60%
	2010 4.65%
	2011 4.70%
	2012 4.80%
	2013 4.90%
	2014 4.95%
	2015 5.00%
	2016 5.05%
	2017 5.15%
	2018 5.25%
	2022 5.375%
	2026 5.40%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	American National Bank, Chicago, Illinois

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Tax Levy Year	Tax Levy			Interest Due On			
	Principal	Interest	Total	June 1	Amount	Dec. 1	Amount
2005	\$ -	\$ 2,869,553	\$ 2,869,553	2006	\$ 1,434,777	2006	\$ 1,434,776
2006	1,030,000	2,869,552	3,899,552	2007	1,434,776	2007	1,434,776
2007	1,075,000	2,824,233	3,899,233	2008	1,412,117	2008	1,412,116
2008	1,120,000	2,775,857	3,895,857	2009	1,387,929	2009	1,387,928
2009	1,175,000	2,724,338	3,899,338	2010	1,362,169	2010	1,362,169
2010	1,230,000	2,669,700	3,899,700	2011	1,334,850	2011	1,334,850
2011	1,285,000	2,611,890	3,896,890	2012	1,305,945	2012	1,305,945
2012	1,345,000	2,550,210	3,895,210	2013	1,275,105	2013	1,275,105
2013	1,415,000	2,484,305	3,899,305	2014	1,242,153	2014	1,242,152
2014	1,485,000	2,414,263	3,899,263	2015	1,207,132	2015	1,207,131
2015	1,555,000	2,340,012	3,895,012	2016	1,170,006	2016	1,170,006
2016	1,635,000	2,261,485	3,896,485	2017	1,130,743	2017	1,130,742
2017	1,720,000	2,177,283	3,897,283	2018	1,088,642	2018	1,088,641
2018	1,810,000	2,087,842	3,897,842	2019	1,043,921	2019	1,043,921
2019	1,905,000	1,992,818	3,897,818	2020	996,409	2020	996,409
2020	2,005,000	1,892,805	3,897,805	2021	946,403	2021	946,402
2021	2,110,000	1,787,542	3,897,542	2022	893,771	2022	893,771
2022	2,225,000	1,674,130	3,899,130	2023	837,065	2023	837,065
2023	2,345,000	1,554,536	3,899,536	2024	777,268	2024	777,268
2024	2,470,000	1,428,492	3,898,492	2025	714,246	2025	714,246
2025	2,600,000	1,295,730	3,895,730	2026	647,865	2026	647,865
2026	2,740,000	1,155,330	3,895,330	2027	577,665	2027	577,665
2027	2,890,000	1,007,370	3,897,370	2028	503,685	2028	503,685
2028	3,045,000	851,310	3,896,310	2029	425,655	2029	425,655
2029	3,210,000	686,880	3,896,880	2030	343,440	2030	343,440
2030	3,385,000	513,540	3,898,540	2031	256,770	2031	256,770
2031	3,565,000	330,750	3,895,750	2032	165,375	2032	165,375
2032	2,560,000	138,240	2,698,240	2033	69,120	2033	69,120
	<u>\$ 54,935,000</u>	<u>\$ 51,969,996</u>	<u>\$ 106,904,996</u>		<u>\$ 25,985,002</u>		<u>\$ 25,984,994</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

TAX INCREMENT REVENUE BOND SERIES OF 1991

December 31, 2005

Date of Issue	October 15, 1991					
Date of Maturity	May 15, 2007					
Authorized Issue	\$ 68,947,092					
Denomination of Bonds	\$ 5,000					
Interest Rates	105-313	6.05%	6608-9585	7.05%		
	314-783	6.20%	9586-13061	7.10%		
	784-1622	6.30%	13062-16703	7.15%		
	1623-2705	6.40%	16704-20925	7.15%		
	2706-4391	6.50%	20926-25308	7.20%		
	4392-6607	6.60%				
Interest Dates	May 15					
Principal Maturity Date	May 15					
Payable at	First Trust Illinois, Chicago, Illinois					

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Year	Bond Numbers	Tax Levy			Interest Due On	
		Principal	Interest	Totals	May 15	Amount
2006	16704-20925	\$ 7,608,888	\$ 13,501,112	\$ 21,110,000	2006	\$ 13,501,112
2007	20926-25308	7,308,215	14,606,785	21,915,000	2007	14,606,785
		<u>\$ 14,917,103</u>	<u>\$ 28,107,897</u>	<u>\$ 43,025,000</u>		<u>\$ 28,107,897</u>

Bonds numbered 6608-25308 are capital appreciation bonds. Interest on these bonds is payable at maturity.

(This schedule is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

TAX INCREMENT REVENUE BOND SERIES OF 1991 (Continued)

December 31, 2005

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Year	Current Capital Bonds	Accretion	Total
2006	\$ (21,110,000)	\$ 2,000,776	\$ 40,456,847
2007	(21,915,000)	567,377	-

Bonds numbered 6608-25308 are capital appreciation bonds.

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

TAX INCREMENT REVENUE REFUNDING BOND SERIES OF 2005

December 31, 2005

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Date of Issue	June 30, 2005
Date of Maturity	January 1, 2010
Authorized Issue	\$ 65,400,000
Denomination of Bonds	\$ 5,000
Interest Rates	Variable (3.195% at December 31, 2005)
Interest Dates	Monthly
Principal Maturity Date	January 1
Payable at	The Northern Trust Company

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 9,500,000	\$ 1,811,299	\$ 11,311,299
2007	10,300,000	1,484,344	11,784,344
2008	10,700,000	1,143,544	11,843,544
2009	11,100,000	789,964	11,889,964
2010	23,800,000	63,368	23,863,368
	<u>\$ 65,400,000</u>	<u>\$ 5,292,519</u>	<u>\$ 70,692,519</u>

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

HOFFMAN ESTATES ECONOMIC DEVELOPMENT PROJECT AREA  
TAX INCREMENT REVENUE NOTES

December 31, 2005

	Developer Cash Advance Note #1	Developer Cash Advance Note #3	Developer Advance Note #11	Developer Advance Note #12	Private Interest Financing Note #1	Private Interest Financing Note #2
Date of Issue	March 1, 1993	Sept. 1, 1994	Sept. 1, 1994	Sept. 1, 1997	Feb. 1, 2000	Feb. 1, 2000
Date of Maturity	Sept. 10, 2012					
Original Amount of Note	\$ 733,580	\$ 196,685	\$ 1,268,630	\$ 144,247	\$ 1,693,397	\$ 5,009,329
Interest Rate	Adjustable	Adjustable	Adjustable	Adjustable	None	None
Interest Dates	March 1 and September 1	None	None			
Principal Maturity Dates	March 1 and September 1					
Payable at	Sears, Roebuck and Co. Hoffman Estates, IL					
Original Principal Balance	\$ 733,580	\$ 196,685	\$ 1,268,630	\$ 144,247	\$ 1,693,397	\$ 5,009,329
Accrued Interest	514,689	116,403	441,150	68,710	-	-
Subtotal	1,248,269	313,088	1,709,780	212,957	1,693,397	5,009,329
Previous Payments	-	-	1,176,743	-	-	-
Adjusted Principal Balance	\$ 1,248,269	\$ 313,088	\$ 533,037	\$ 212,957	\$ 1,693,397	\$ 5,009,329

Private Interest Financing Note #3	Private Interest Financing Note #4	Private Interest Financing Note #5	Developer Project Cost Note #4	Developer Project Cost Note #13	Developer Project Cost Note #14	Developer Project Cost Note #15	Developer Project Cost Note #16	Developer Project Cost Note #17
Mar. 1, 2001 Sept. 10, 2012 \$ 5,228,265 None None	April 1, 2002 Sept. 10, 2012 \$ 4,800,779 None None	Feb. 1, 2003 Sept. 10, 2012 \$ 4,293,238 None None	Sept. 1, 1993 Sept. 10, 2012 \$ 752,859 Adjustable March 1 and September 1	Sept. 1, 1996 Sept. 10, 2012 \$ 47,972 Adjustable March 1 and September 1	Sept. 26, 1996 Sept. 10, 2012 \$ 318,441 Adjustable March 1 and September 1	Oct. 23, 1996 Sept. 10, 2012 \$ 284,177 Adjustable March 1 and September 1	Nov. 22, 1996 Sept. 10, 2012 \$ 121,202 Adjustable March 1 and September 1	Jan. 23, 1997 Sept. 10, 2012 \$ 144,548 Adjustable March 1 and September 1
March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL			
\$ 5,228,265 -	\$ 4,800,779 -	\$ 4,293,238 -	\$ 752,859 466,641	\$ 47,972 26,704	\$ 318,441 175,643	\$ 284,177 154,972	\$ 121,202 65,257	\$ 144,548 75,841
<u>5,228,265</u>	<u>4,800,779</u>	<u>4,293,238</u>	<u>1,219,500</u>	<u>74,676</u>	<u>494,084</u>	<u>439,149</u>	<u>186,459</u>	<u>220,389</u>
-	-	-	256,953	-	-	-	-	-
<u>\$ 5,228,265</u>	<u>\$ 4,800,779</u>	<u>\$ 4,293,238</u>	<u>\$ 962,547</u>	<u>\$ 74,676</u>	<u>\$ 494,084</u>	<u>\$ 439,149</u>	<u>\$ 186,459</u>	<u>\$ 220,389</u>

(This schedule is continued on the following pages.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

HOFFMAN ESTATES ECONOMIC DEVELOPMENT PROJECT AREA  
TAX INCREMENT REVENUE NOTES (Continued)

December 31, 2005

	Developer Project Cost Note #18	Developer Project Cost Note #19	Developer Project Cost Note #20	Developer Project Cost Note #21	Developer Project Cost Note #22	Developer Project Cost Note #23
Date of Issue	March 6, 1997	March 25, 1997	April 18, 1997	May 21, 1997	Sept. 1, 1997	Sept. 1, 1997
Date of Maturity	Sept. 10, 2012					
Original Amount of Note	\$ 43,449	\$ 72,725	\$ 15,915	\$ 14,315	\$ 5,589,262	\$ 932,132
Interest Rate	Adjustable	Adjustable	Adjustable	Adjustable	Adjustable	Adjustable
Interest Dates	March 1 and September 1					
Principal Maturity Dates	March 1 and September 1					
Payable at	Sears, Roebuck and Co. Hoffman Estates, IL					
Original Principal Balance	\$ 43,449	\$ 72,725	\$ 15,915	\$ 14,315	\$ 5,589,262	\$ 932,132
Accrued Interest	22,396	37,184	8,054	7,140	2,662,380	444,010
Subtotal	65,845	109,909	23,969	21,455	8,251,642	1,376,142
Previous Payments	-	-	-	-	-	-
Adjusted Principal Balance	\$ 65,845	\$ 109,909	\$ 23,969	\$ 21,455	\$ 8,251,642	\$ 1,376,142

Developer Project Cost Note #24	Developer Project Cost Note #25	Developer Project Cost Note #26	Developer Project Cost Note #27	Developer Project Cost Note #28	Developer Project Cost Note #29	Developer Project Cost Note #30	Developer Project Cost Note #31	Developer Project Cost Note #32
Sept. 1, 1997 Sept. 10, 2012 \$ 12,169,244 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	Sept. 1, 1997 Sept. 10, 2012 \$ 5,248,409 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	Sept. 1, 1997 Sept. 10, 2012 \$ 4,347,908 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	Sept. 1, 1997 Sept. 10, 2012 \$ 354,035 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	Sept. 1, 1997 Sept. 10, 2012 \$ 288,720 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1, 1999 Sept. 10, 2012 \$ 2,244,798 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1, 1999 Sept. 10, 2012 \$ 336,341 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1, 2000 Sept. 10, 2012 \$ 814,106 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL	March 1, 2001 Sept. 10, 2012 \$ 1,435,686 Adjustable March 1 and September 1 March 1 and September 1 Sears, Roebuck and Co. Hoffman Estates, IL
\$ 12,169,244 5,796,678 17,965,922	\$ 5,248,409 2,500,019 7,748,428	\$ 4,347,908 2,071,075 6,418,983	\$ 354,035 168,641 522,676	\$ 288,720 137,529 426,249	\$ 2,244,798 835,922 3,080,720	\$ 336,341 125,247 461,588	\$ 814,106 247,486 1,061,592	\$ 1,435,686 338,253 1,773,939
-	-	-	-	-	-	-	-	-
<u>\$ 17,965,922</u>	<u>\$ 7,748,428</u>	<u>\$ 6,418,983</u>	<u>\$ 522,676</u>	<u>\$ 426,249</u>	<u>\$ 3,080,720</u>	<u>\$ 461,588</u>	<u>\$ 1,061,592</u>	<u>\$ 1,773,939</u>

(This schedule is continued on the following page.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

LONG-TERM DEBT REQUIREMENTS

HOFFMAN ESTATES ECONOMIC DEVELOPMENT PROJECT AREA  
TAX INCREMENT REVENUE NOTES (Continued)

December 31, 2005

	Developer Project Cost Note #33	Developer Project Cost Note #34	Developer Project Cost Note #35	Developer Project Cost Note #34	Total
Date of Issue	Sept. 1, 2001	Sept. 1, 2002	Sept. 1, 2002	March 1, 2003	
Date of Maturity	Sept. 10, 2012	Sept. 10, 2012	Sept. 10, 2012	Sept. 10, 2012	
Original Amount of Note	\$ 708,661	\$ 10,776,023	\$ 222,767	\$ 303,071	
Interest Rate	Adjustable	Adjustable	Adjustable	Adjustable	
Interest Dates	March 1 and September 1				
Principal Maturity Dates	March 1 and September 1				
Payable at	Sears, Roebuck and Co. Hoffman Estates, IL				
Original Principal Balance	\$ 708,661	\$ 10,776,023	\$ 222,767	\$ 303,071	\$ 70,954,916
Accrued Interest	145,108	1,901,937	32,891	36,654	19,624,614
Subtotal	853,769	12,677,960	255,658	339,725	90,579,530
Previous Payments	-	-	-	-	1,433,696
Adjusted Principal Balance	\$ 853,769	\$ 12,677,960	\$ 255,658	\$ 339,725	\$ 89,145,834

(See independent auditor's report.)

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

ECONOMIC DEVELOPMENT PROJECT AREA

SCHEDULE OF INDENTURE FLOW OF FUNDS

For the Year Ended December 31, 2005

	EDA Special Tax Allocation Fund			Totals	Sears EDA General Account Fund
	Unallocated	Government Share Account	Sears Portion of PVS		
<b>REVENUES</b>					
Incremental Taxes	\$ 15,127,660	\$ 5,990,957	\$ 403,330	\$ 21,521,947	\$ -
Investment Income	357,317	-	12,396	369,713	-
Sears Debt Service Payment	-	-	-	-	-
<b>Total Revenues</b>	<b>15,484,977</b>	<b>5,990,957</b>	<b>415,726</b>	<b>21,891,660</b>	<b>-</b>
<b>EXPENDITURES</b>					
Principal, Bonds and Notes	-	-	-	-	-
Interest, Bonds and Notes	-	-	-	-	-
Professional Services	150	-	-	150	-
Issuance Costs	-	-	-	-	-
Trustee Fees	-	-	-	-	-
Arbitrage Rebate	-	-	-	-	-
Arbitrage Calculation Fees	-	-	-	-	-
<b>Total Expenditures</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>15,484,827</b>	<b>5,990,957</b>	<b>415,726</b>	<b>21,891,510</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	-	-
Transfers (Out)	(839,965)	-	-	(839,965)	-
Payment to Escrow Agent	-	-	-	-	-
Distribution of Surplus	-	(2,706,855)	-	(2,706,855)	-
Distribution of Sears PVS	(1,868)	-	(408,402)	(410,270)	-
Transfer to Rebate Payable	(293,314)	-	-	(293,314)	-
Transfer to EDA Administration Fund	-	(3,284,102)	-	(3,284,102)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,135,147)</b>	<b>(5,990,957)</b>	<b>(408,402)</b>	<b>(7,534,506)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>14,349,680</b>	<b>-</b>	<b>7,324</b>	<b>14,357,004</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<b>213,933</b>	<b>-</b>	<b>408,402</b>	<b>622,335</b>	<b>-</b>
Prior Period Adjustment	-	-	-	-	-
<b>FUND BALANCES (DEFICIT), JANUARY 1, RESTATED</b>	<b>213,933</b>	<b>-</b>	<b>408,402</b>	<b>622,335</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 14,563,613</b>	<b>\$ -</b>	<b>\$ 415,726</b>	<b>\$ 14,979,339</b>	<b>\$ -</b>

Program Expenses Account	Series 1997 EDA TIF Bond Fund				Sears 2005 EDA TIF Refunding Bond Fund			1991 Junior Lien Bond and Interest Account	Totals (Memorandum Only)
	Series 1997 Bond and Interest Account	Series 1997 Reserve and Redemption Account	Series 1997 Rebate Account	Totals	Series 2005 Bond and Interest Account	Series 2005 Reserve and Redemption Account	Totals		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,521,947
2,024	12,781	486,445	4,550	503,776	7,760	80,725	88,485	37,604	1,001,602
-	-	-	-	-	-	-	-	12,051,446	12,051,446
2,024	12,781	486,445	4,550	503,776	7,760	80,725	88,485	12,089,050	34,574,995
-	-	-	-	-	-	-	-	7,041,443	7,041,443
-	1,683,297	-	-	1,683,297	1,123,878	-	1,123,878	11,168,557	13,975,732
38,368	-	-	-	-	-	-	-	-	38,518
229,307	-	-	-	-	-	-	-	-	229,307
8,000	-	-	-	-	-	-	-	-	8,000
-	-	-	554,284	554,284	-	-	-	-	554,284
2,500	-	-	-	-	-	-	-	-	2,500
278,175	1,683,297	-	554,284	2,237,581	1,123,878	-	1,123,878	18,210,000	21,849,784
(276,151)	(1,670,516)	486,445	(549,734)	(1,733,805)	(1,116,118)	80,725	(1,035,393)	(6,120,950)	12,725,211
479,434	2,462,560	-	-	2,462,560	3,752,492	12,098,169	15,850,661	1,664,548	20,457,203
(53)	(16,519)	(19,564,216)	(6,450)	(19,587,185)	-	-	-	(30,000)	(20,457,203)
-	-	(2,200,065)	-	(2,200,065)	-	-	-	-	(2,200,065)
-	-	-	-	-	-	-	-	-	(2,706,855)
-	-	-	-	-	-	-	-	410,270	-
-	-	-	293,314	293,314	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(3,284,102)
479,381	2,446,041	(21,764,281)	286,864	(19,031,376)	3,752,492	12,098,169	15,850,661	2,044,818	(8,191,022)
203,230	775,525	(21,277,836)	(262,870)	(20,765,181)	2,636,374	12,178,894	14,815,268	(4,076,132)	4,534,189
(2,828,626)	(775,525)	21,277,836	1,900	20,504,211	-	-	-	4,094,287	22,392,207
-	-	-	260,970	260,970	-	-	-	-	260,970
(2,828,626)	(775,525)	21,277,836	262,870	20,765,181	-	-	-	4,094,287	22,653,177
\$ (2,625,396)	\$ -	\$ -	\$ -	\$ -	\$ 2,636,374	\$ 12,178,894	\$ 14,815,268	\$ 18,155	\$ 27,187,366

(See independent auditor's report.)

## STATISTICAL SECTION

This part of the Village of Hoffman Estates' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Village's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	157-165
Revenue Capacity These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	166-172
Debt Capacity These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	173-177
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	178-179
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	180-182

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Village implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

NET ASSETS BY COMPONENT

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>GOVERNMENTAL ACTIVITIES</b>			
Invested in Capital Assets, Net of Related Debt	\$ 74,079,702	\$ 76,288,971	\$ 81,974,472
Restricted	31,736,142	30,610,435	25,510,851
Unrestricted	(208,737,371)	(191,260,938)	(179,534,956)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (102,921,527)</b>	<b>\$ (84,361,532)</b>	<b>\$ (72,049,633)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Invested in Capital Assets, Net of Related Debt	\$ 23,216,582	\$ 22,574,239	\$ 23,568,964
Restricted	-	-	-
Unrestricted	8,759,802	8,594,706	9,612,150
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 31,976,384</b>	<b>\$ 31,168,945</b>	<b>\$ 33,181,114</b>
<b>PRIMARY GOVERNMENT</b>			
Invested in Capital Assets, Net of Related Debt	\$ 97,296,284	\$ 98,863,210	\$ 105,543,436
Restricted	31,736,142	30,610,435	25,510,851
Unrestricted	(199,977,569)	(182,666,232)	(169,922,806)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (70,945,143)</b>	<b>\$ (53,192,587)</b>	<b>\$ (38,868,519)</b>

Data Source

Audited Financial Statements

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

NET ASSETS BY COMPONENT EXCLUDING EDA TIF ACTIVITY

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>GOVERNMENTAL ACTIVITIES</b>			
Invested in Capital Assets, Net of Related Debt	\$ 74,079,702	\$ 76,288,971	\$ 81,974,472
Restricted	1,953,699	2,079,746	7,306,379
Unrestricted	21,850,479	20,136,069	17,632,151
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 97,883,880</b>	<b>\$ 98,504,786</b>	<b>\$ 106,913,002</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Invested in Capital Assets, Net of Related Debt	\$ 23,216,582	\$ 22,574,239	\$ 23,568,964
Restricted	-	-	-
Unrestricted	8,759,802	8,594,706	9,612,150
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 31,976,384</b>	<b>\$ 31,168,945</b>	<b>\$ 33,181,114</b>
<b>PRIMARY GOVERNMENT</b>			
Invested in Capital Assets, Net of Related Debt	\$ 97,296,284	\$ 98,863,210	\$ 105,543,436
Restricted	1,953,699	2,079,746	7,306,379
Unrestricted	30,610,281	28,730,775	27,244,301
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 129,860,264</b>	<b>\$ 129,673,731</b>	<b>\$ 140,094,116</b>

Data Source

Audited Financial Statements

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CHANGE IN NET ASSETS

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>EXPENSES</b>			
Governmental Activities			
General Government	\$ 4,428,226	\$ 4,713,709	\$ 4,977,318
Public Safety	22,409,329	23,861,883	25,173,738
Highways and Streets	8,729,150	9,286,945	11,532,401
Sanitation	531,458	600,961	930,335
Health and Welfare	1,610,610	1,674,649	1,662,082
Culture and Recreation	246,447	229,402	226,608
Economic Development	6,107,232	1,406,319	1,303,688
Interest	13,342,322	11,971,027	11,447,448
Total Governmental Activities Expenses	<u>57,404,774</u>	<u>53,744,895</u>	<u>57,253,618</u>
Business-Type Activities			
Water/Sewer	9,892,227	10,259,599	10,584,059
Total Business-Type Activities Expenses	<u>9,892,227</u>	<u>10,259,599</u>	<u>10,584,059</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<u>\$ 67,297,001</u>	<u>\$ 64,004,494</u>	<u>\$ 67,837,677</u>
<b>PROGRAM REVENUES</b>			
Governmental Activities			
Charges for Services			
General Government	\$ 1,102,884	\$ 1,093,124	\$ 1,075,793
Public Safety	1,284,812	1,595,498	1,811,621
Highways and Streets	876,053	1,023,264	1,415,253
Sanitation	73,499	816,056	880,637
Health and Welfare	1,114,771	1,285,231	1,698,013
Culture and Recreation	469,330	493,933	513,635
Economic Development	10,212,855	11,093,955	12,585,713
Operating Grants and Contributions	2,147,257	1,907,357	1,918,772
Capital Grants and Contributions	579,609	700,558	687,300
Total Governmental Activities Program Revenues	<u>17,861,070</u>	<u>20,008,976</u>	<u>22,586,737</u>
Business-Type Activities			
Charges for Services			
Water/Sewer	8,404,183	8,919,572	10,240,821
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	-	-	-
Total Business-Type Activities Program Revenues	<u>8,404,183</u>	<u>8,919,572</u>	<u>10,240,821</u>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<u>\$ 26,265,253</u>	<u>\$ 28,928,548</u>	<u>\$ 32,827,558</u>
<b>NET (EXPENSES) REVENUES</b>			
Governmental Activities	\$ (39,543,704)	\$ (33,735,919)	\$ (34,666,881)
Business-Type Activities	(1,488,044)	(1,340,027)	(343,238)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSES) REVENUES</b>	<u>\$ (41,031,748)</u>	<u>\$ (35,075,946)</u>	<u>\$ (35,010,119)</u>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CHANGE IN NET ASSETS (Continued)

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>			
Governmental Activities			
Taxes			
Property	\$ 32,689,908	\$ 31,996,121	\$ 17,575,496
Sales	5,531,118	4,960,882	5,059,287
Income and Local Use	3,496,475	3,744,788	4,356,243
Telecommunications	3,835,027	3,976,737	4,097,034
Real Estate Transfer	1,150,049	1,272,280	3,040,388
Home Rule Sales	1,485,007	1,807,230	2,659,124
Other	1,557,709	1,679,970	1,807,840
Investment Earnings	1,473,816	1,547,181	2,526,601
Miscellaneous	213,611	297,218	236,165
Gain (Loss) on Sale of Capital Assets	(133,415)	-	-
Contributions	668,807	1,013,507	5,671,102
Transfers (Out)	-	-	(50,500)
<b>Total Governmental Activities</b>	<b>51,968,112</b>	<b>52,295,914</b>	<b>46,978,780</b>
Business-Type Activities			
Investment Earnings	126,699	105,028	251,322
Miscellaneous	8,278	310,810	27,455
Contributions	-	116,750	2,026,130
Transfers In	-	-	50,500
<b>Total Business-type Activities</b>	<b>134,977</b>	<b>532,588</b>	<b>2,355,407</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 52,103,089</b>	<b>\$ 52,828,502</b>	<b>\$ 49,334,187</b>
<b>CHANGE IN NET ASSETS</b>			
Governmental Activities	\$ 12,424,408	\$ 18,559,995	\$ 12,311,899
Business-Type Activities	(1,353,067)	(807,439)	2,012,169
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS</b>	<b>\$ 11,071,341</b>	<b>\$ 17,752,556</b>	<b>\$ 14,324,068</b>

Data Source

Audited Financial Statements

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CHANGE IN NET ASSETS EXCLUDING EDA TIF ACTIVITY

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>EXPENSES</b>			
Governmental Activities			
General Government	\$ 4,428,226	\$ 4,713,709	\$ 4,977,318
Public Safety	22,409,329	23,861,883	25,173,738
Highways and Streets	8,729,150	9,286,945	11,532,401
Sanitation	531,458	600,961	930,335
Health and Welfare	1,610,610	1,674,649	1,662,082
Culture and Recreation	246,447	229,402	226,608
Economic Development	1,158,602	1,406,319	1,303,688
Interest	1,237,618	978,608	2,073,221
Total Governmental Activities Expenses	40,351,440	42,752,476	47,879,391
Business-Type Activities			
Water/Sewer	9,892,227	10,259,599	10,584,059
Total Business-type Activities Expenses	9,892,227	10,259,599	10,584,059
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 50,243,667</b>	<b>\$ 53,012,075</b>	<b>\$ 58,463,450</b>
<b>PROGRAM REVENUES</b>			
Governmental Activities			
Charges for Services			
General Government	\$ 1,102,884	\$ 1,093,124	\$ 1,075,793
Public Safety	1,284,812	1,595,498	1,811,621
Highways and Streets	754,997	601,295	838,681
Sanitation	73,499	816,056	880,637
Health and Welfare	1,114,771	1,285,231	1,698,013
Culture and Recreation	469,330	493,933	513,635
Economic Development	77,552	248,944	123,997
Operating Grants and Contributions	2,147,257	1,907,357	1,918,772
Capital Grants and Contributions	579,609	700,558	687,300
Total Governmental Activities Program Revenues	7,604,711	8,741,996	9,548,449
Business-Type Activities			
Charges for Services			
Water/Sewer	8,404,183	8,919,572	10,240,821
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	-	-	-
Total Business-Type Activities Program Revenues	8,404,183	8,919,572	10,240,821
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 16,008,894</b>	<b>\$ 17,661,568</b>	<b>\$ 19,789,270</b>
<b>NET (EXPENSES) REVENUES</b>			
Governmental Activities	\$ (32,746,729)	\$ (34,010,480)	\$ (38,330,942)
Business-Type Activities	(1,488,044)	(1,340,027)	(343,238)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSES) REVENUES</b>	<b>\$ (34,234,773)</b>	<b>\$ (35,350,507)</b>	<b>\$ (38,674,180)</b>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CHANGE IN NET ASSETS EXCLUDING EDA TIF ACTIVITY (Continued)

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>			
Governmental Activities			
Taxes			
Property	\$ 14,878,186	\$ 15,754,259	\$ 16,449,238
Sales	5,531,118	4,960,882	5,059,287
Income and Local Use	3,496,475	3,744,788	4,356,243
Telecommunications	3,835,027	3,976,737	4,097,034
Real Estate Transfer	1,150,049	1,272,280	3,040,388
Home Rule Sales	1,485,007	1,807,230	2,659,124
Other	1,557,709	1,679,970	1,807,840
Investment Earnings	429,786	359,295	1,690,290
Miscellaneous	213,611	297,218	236,165
Gain (Loss) on Sale of Capital Assets	(133,415)	-	-
Contributions	668,807	1,013,507	5,671,102
Transfers (Out)	-	-	(50,500)
<b>Total Governmental Activities</b>	<b>33,112,360</b>	<b>34,866,166</b>	<b>45,016,211</b>
Business-Type Activities			
Investment Earnings	126,699	105,028	251,322
Miscellaneous	8,278	310,810	27,455
Contributions	-	116,750	2,026,130
Transfers In	-	-	50,500
<b>Total Business-Type Activities</b>	<b>134,977</b>	<b>532,588</b>	<b>2,355,407</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 33,247,337</b>	<b>\$ 35,398,754</b>	<b>\$ 47,371,618</b>
<b>CHANGE IN NET ASSETS</b>			
Governmental Activities	\$ 365,631	\$ 855,686	\$ 6,685,269
Business-Type Activities	(1,353,067)	(807,439)	2,012,169
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS</b>	<b>\$ (987,436)</b>	<b>\$ 48,247</b>	<b>\$ 8,697,438</b>

Data Source

Audited Financial Statements

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>GENERAL FUND</b>										
Reserved	\$ 166,255	\$ 133,122	\$ 296,924	\$ 373,857	\$ 1,348,922	\$ 1,433,427	\$ 1,508,813	\$ 1,517,642	\$ 1,578,110	\$ 1,663,522
Unreserved	8,830,023	9,216,521	11,771,884	12,998,113	14,451,493	12,681,774	14,207,167	13,134,103	12,079,973	14,363,833
<b>TOTAL GENERAL FUND</b>	<b>\$ 8,996,278</b>	<b>\$ 9,349,643</b>	<b>\$ 12,068,808</b>	<b>\$ 13,371,970</b>	<b>\$ 15,800,415</b>	<b>\$ 14,115,201</b>	<b>\$ 15,715,980</b>	<b>\$ 14,651,745</b>	<b>\$ 13,658,083</b>	<b>\$ 16,027,355</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ 13,285,841	\$ 18,668,249 <sup>a</sup>	\$ 24,573,473 <sup>b</sup>	\$ 22,508,851	\$ 23,007,555	\$ 23,012,632	\$ 23,199,554	\$ 31,243,263 <sup>c</sup>	\$ 30,566,218	\$ 74,687,887 <sup>d</sup>
Unreserved, Reported In										
Special Revenue Funds	1,529,455	549,340	223,281	(213,373)	(104,052)	(14,036)	(299,539)	(251,801)	(13,215)	198,221
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Capital Project Funds	21,684,612	19,087,451	25,480,934	21,712,401	17,836,298	17,927,093	14,176,932	8,026,692	7,049,563	6,568,668
Permanent Funds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ALL OTHER GOVERNMENT FUNDS</b>	<b>\$ 36,499,908</b>	<b>\$ 38,305,040</b>	<b>\$ 50,277,688</b>	<b>\$ 44,007,879</b>	<b>\$ 40,739,801</b>	<b>\$ 40,925,689</b>	<b>\$ 37,076,947</b>	<b>\$ 39,018,154</b>	<b>\$ 37,602,566</b>	<b>\$ 81,454,776</b>

Data Source

Audited Financial Statements

Footnotes

<sup>a</sup> The substantial increase in reserved fund balance in the Other Governmental Funds for 1997 is due to the issuance of the 1997A G.O. Bonds.

<sup>b</sup> The substantial increase in reserved fund balance in the Other Governmental Funds for 1998 is due to the issuance of the 1997B G.O. Bonds.

<sup>c</sup> The substantial increase in reserved fund balance in the Other Governmental Funds for 2003 is due to

<sup>d</sup> The substantial increase in reserved fund balance in the Other Governmental Funds for 2005 is due to the issuance of the 2005A Taxable Bond Series and is talked about further within the Management's Discussion & Analysis.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>REVENUES</b>										
Taxes	\$ 27,968,732	\$ 25,991,885	\$ 40,458,774	\$ 34,251,533	\$ 35,714,069	\$ 36,460,544	\$ 38,651,515	\$ 40,418,162	\$ 40,333,960	\$ 28,591,932
Licenses and Permits	677,067	686,244	1,651,549	797,930	820,302	1,201,939	1,182,921	1,417,756	1,613,441	2,032,103
Intergovernmental	8,950,968	9,594,456	9,958,260	10,786,179	12,342,108	12,968,152	13,119,641	12,320,841	11,091,829	11,912,242
Charges for Services	1,858,812	2,314,175	2,640,033	2,816,962	2,977,115	3,379,183	3,399,336	12,769,318	15,405,160	18,388,493
Fines and Forfeitures	589,778	547,066	591,229	704,552	880,466	855,569	902,403	760,890	808,496	763,189
Investment Income	3,159,723	2,735,866	3,432,246	3,250,394	3,857,703	3,326,084	1,955,541	1,437,372	1,547,181	2,526,601
Miscellaneous	624,703	806,624	842,068	1,846,250	3,546,503	6,158,921	6,496,890	401,198	677,244	444,639
<b>Total Revenues</b>	<b>43,829,783</b>	<b>42,676,316</b>	<b>59,574,159</b>	<b>54,453,800</b>	<b>60,138,266</b>	<b>64,350,392</b>	<b>65,708,247</b>	<b>69,525,537</b>	<b>71,477,311</b>	<b>\$ 64,659,199</b>
<b>EXPENDITURES</b>										
General Government	3,915,070	4,167,861	4,024,006	4,240,530	4,621,492	4,849,198	5,029,222	4,083,605	4,395,369	4,756,695
Public Safety	13,431,321	13,918,394	15,507,937	16,962,656	18,316,851	19,416,766	19,812,212	20,780,224	23,254,403	24,928,583
Highways and Streets	3,440,460	3,850,221	2,800,917	3,054,066	3,595,352	3,727,237	3,986,615	5,124,716	5,480,075	5,681,472
Sanitation	43,076	-	655,379	651,965	632,735	579,592	554,997	531,458	600,961	930,335
Health and Welfare	1,115,286	1,122,806	1,148,930	1,197,488	1,250,002	1,358,477	1,460,730	1,534,247	1,637,951	1,671,142
Culture and Recreation	194,116	187,038	220,106	225,658	268,791	283,906	281,344	235,705	222,720	223,112
Economic Development	457,986	441,867	449,153	530,550	592,027	789,035	714,776	1,109,856	1,367,588	1,295,346
Capital Outlay	11,362,949	12,774,889	7,621,640	10,626,087	15,161,470	14,149,269	23,896,355	7,929,784	2,992,795	3,827,231
Debt Service										
Principal	6,256,383	3,402,471	12,603,561	13,822,251	15,393,884	19,443,868	22,209,005	26,644,297	29,114,750	21,249,471
Interest and Other Charges	12,417,633	11,880,823	10,560,023	9,675,731	8,878,275	8,373,126	6,743,789	5,658,811	4,916,657	7,235,018
<b>Total Expenditures</b>	<b>52,634,280</b>	<b>51,746,370</b>	<b>55,591,652</b>	<b>60,986,982</b>	<b>68,710,879</b>	<b>72,970,474</b>	<b>84,689,045</b>	<b>73,632,703</b>	<b>73,983,269</b>	<b>71,798,405</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,804,497)</b>	<b>(9,070,054)</b>	<b>3,982,507</b>	<b>(6,533,182)</b>	<b>(8,572,613)</b>	<b>(8,620,082)</b>	<b>(18,980,798)</b>	<b>(4,107,166)</b>	<b>(2,505,958)</b>	<b>(7,139,206)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In	3,143,587	5,040,494	11,691,285	6,150,276	12,477,951	8,024,415	7,051,353	5,170,417	5,291,988	3,643,861
Transfers Out	(2,674,431)	(4,294,552)	(11,294,155)	(6,907,286)	(12,484,201)	(8,402,639)	(7,201,070)	(5,159,253)	(5,333,431)	(3,741,248)
Sale of Capital Assets	-	-	-	-	208,448	64,500	72,952	73,014	61,789	62,084
Bonds Issued, at Par	-	124,795,000	10,000,000	-	-	10,760,000	-	6,155,000	6,765,000	120,335,000
Note Proceeds	-	-	-	2,581,139	7,516,832	7,372,612	15,576,802	4,819,075	-	-
Payment to Escrow Agent	-	(114,891,025)	-	-	-	(10,757,630)	-	(6,118,307)	(6,852,230)	(66,518,105)
Premium (Discount) on Issuance of Bonds	-	739,129	(63,740)	-	-	59,498	-	44,192	163,592	(420,904)
<b>Total Other Financing Sources (Uses)</b>	<b>469,156</b>	<b>11,389,046</b>	<b>10,333,390</b>	<b>1,824,129</b>	<b>7,719,030</b>	<b>7,120,756</b>	<b>15,500,037</b>	<b>4,984,138</b>	<b>96,708</b>	<b>53,360,688</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (8,335,341)</b>	<b>\$ 2,318,992</b>	<b>\$ 14,315,897</b>	<b>\$ (4,709,053)</b>	<b>\$ (853,583)</b>	<b>\$ (1,499,326)</b>	<b>\$ (3,480,761)</b>	<b>\$ 876,972</b>	<b>\$ (2,409,250)</b>	<b>\$ 46,221,482</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<b>46.93%</b>	<b>40.94%</b>	<b>48.90%</b>	<b>47.61%</b>	<b>46.21%</b>	<b>48.14%</b>	<b>48.26%</b>	<b>49.61%</b>	<b>48.26%</b>	<b>42.23%</b>

Data Source

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial Property	Farm Property	TIF Property	Total Taxable Assessed Value	Total Direct Tax Rate (A)	Estimated Actual Taxable Value	Estimated Actual Taxable Value
1996	\$ 450,784,796	\$ 247,307,021	\$ 112,054,306	\$ 270,843	\$ 238,591,577	\$ 1,049,008,543	\$ 1.148	\$ 3,147,025,629	33.333%
1997	446,824,434	250,944,125	108,882,641	298,303	236,766,265	1,043,715,768	1.250	3,131,147,304	33.333%
1998	489,307,760	273,692,649	118,717,390	272,757	243,183,621	1,125,174,177	1.156	3,375,522,531	33.333%
1999	503,268,414	301,771,813	128,834,541	268,910	259,324,634	1,193,468,312	1.096	3,580,404,936	33.333%
2000	494,441,465	295,562,922	112,619,146	325,322	266,075,498	1,169,024,353	1.157	3,507,073,059	33.333%
2001	608,834,722	361,732,044	121,585,216	298,743	289,815,493	1,382,266,218	0.995	4,146,798,654	33.333%
2002	663,205,010	369,853,281	143,130,819	239,544	325,026,300	1,501,454,954	0.974	4,504,364,862	33.333%
2003	672,389,482	360,110,493	138,481,832	219,537	329,450,923	1,500,652,267	1.024	4,501,956,801	33.333%
2004	(B)						0.936		
2005	(B)								

(A) Property tax rates are per \$100 of assessed valuation.

(B) 2004 detail valuations and 2005 Tax Rates and valuations were not available at the time of issuance of this report.

Data Source

Office of the Cook and Kane County Clerks

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
SCHAUMBURG TOWNSHIP

Last Ten Levy Years

Tax Levy Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Village Direct Rates (A)										
General	0.752	0.774	0.708	0.668	0.691	0.609	0.617	0.695	0.646	(B)
Municipal Waste	0.000	0.034	0.031	0.029	0.030	0.025	0.023	0.000	0.000	
IMRF	0.049	0.047	0.043	0.039	0.031	0.025	0.000	0.000	0.000	
Debt Service	0.226	0.264	0.243	0.222	0.234	0.191	0.169	0.141	0.118	
Police Pension	0.075	0.077	0.080	0.077	0.097	0.086	0.098	0.108	0.096	
Firefighters Pension	0.046	0.054	0.051	0.061	0.074	0.059	0.066	0.080	0.076	
Total Direct Rate	1.148	1.250	1.156	1.096	1.157	0.995	0.974	1.024	0.936	
Overlapping Rates										
School District #54	3.634	3.751	3.595	3.532	3.706	3.283	3.142	3.414	3.106	
Palatine Twp. H.S. #211	2.517	2.595	2.464	2.418	2.450	2.147	2.067	2.165	2.158	
Junior College District #512	0.281	0.292	0.277	0.270	0.347	0.308	0.295	0.310	0.279	
Forest Preserve District of Cook County	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060	
Sub. T.B. Sanitarium	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001	
Schaumburg Township Library District	0.368	0.370	0.358	0.361	0.372	0.319	0.304	0.319	0.285	
Township of Schaumburg (All Funds)	0.118	0.135	0.127	0.110	0.107	0.110	0.105	0.111	0.101	
Metropolitan Sanitary District of Greater Chicago	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347	
Northwest Mosquito Abatement District	0.010	0.011	0.010	0.010	0.011	0.010	0.009	0.010	0.009	
Hoffman Estates Park District	0.640	0.654	0.602	0.578	0.606	0.517	0.486	0.540	0.498	
Consolidated Elections	0.000	0.027	0.000	0.023	0.000	0.032	0.000	0.029	0.000	
County of Cook	0.694	0.634	0.673	0.618	0.605	0.545	0.534	0.489	0.593	
Cook County Health Facility	0.295	0.285	0.238	0.236	0.219	0.201	0.156	0.141	0.000	
TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION	10.279	10.537	10.024	9.749	10.072	8.942	8.510	8.976	8.373	
SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HOFFMAN ESTATES	11.2%	11.9%	11.5%	11.2%	11.5%	11.1%	11.4%	11.4%	11.2%	

(A) Property tax rates are per \$100 of assessed valuation.

(B) 2005 Tax Rates were not available at the time of issuance of this report.

Data Source

Office of the County Clerk

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
BARRINGTON TOWNSHIP

Last Ten Levy Years

Tax Levy Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Village Direct Rates (A)</b>										
General	0.752	0.774	0.708	0.668	0.691	0.609	0.617	0.695	0.646	(B)
Municipal Waste	0.000	0.034	0.031	0.029	0.030	0.025	0.023	0.000	0.000	
IMRF	0.049	0.047	0.043	0.039	0.031	0.025	0.000	0.000	0.000	
Debt Service	0.226	0.264	0.243	0.222	0.234	0.191	0.169	0.141	0.118	
Police Pension	0.075	0.077	0.080	0.077	0.097	0.086	0.098	0.108	0.096	
Firefighters Pension	0.046	0.054	0.051	0.061	0.074	0.059	0.066	0.080	0.076	
<b>Total Direct Rate</b>	<b>1.148</b>	<b>1.250</b>	<b>1.156</b>	<b>1.096</b>	<b>1.157</b>	<b>0.995</b>	<b>0.974</b>	<b>1.024</b>	<b>0.936</b>	
<b>Overlapping Rates</b>										
Unit School District #220	3.146	3.438	3.511	3.617	3.862	3.852	3.741	4.011	3.456	
Junior College District #512	0.281	0.292	0.277	0.270	0.347	0.308	0.295	0.310	0.279	
Forest Preserve District of Cook County	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060	
Sub. T.B. Sanitarium	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001	
Barrington Public Library District	0.201	0.217	0.202	0.227	0.241	0.229	0.229	0.230	0.201	
Township of Barrington (All Funds)	0.056	0.053	0.057	0.057	0.059	0.052	0.041	0.036	0.030	
Metropolitan Sanitary District of Greater Chicago	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347	
Northwest Mosquito Abatement District	0.010	0.011	0.010	0.010	0.011	0.010	0.009	0.010	0.009	
Hoffman Estates Park District	0.640	0.654	0.602	0.578	0.606	0.517	0.486	0.540	0.498	
Consolidated Elections	0.000	0.027	0.000	0.023	0.000	0.032	0.000	0.029	0.000	
County of Cook	0.694	0.634	0.673	0.618	0.605	0.545	0.534	0.489	0.593	
Cook County Health Facility	0.295	0.285	0.238	0.236	0.219	0.201	0.156	0.141	0.000	
<b>TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION</b>	<b>7.045</b>	<b>7.394</b>	<b>7.250</b>	<b>7.229</b>	<b>7.599</b>	<b>7.216</b>	<b>6.903</b>	<b>7.244</b>	<b>6.410</b>	
<b>SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HOFFMAN ESTATES</b>	<b>16.3%</b>	<b>16.9%</b>	<b>15.9%</b>	<b>15.2%</b>	<b>15.2%</b>	<b>13.8%</b>	<b>14.1%</b>	<b>14.1%</b>	<b>14.6%</b>	

(A) Property tax rates are per \$100 of assessed valuation.

(B) 2005 Tax rates were not available at the time of issuance of this report.

Data Source

Office of the County Clerk

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
HANOVER TOWNSHIP

Last Ten Levy Years

Tax Levy Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Village Direct Rates (A)										
General	0.752	0.774	0.708	0.668	0.691	0.609	0.617	0.695	0.646	(B)
Municipal Waste	0.000	0.034	0.031	0.029	0.030	0.025	0.023	0.000	0.000	
IMRF	0.049	0.047	0.043	0.039	0.031	0.025	0.000	0.000	0.000	
Debt Service	0.226	0.264	0.243	0.222	0.234	0.191	0.169	0.141	0.118	
Police Pension	0.075	0.077	0.080	0.077	0.097	0.086	0.098	0.108	0.096	
Firefighters Pension	0.046	0.054	0.051	0.061	0.074	0.059	0.066	0.080	0.076	
Total Direct Rate	1.148	1.250	1.156	1.096	1.157	0.995	0.974	1.024	0.936	
Overlapping Rates										
Unit School District #220	3.146	3.438	3.511	3.617	3.862	3.852	3.741	4.011	3.456	
Junior College District #512	0.281	0.292	0.277	0.270	0.347	0.308	0.295	0.310	0.279	
Forest Preserve District of Cook County	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060	
Sub. T.B. Sanitarium	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001	
Poplar Creek Public Library District	0.376	0.386	0.397	0.388	0.406	0.351	0.340	0.355	0.318	
Township of Hanover (All Funds)	0.260	0.271	0.251	0.246	0.254	0.225	0.259	0.273	0.242	
Metropolitan Sanitary District of Greater Chicago	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347	
Northwest Mosquito Abatement District	0.010	0.011	0.010	0.010	0.011	0.010	0.009	0.010	0.009	
Hoffman Estates Park District	0.640	0.654	0.602	0.578	0.606	0.517	0.486	0.540	0.498	
Consolidated Elections	0.000	0.027	0.000	0.023	0.000	0.032	0.000	0.029	0.000	
County of Cook	0.694	0.634	0.673	0.618	0.605	0.545	0.534	0.489	0.593	
Cook County Health Facility	0.295	0.285	0.238	0.236	0.219	0.201	0.156	0.141	0.000	
Comm. Mental Health Facility and Service District	0.054	0.056	0.049	0.044	0.045	0.040	0.038	0.040	0.036	
TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION	7.478	7.837	7.688	7.623	8.004	7.551	7.270	7.646	6.775	
SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE OF HOFFMAN ESTATES	15.3%	15.9%	15.0%	14.4%	14.5%	13.2%	13.4%	13.4%	13.8%	

(A) Property tax rates are per \$100 of assessed valuation.

(B) 2005 Tax rates were not available at the time of issuance of this report.

Data Source

Office of the County Clerk

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2004 Tax Levy			1995 Tax Levy		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
Sears, Roebuck and Co.	\$ 258,451,558	1	15.50%	\$ 234,524,116	1	22.36%
Ameritech Illinois & SBC	145,430,653	2	8.72%	104,996,514	2	10.01%
Property Tax Advisors	41,758,657	3	2.50%			
Columbia H.E. Medical Ctr.				32,371,092	3	3.09%
American Heritage	21,149,220	4	1.27%			
Stonegate Properties	20,068,986	5	1.20%	24,258,826	4	2.31%
Hamilton Partners				22,224,675	5	2.12%
Town Management Corporation				15,959,184	6	1.52%
TransAmerica Comm. Fin.	14,715,942	6	0.88%			
The John Buck Company	14,208,056	7	0.85%			
Park Place Apartments	14,160,705	8	0.85%			
Chicago Title & Trust				12,339,233	7	1.18%
Autumn Chase Apartments	11,249,286	9	0.67%	7,757,803	8	0.74%
Siemens Medical System	10,793,737	10	0.65%			
Hilldale Atrium Center				7,355,247	9	0.70%
SaraKreek USA				5,719,748	10	0.55%
	<u>\$ 551,986,800</u>		<u>33.10%</u>	<u>\$ 467,506,438</u>		<u>44.57%</u>

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

Data Source

Office of the County Clerk

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1995	\$ 9,188,057	\$ 8,880,613	96.65%	\$ 3,755	\$ 8,884,368	96.69%
1996	9,300,913	9,116,125	98.01%	85,005	9,201,130	98.93%
1997	10,082,106	9,950,217	98.69%	139,563	10,089,780	100.08%
1998	10,191,844	9,798,497	96.14%	355,247	10,153,744	99.63%
1999	10,230,341	9,771,806	95.52%	17,744	9,789,550	95.69%
2000	10,447,322	9,845,205	94.24%	354,297	10,199,502	97.63%
2001	10,864,888	10,077,103	92.75%	156,343	10,233,446	94.19%
2002	11,448,849	11,165,361	97.52%	69,996	11,235,357	98.14%
2003	11,992,061	11,754,907	98.02%	65,839	11,820,746	98.57%
2004	12,542,668	11,894,869	94.84%	105,829	12,000,698	95.68%
2005	13,080,114	(A)				

(A) Collections for the 2005 Tax Levy Year will not be received until fiscal year 2006.

Note: Property in the Village is reassessed each year. Property is assessed at 33% of actual value.

Data Source

Office of the County Clerk

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income*	
	General Obligation Bonds	TIF Bonds Payable	TIF Notes Payable	Installment Contracts Payable	General Obligation Bonds	Installment Notes Payable	Capital Leases		Per Capita*	
1996	\$ 29,950,000	\$ 187,691,026	\$ 36,531,606	\$ 1,597,043	\$ -	\$ -	\$ -	\$ 255,769,675	22.4%	5,314
1997	34,180,000	205,175,842	36,531,606	1,374,573	-	-	-	277,262,021	24.3%	5,760
1998	41,685,000	200,413,203	33,954,036	1,143,966	-	-	-	277,196,205	24.3%	5,759
1999	38,970,000	193,781,721	38,251,877	965,276	-	-	-	271,968,874	23.8%	5,650
2000	36,240,000	185,897,705	51,531,187	801,392	-	-	-	274,470,284	20.8%	5,545
2001	33,250,000	174,968,773	61,081,826	632,524	-	-	-	269,933,123	20.4%	5,454
2002	30,125,000	161,369,196	79,186,080	458,519	-	-	-	271,138,795	20.5%	5,478
2003	26,985,000	143,266,563	86,789,188	279,222	-	-	-	257,319,973	19.1%	5,088
2004	24,180,000	121,410,341	89,750,593	94,471	-	-	-	235,435,405	17.5%	4,655
2005	76,170,000	105,856,847	92,730,674	-	-	-	-	274,757,521	20.4%	5,433

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

\* See the Schedule of Demographic and Economic Statistics on page 176 for personal income and population data.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita
1996	\$ 29,950,000	\$ 894,148	\$ 29,055,852	29.06%	\$ 603.67
1997	34,180,000	1,059,360	33,120,640	30.11%	688.12
1998	41,685,000	682,903	41,002,097	34.17%	851.87
1999	38,970,000	1,175,007	37,794,993	29.07%	785.24
2000	36,240,000	1,332,078	34,907,922	24.93%	705.28
2001	33,250,000	609,138	32,640,862	21.76%	659.48
2002	30,125,000	557,999	29,567,001	18.48%	597.37
2003	26,985,000	511,235	26,473,765	15.57%	523.48
2004	24,180,000	541,239	23,638,761	13.13%	467.42
2005 (A)	76,170,000	5,152,212	71,017,788	37.38%	1,404.26

(A) The fiscal year 2005 General Obligation Bonds listed here include \$54,935,000 related to the G.O. Taxable Bond Series 2005A. The Village expects to make payments due on these bonds from revenues available from other sources other than property taxes.

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

\* See the Schedule of Assessed Value and estimated Actual Value of Taxable Property on page 165 for property value data.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2005

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village of Hoffman Estates (A)	Village of Hoffman Estates Share of Debt
Village of Hoffman Estates	\$ 76,170,000	100.000%	\$ 76,170,000
Dundee Township	16,405,000	0.053%	8,695
Schaumburg Township	690,000	14.577%	100,581
Dundee Township Park District	1,652,040	0.053%	876
Hoffman Estates Park District	13,260,000	93.222%	12,361,237
Palatine Park District	5,595,000	2.463%	137,805
South Barrington Park District	1,207,000	0.044%	531
Schools			
District No. 211	18,570,000	12.271%	2,278,725
District No. 54	53,835,000	14.436%	7,771,621
District No. 15	49,189,901	7.251%	3,566,760
District No. 220	114,135,000	11.249%	12,839,046
District No. 300	138,380,724	0.469%	649,006
District No. 46	381,051,383	2.080%	7,925,869
Junior College District No. 512	70,700,000	6.275%	4,436,425
Junior College District No. 509	52,210,386	1.546%	807,173
Metropolitan Water Reclamation District	1,280,568,747	1.123%	14,380,787
Cook County including Forest Preserve District	3,199,185,000	1.104%	35,319,002
Kane County including Forest Preserve District	195,265,000	0.007%	13,669
Gail Borden Library District	27,160,000	3.926%	1,066,302
Palatine Library District	7,820,000	9.835%	769,097
Schaumburg Library District	10,485,000	14.837%	1,555,659
	<u>5,637,365,181</u>		<u>105,988,864</u>
	<u>\$ 5,713,535,181</u>		<u>\$ 182,158,864</u>

(A) Determined by ratio of assessed valuation of property subject to taxation in the Village of Hoffman Estates to valuation of property subject to taxation in overlapping unit.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2005

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Under the 1970 Illinois Constitution, there is no legal limit for home rule municipalities except as set by the General Assembly.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Tax Increment Financing Bonds							Tax Increment Financing Notes <sup>b</sup>			
	Incremental Property Taxes	Less Governmental Share	Less Program Expenses	Available for Debt Service	Debt Service		Coverage <sup>a</sup>	Incremental Property Taxes	Debt Service		Coverage
					Principal	Interest			Principal	Interest	
1996	\$ 18,818,767	\$ (2,655,896)	\$ (449,070)	\$ 15,713,801	\$ 4,185,000	\$ 10,135,756	1.10	\$ -	\$ -	\$ -	N/A
1997	18,243,746	(2,799,948)	(441,087)	15,002,711	1,045,000	5,951,654	2.14	-	-	-	N/A
1998	19,032,982	(2,957,434)	(100,609)	15,974,939	8,775,000	8,230,815	0.94	-	-	-	N/A
1999	18,753,853	(3,782,845)	(35,410)	14,935,598	10,935,000	7,469,978	0.81	-	-	-	N/A
2000	19,886,213	(3,988,755)	(25,707)	15,871,751	12,500,000	6,827,555	0.82	-	-	-	N/A
2001	21,176,305	(4,268,800)	(29,818)	16,877,687	15,880,000	6,026,050	0.77	-	-	-	N/A
2002	21,824,262	(4,480,565)	(7,000)	17,336,697	18,910,000	5,013,935	0.72	-	-	-	N/A
2003	23,354,774	(4,872,744)	(31,509)	18,450,521	23,135,000	4,256,795	0.67	-	-	-	N/A
2004	23,323,096	(5,427,930)	(33,438)	17,861,728	26,070,000	3,844,545	0.60	-	-	-	N/A
2005	21,521,947	(5,722,070)	(278,175)	15,521,702	18,210,000	2,510,398	0.75	-	-	-	N/A

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

<sup>a</sup> In the years where debt service coverage fell below 1.0, Sears paid the shortfall, which is discussed further in the Management's Discussion & Analysis.

<sup>b</sup> The Village also has Tax Increment Financing Notes, but they are only payable to the extent there are property taxes available, which has not occurred.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Personal Income	(2) Unemployment Rate
1996	48,132	\$ 1,140,535,872	\$ 23,696	2.9
1997	48,132	1,140,535,872	23,696	3.9
1998	48,132	1,140,535,872	23,696	3.9
1999	48,132	1,140,535,872	23,696	2.4
2000	49,495	1,319,982,155	26,669	4.2
2001	49,495	1,319,982,155	26,669	3.9
2002	49,495	1,319,982,155	26,669	4.3
2003	50,573	1,348,731,337	26,669	4.7
2004	50,573	1,348,731,337	26,669	4.9
2005	50,573	1,348,731,337	26,669	4.5

Data Sources

- (1) U.S. Department of Commerce, Bureau of the Census
- (2) Illinois Bureau of Employment Security

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2005			1996		
	Employees	Rank	% of Total Village Population	Employees	Rank	% of Total Village Population
Sears Holdings	5,700	1	11.3%	4,500	1	9.7%
SBC (Ameritech) Illinois	4,000	2	7.9%	3,500	2	7.5%
St. Alexius Medical Center	1,650	3	3.3%	1,000	3	2.2%
GE Commercial Finance	800	4	1.6%	-	-	-
Automatic Data Processing	700	5	1.4%	500	5	1.1%
Siemens Medical Systems	556	6	1.1%	900	4	1.9%
Village of Hoffman Estates	380	7	0.8%	420	6	0.9%
Leopardo Companies, Inc.	365	8	0.7%	-	-	-
Siemens Health Services	250	9	0.5%	-	-	-
Bosch Rexroth Corporation	220	10	0.4%	-	-	-
North Suburban Clinic	-	-	-	250	7	0.5%
Alden Nursing Center - Poplar Creek	-	-	-	170	8	0.4%
New Era Funding	-	-	-	115	9	0.2%
Thomas Engineering, Inc.	-	-	-	110	10	0.2%
<b>TOTAL</b>	<b>14,621</b>			<b>11,465</b>		

Data Source

Village Records

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Management Services	18	18	20	23	23	25	27	27	25	25
Finance	16	16	16	16	16	16	17	16	15	15
Public Safety										
Police										
Officers	102	99	89	91	96	94	95	94	95	94
Civilians	18	18	22	23	21	24	24	24	24	24
Fire										
Firefighters and officers	85	85	88	93	92	92	92	99	98	98
Civilians	4	4	4	4	4	4	4	4	4	5
Highways and Streets										
Administration	3	3	3	3	3	3	3	3	3	3
Engineering	11	12	12	12	12	12	11	11	11	11
Street Maintenance	66	66	66	68	68	70	69	70	70	70
Sanitation	1	-	-	-	-	-	-	-	-	-
Health and Welfare	20	20	20	23	24	24	24	24	23	23
Culture and Recreation	1	1	1	1	1	1	2	2	2	2
Economic Development	7	7	7	6	7	9	10	10	10	10
<b>TOTAL</b>	<b>352</b>	<b>349</b>	<b>348</b>	<b>363</b>	<b>367</b>	<b>374</b>	<b>378</b>	<b>384</b>	<b>380</b>	<b>380</b>

Data Source

Village budget documents

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Public Safety</b>										
<b>Police</b>										
Physical arrests	N/A	1,661	5,393	6,327	8,072	2,247	2,200	1,877	2,008	1,956
Parking violations	N/A	6,752	24,554	26,356	37,080	8,042	7,331	4,497	5,553	6,321
Traffic violations	N/A	14,115	47,764	56,624	70,538	16,966	16,604	16,488	16,189	17,765
<b>Fire</b>										
Emergency responses	2,200	2,232	2,194	2,484	2,721	2,624	2,854	2,889	2,860	2,994
Fire/Miscellaneous Responses	1,669	1,564	1,819	1,835	1,766	1,817	1,646	1,681	1,731	1,758
Inspections	N/A	N/A	N/A	N/A	2,932	2,669	2,796	3,156	3,023	2,923
<b>Public Works</b>										
Vehicles Maintained by Dept	164	164	164	166	168	179	177	179	178	182
Street reconstruction (miles)	8.4	6.9	9.4	7.1	6.5	4.2	1.1	1.4	1.5	1.4
Street resurfacing (miles)	0.1	2.2	3.8	3.8	5.1	8.6	8.0	4.7	7.1	2.5
<b>Water</b>										
New connections	N/A	N/A	N/A	12	51	202	237	190	224	237
Water main breaks	N/A	N/A	N/A	41	7	12	18	35	23	45
Average daily consumption	5,060,000	4,936,000	5,100,000	5,650,841	5,304,614	5,502,910	5,542,619	5,314,263	5,346,751	5,829,000
Peak daily consumption	N/A	N/A	N/A	N/A	7,768,000	9,400,000	9,631,000	8,781,000	12,586,000	11,478,000

Data Source

Various village departments

N/A - Data was not available.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Area patrols	10	10	10	10	10	10	10	10	10	10
Patrol units	38	39	38	39	41	39	41	40	41	42
<b>Fire</b>										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire engines	8	8	8	8	9	9	9	9	9	9
<b>Public Works</b>										
Miles of Streets	139	140	140	140	140	141	141	142	142	145
Streetlights	N/A	2,196	2,246							
Traffic signals	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	196	198	200	201	202	208	213	218	221	224
Fire hydrants	2,331	2,290	2,326	2,393	2,427	2,527	2,581	2,671	2,727	2,775
Storage capacity (gallons)	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000
<b>Wastewater</b>										
Sanitary sewers (miles)	162	164	164	165	166	167	169	171	172	173
Storm sewers (miles)	N/A	102	106							

Data Source

Various village departments

N/A - Data was not available

**Village of Hoffman Estates, Illinois**  
**Continuing Disclosure Undertaking for the Fiscal Year Ended**  
**December 31, 2005**

**"Annual Report"**

**Finance Department**  
**Michael DuCharme, Director of Finance**  
**847-882-9100**

Prepared by  
Department of Finance and  
William Blair & Company  
222 West Adams Street  
Chicago, IL 60606  
312 364-8639

**Village of Hoffman Estates**  
***Equalized Assessed Valuations***  
***By Classification of Property***

<u>Property Class</u>	Levy Years					<u>%</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	
Residential	\$494,441,465	\$608,834,722	\$663,205,010	\$672,389,482	n/a	n/a
Farm	325,322	298,743	239,544	219,537	n/a	n/a
Commercial	295,562,922	361,732,044	369,853,281	360,110,493	n/a	n/a
Industrial	112,619,146	121,585,216	143,130,819	138,481,832	n/a	n/a
TIF Value	<u>266,075,498</u>	<u>289,815,493</u>	<u>325,026,300</u>	<u>329,450,923</u>	<u>325,968,684</u>	<u>19.55%</u>
Total Value	<u>\$1,169,024,353</u>	<u>\$1,382,266,218</u>	<u>\$1,501,454,954</u>	<u>\$1,500,652,267</u>	<u>\$1,667,486,547</u>	<u>19.55%</u>

Source: Cook and Kane County Clerks' Offices; 2004 detail not available.

Kane Co. Included in total EAV 2000 - 2004, respectively: \$566,132, \$619,736, \$632,441, \$699,838, \$756,805.

**Village of Hoffman Estates**  
**Tax Rates Per \$100 Equalized Assessed Valuation - Schaumburg Township**  
(Levy Years)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Village of Hoffman Estates</b>					
<b>Bonds and Interest</b>	\$ 0.235	\$ 0.191	\$ 0.168	\$ 0.141	\$ 0.118
<b>Pension (Police, Fire, IMRF)</b>	0.201	0.170	0.165	0.188	0.172
<b>Corporate</b>	0.691	0.609	0.617	0.695	0.646
<b>Other</b>	0.030	0.025	0.023	-	-
<b>Total Village</b>	<u>\$ 1.157</u>	<u>\$ 0.995</u>	<u>\$ 0.973</u>	<u>\$ 1.024</u>	<u>\$ 0.936</u>
Cook County (Incl. Foerst Preserve)	0.893	0.813	0.751	0.689	0.653
Metropolitan Water Reclamation District	0.415	0.401	0.371	0.361	0.347
Palatine and Schaumburg Twp. H.S. No. 211	2.450	2.147	2.067	2.165	2.158
Schaumburg Comm. Consolidated S.D. No. 54	3.706	3.283	3.142	3.414	3.106
Harper College No. 512	0.347	0.308	0.295	0.310	0.279
Hoffman Estates Park District	0.606	0.517	0.486	0.540	0.498
All Other	0.498	0.478	0.424	0.473	0.396
<b>Total</b>	<u>\$ 10.072</u>	<u>\$ 8.942</u>	<u>\$ 8.509</u>	<u>\$ 8.976</u>	<u>\$ 8.373</u>
Village Share of Total Tax Levy	11.5%	11.1%	11.4%	11.4%	11.2%

*Source: Village Finance Department*

**Village of Hoffman Estates**  
***Schedule of Taxes Extended and Collected***

<u>Tax Levy</u>	<u>Year of</u>	<u>Taxes</u>	<u>Taxes Collected</u>	<u>Percent</u>
<u>Year</u>	<u>Collection</u>	<u>Extended</u>	<u>and Distributed</u>	<u>Collected</u>
1998	1999	\$ 10,191,844	\$ 10,153,744	99.6%
1999	2000	10,230,341	9,789,550	95.7%
2000	2001	10,447,322	10,199,502	97.6%
2001	2002	10,864,888	10,233,446	94.2%
2002	2003	11,448,849	11,235,357	98.1%
2003	2004	11,992,947	11,820,746	98.6%
2004	2005	12,542,668	11,969,048	95.4%
2005	2006	13,080,114	n/a	n/a

*Source: Village Finance Department and Cook and Kane County Clerks*

**Village of Hoffman Estates**  
***Principal Taxpayers***

<u>Taxpayer Name</u>	<u>Type of Business or Property</u>	2004 <u>Equalized Assessed Valuation*</u>	<u>Percent of Village's Total EAV</u>
Sears Roebuck & Co.	Corporate headquarters	\$258,451,558	15.5%
Ameritech Illinois & SBC Ameritech	Office buildings	145,430,653	8.7%
Property Tax Advisors	Commercial buildings over three	41,758,657	2.5%
American Heritage	Two and three story apartment buildings	21,149,220	1.3%
Stonegate Properties	Commercial buildings over three stories	20,068,986	1.2%
Transamerica Comm Fin	Commercial building over three stories	14,715,942	0.9%
The John Buck Co.	Rental office building and parking lot	14,208,056	0.9%
Park Place Apt Shre Bld Ltd	Apartments	14,160,705	0.8%
Autumn Chase Apts	Apartments	11,249,286	0.7%
Siemens Medical System	Nuclear medical imaging cameras	<u>10,793,737</u>	<u>0.6%</u>
		<u>\$551,986,800</u>	<u>33.10%</u>

\*Includes only those parcels with 2004 equalized assessed valuations of \$200,000 and over as recorded in the County Assessor's Offices.

*Source: Offices of the Cook and Kane County Clerks and Assessors*

**Village of Hoffman Estates**  
**Comparative General Fund Balance Sheet**  
**Fiscal Years Ended December 31**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Assets</b>					
Cash and Investments	\$13,339,033	\$12,782,834	\$11,991,349	\$11,490,275	\$14,366,578
Receivables:					
Property Taxes	8,403,154	9,308,512	10,511,954	11,381,614	11,426,163
Accounts	44,183	39,545	11,085	42,987	40,584
Accrued Interest	145,832	5,980	13,665	4,770	81,970
Other	803,761	861,440	1,427,645	309,307	429,213
Prepaid Items	23,485	43,875	11,827	16,959	16,993
Inventory	129,654	133,668	137,108	152,058	166,857
Due from Other Governments	2,093,668	3,137,031	2,209,004	3,316,532	3,192,471
Due from Other Funds	13,812	204,852	156,262	89,811	52,416
Advance to Other Funds	1,023,269	1,069,728	1,100,992	1,185,532	1,237,885
Advance to Fiduciary Funds	-	-	<u>4,470</u>	<u>5,470</u>	-
<b>Total Assets</b>	<u>\$26,019,851</u>	<u>\$27,587,465</u>	<u>\$27,575,361</u>	<u>\$27,995,315</u>	<u>\$31,011,130</u>
<b>Liabilities</b>					
Accounts Payable	\$446,458	\$571,430	\$696,517	\$526,370	\$716,456
Accrued Payroll	403,102	473,667	559,435	695,220	786,865
Deferred Revenues	8,948,151	9,985,467	10,895,102	11,504,468	12,082,680
Due to Other Funds	367,417	203,086	-	649,862	2,363
Due to Fiduciary Funds	-	-	11,523	56,692	58,588
Deposits Payable	566,971	637,835	761,039	904,620	1,336,823
Compensated Absences Payable	<u>1,172,551</u>	<u>1,090,948</u>	-	-	-
<b>Total Liabilities</b>	<u>\$11,904,650</u>	<u>\$12,962,433</u>	<u>\$12,923,616</u>	<u>\$14,337,232</u>	<u>\$14,983,775</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	\$60,111	\$44,086	\$32,480	-	-
Reserved for Prepaid Items	23,485	43,875	11,827	\$16,959	\$16,993
Reserved for Inventory	129,654	133,668	137,108	152,058	166,857
Reserved for Advances to Other Funds	1,023,269	1,069,728	1,105,462	1,191,002	1,237,885
Reserved for Public Safety	113,154	121,993	131,785	134,286	142,319
Reserved for Employee Loan Program	83,754	95,463	98,980	83,805	99,468
Unreserved	<u>12,681,774</u>	<u>13,116,219</u>	<u>13,134,103</u>	<u>12,079,973</u>	<u>14,363,833</u>
<b>Total Equity and Credits</b>	<u>\$14,115,201</u>	<u>\$14,625,032</u>	<u>\$14,651,745</u>	<u>\$13,658,083</u>	<u>\$16,027,355</u>
Total Liabilities, Equity and Other Credits	\$26,019,851	\$27,587,465	\$27,575,361	\$27,995,315	\$31,011,130

Sources Comprehensive Annual Financial Reports, FY 2001 - 2005

**Village of Hoffman Estates**  
**General Fund Revenues & Expenditures**  
**Fiscal Years Ended December 31**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Budget 2006</b>
<b>Revenues:</b>						
Taxes	\$14,263,602	\$15,772,344	\$16,647,405	\$18,390,341	\$21,358,959	\$21,502,996
Licenses and Permits	1,201,939	1,182,921	1,417,756	1,613,441	2,032,103	1,744,140
Intergovernmental	10,939,668	11,275,373	9,800,467	9,348,021	10,191,818	11,129,770
Charges for Services	2,690,013	2,889,039	2,288,507	2,503,993	3,754,742	3,378,050
Fines and Forfeits	546,865	578,462	564,239	571,439	597,037	651,000
Investment Income	808,220	439,866	206,357	161,811	426,348	450,100
Miscellaneous	<u>399,460</u>	<u>200,143</u>	<u>149,971</u>	<u>436,486</u>	<u>279,439</u>	<u>495,000</u>
<b>Total Revenues</b>	<b>\$30,849,767</b>	<b>\$32,338,148</b>	<b>\$31,074,702</b>	<b>\$33,025,532</b>	<b>\$38,640,446</b>	<b>\$39,351,056</b>
<b>Expenditures:</b>						
General Government	\$2,469,873	\$2,649,747	\$3,924,496	\$4,213,656	\$4,559,935	\$5,009,650
Public Safety	17,009,711	17,366,293	18,427,735	20,443,226	21,932,451	24,319,826
Highways and Streets	3,494,182	3,810,432	3,784,688	4,053,212	4,265,588	5,055,710
Health and Welfare	1,358,477	1,460,730	1,534,247	1,637,951	1,671,142	1,853,320
Culture and Recreation	283,906	281,344	235,705	222,720	223,112	257,330
Economic Development	-	-	1,073,214	1,127,451	1,219,030	1,038,840
Miscellaneous	<u>2,690,015</u>	<u>2,645,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<b>\$27,306,164</b>	<b>\$28,213,937</b>	<b>\$28,980,085</b>	<b>\$31,698,216</b>	<b>\$33,871,258</b>	<b>\$37,534,676</b>
Excess (Deficiency) of Revenues Over Exp	\$3,543,603	\$4,124,211	\$2,094,617	\$1,327,316	\$4,769,188	\$1,816,380
Other Financing Sources (Uses)	<u>(\$5,228,817)</u>	<u>(\$3,614,380)</u>	<u>(\$3,158,852)</u>	<u>(\$2,320,978)</u>	<u>(\$2,399,916)</u>	<u>(\$3,432,535)</u>
Net Change in Fund Balance	(1,685,214)	509,831	(1,064,235)	(993,662)	2,369,272	(1,616,155)
Fund Balance, January 1	15,800,415	14,115,201	14,625,032	14,651,745	13,658,083	
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>1,090,948</u>	<u>-</u>	<u>-</u>	
Fund Balance, January 1 (Restated, FY 03)	\$15,800,415	\$14,115,201	\$15,715,980	\$14,651,745	\$13,658,083	\$16,027,355
Ending Fund Balance	\$14,115,201	\$14,625,032	\$14,651,745	\$13,658,083	\$16,027,355	

Sources Comprehensive Annual Financial Reports, FY 2001 - 2005

**Village of Hoffman Estates**  
**Combined Statement - Fund Balances - All Funds**  
**Fiscal Year End 12/31**

	2001	2002	2003	2004	2005
<b>Governmental Fund Types:</b>					
General Fund	\$14,115,201	\$15,715,980	\$14,651,745	\$13,658,083	\$16,027,355
Special Revenue Funds:					
Motor Fuel Tax Fund	214,283	147,063	140,828	164,435	209,497
Illinois Municipal Retirement Fund	190,037	-	-	-	-
Asset Seizure Fund	86,307	93,466	100,181	96,899	90,630
Econ. Dev. Area Admin.	(815,980)	(491,074)	(228,363)	14,500	151,904
E911	151,340	193,231	314,197	702,695	859,443
Roselle Rd TIF	-	-	(34,640)	(118,376)	332,708
Municipal Waste	<u>355,204</u>	<u>228,927</u>	<u>44,032</u>	<u>264,810</u>	<u>226,853</u>
Total Special Revenue	\$181,191	\$171,613	\$336,235	\$1,124,963	\$1,871,035
Debt Service Funds	\$22,761,663	\$22,546,505	\$24,019,114	\$22,311,111	\$17,360,240
Capital Project Funds	<u>17,982,835</u>	<u>14,358,829</u>	<u>14,662,805</u>	<u>14,166,492</u>	<u>62,223,501</u>
Total Governmental	\$55,040,890	\$52,792,927	\$53,669,899	\$51,260,649	\$97,482,131
<b>Proprietary Fund Types:</b>					
Waterworks and Sewerage	\$34,423,457	\$33,329,451	\$31,976,384	\$31,168,945	\$33,181,114
Insurance	1,331,418	1,098,901	301,030	286,345	103,957
Information Systems	<u>1,288,217</u>	<u>703,841</u>	<u>569,327</u>	<u>335,926</u>	<u>229,519</u>
Total Proprietary	\$37,043,092	\$35,132,193	\$32,846,741	\$31,791,216	\$33,514,590
<b>Fiduciary Fund Types:</b>					
Expendable Trust Funds	7,002	-	-	-	-
Pension Trust:					
Police Pension	\$28,333,908	\$29,478,058	\$33,445,485	\$36,312,218	\$38,197,403
Firefighters' Pension	<u>32,844,579</u>	<u>32,792,236</u>	<u>36,983,919</u>	<u>40,731,107</u>	<u>43,322,571</u>
Total Fiduciary	\$61,185,489	\$62,270,294	\$70,429,404	\$77,043,325	\$81,519,974
<i>Total All Funds (Memo Only)</i>	<u>\$153,269,471</u>	<u>\$150,195,414</u>	<u>\$156,946,044</u>	<u>\$160,095,190</u>	<u>\$212,516,695</u>

Sources Comprehensive Annual Financial Reports, FY 2001 - 2005

**Village of Hoffman Estates**  
**Combined Statement - Cash and Investments - All Funds**  
**As of December 31**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund	\$13,339,033	\$12,782,834	\$11,991,349	\$11,490,275	\$14,366,578
Special Revenue Funds	2,102,614	2,020,217	1,900,786	2,829,903	3,106,000
Debt Service - GO Bonds	748,268	544,230	469,581	443,864	5,038,205
Debt Service - EDA Related	<u>22,618,708</u>	<u>21,857,319</u>	<u>23,376,849</u>	<u>21,888,129</u>	<u>12,291,217</u>
Total Debt Service Funds	\$23,366,976	\$22,401,549	\$23,846,430	\$22,331,993	\$17,329,422
Capital Project Funds	\$10,748,754	\$10,114,288	\$11,017,178	\$8,752,794	\$56,984,193
Capital Projects - EDA, Series 1991	<u>9,002,450</u>	<u>6,435,538</u>	<u>6,285,739</u>	<u>6,753,686</u>	<u>6,336,199</u>
Total Capital Project Funds	\$19,751,204	\$16,549,826	\$17,302,917	\$15,506,480	\$63,320,392
Waterworks and Sewerage	\$8,862,766	\$9,190,608	\$8,192,266	\$7,894,210	\$8,747,938
Insurance	\$2,782,086	\$2,501,505	\$2,056,376	\$1,371,809	\$1,179,764
Information Systems	<u>940,540</u>	<u>647,826</u>	<u>576,548</u>	<u>284,872</u>	<u>223,549</u>
Total Internal Service Funds	\$3,722,626	\$3,149,331	\$2,632,924	\$1,656,681	\$1,403,313
Pension Funds	\$6,746,059	\$4,606,447	\$1,180,787	\$2,036,009	\$1,049,948
All Other Funds	<u>976,813</u>	<u>888,821</u>	<u>884,854</u>	<u>1,278,474</u>	<u>1,672,447</u>
Total	\$78,868,091	\$71,589,633	\$67,932,313	\$65,024,025	\$110,996,038

Sources Comprehensive Annual Financial Reports, FY 2001 - 2005

**Village of Hoffman Estates**  
**General Fund - Major Sources of Revenue**  
**Audited Fiscal Year ended December 31**

<b>Revenues</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Property Taxes	\$5,882,739	\$6,153,815	\$7,076,498	\$7,975,685	\$8,198,660
Sales Tax	6,119,943	6,974,872	5,613,415	5,011,076	5,055,579
Home Rule Sales tax	1,795,872	2,181,170	1,520,830	1,785,199	2,591,899
Photo and Local Use Tax	624,113	489,476	444,409	524,368	578,229
State Income Tax	3,623,323	3,246,720	3,067,177	3,213,757	3,773,525
Licenses and Permits	1,201,939	1,182,921	1,417,756	1,613,441	2,032,103
Charges for Services	2,690,013	2,889,039	2,288,507	2,503,993	3,754,742
Fines and Forfeits	578,462	546,865	564,239	571,439	597,037
Investment Income	808,220	439,866	206,357	161,811	426,348
Hotel Tax	559,405	542,763	645,582	703,233	750,028
Real Estate Transfer Tax	712,828	1,029,924	1,150,049	1,272,280	3,040,388
Telecommunications Tax	3,029,738	3,221,187	3,835,027	3,976,737	4,097,034
All Other	<u>3,227,276</u>	<u>3,705,060</u>	<u>3,269,716</u>	<u>3,714,048</u>	<u>3,748,035</u>
Total Revenue.....	\$30,853,871	\$32,603,678	\$31,099,562	\$33,027,067	\$38,643,607

*Source: Village Finance Department*

**Village of Hoffman Estates**  
Direct and Overlapping General Obligation Debt  
(As of December 31, 2005)

	Outstanding Bonds	<u>Applicable to Village</u>	
		<u>Percentage</u>	<u>Amount</u>
<b>Direct Debt</b>			
General Obligation Bonds Outstanding	\$21,235,000	100.0%	\$21,235,000
Series 2005 Taxable General Obligation Bonds	54,935,000	100.0%	<u>54,935,000</u>
<b>Total Direct General Obligation Bonded Debt</b>			<b>\$76,170,000</b>
<b>Overlapping Debt</b>			
Cook County	\$3,066,330,000	1.104%	\$33,852,283
Cook County Forest Preserve	132,855,000	1.104%	1,466,719
Metropolitan Water Reclamation District	1,280,568,747	1.123%	14,380,787
Kane County	0 <sup>(1)(2)</sup>	0.007%	0
Kane County Forest Preserve	195,265,000	0.007%	13,669
Dundee Township	16,405,000	0.053%	8,695
Schaumburg Township	690,000	14.577%	100,581
Dundee Township Park District	1,652,040 <sup>(2)</sup>	0.053%	876
Hoffman Estates Park District	13,260,000 <sup>(2)</sup>	93.222%	12,361,237
Palatine Park District	5,595,000 <sup>(2)</sup>	2.463%	137,805
South Barrington Park District	1,207,000 <sup>(2)</sup>	0.044%	531
Gail Borden Public Library District	27,160,000	3.926%	1,066,302
Palatine Public Library District	7,820,000	9.835%	769,097
Schaumburg Township Library District	10,485,000	14.837%	1,555,659
School District #15	49,189,901 <sup>(3)</sup>	7.251%	3,566,760
Community Unit School District #46	381,051,383 <sup>(3)</sup>	2.080%	7,925,869
School District #54	53,835,000	14.436%	7,771,621
Community Unit School District #220	114,135,000	11.249%	12,839,046
Community Unit School District #300	138,380,724 <sup>(3)</sup>	0.469%	649,006
High School District #211	18,570,000	12.271%	2,278,725
Community College #509	52,210,386 <sup>(1)(2)(3)(4)</sup>	1.546%	807,173
Community College #512	70,700,000 <sup>(2)</sup>	6.275%	<u>4,436,425</u>
			<b>\$105,988,864</b>
<b>Total Direct and Overlapping General Obligation Bonded Debt</b>			<b>\$182,158,864</b>

(1) Includes that portion of the Public Building Commission's outstanding bonds that applies to the District and is payable from lease agreements secured by ad valorem taxes on all taxable property in the District.

(2) Excludes principal amounts of outstanding General Obligation (Alternate Revenue Source) Bonds which are expected to be paid from sources other than general taxation.

(3) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.

(4) Excludes 1995A bonds issued through the City of Elgin. Also excludes Certificates of Participation.

Source: Cook and Kane County Clerk's Offices

**Village of Hoffman Estates, Illinois**  
**Total General Obligation Bond Debt Service**  
As of December 31, 2005

<b>Prior Principal and Interest</b>				<b>Series 2005 Bonds</b>			<b>Total GO Debt Outstanding</b>			<b>% Paid</b>
<b>Due December 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>	
2006	\$ 3,150,000	\$ 809,010	\$ 3,959,010	\$ -	\$ 2,869,553	\$ 2,869,553	\$ 3,150,000	\$ 3,678,563	\$ 6,828,563	
2007	3,320,000	696,323	4,016,323	1,030,000	2,869,553	3,899,553	4,350,000	3,565,875	7,915,875	
2008	3,535,000	575,073	4,110,073	1,075,000	2,824,233	3,899,233	4,610,000	3,399,305	8,009,305	
2009	3,800,000	439,688	4,239,688	1,120,000	2,775,858	3,895,858	4,920,000	3,215,545	8,135,545	
2010	3,355,000	291,713	3,646,713	1,175,000	2,724,338	3,899,338	4,530,000	3,016,050	7,546,050	28.3%
2011	2,610,000	161,310	2,771,310	1,230,000	2,669,700	3,899,700	3,840,000	2,831,010	6,671,010	
2012	1,465,000	59,973	1,524,973	1,285,000	2,611,890	3,896,890	2,750,000	2,671,863	5,421,863	
2013	-	-	-	1,345,000	2,550,210	3,895,210	1,345,000	2,550,210	3,895,210	
2014	-	-	-	1,415,000	2,484,305	3,899,305	1,415,000	2,484,305	3,899,305	
2015	-	-	-	1,485,000	2,414,263	3,899,263	1,485,000	2,414,263	3,899,263	42.5%
2016	-	-	-	1,555,000	2,340,013	3,895,013	1,555,000	2,340,013	3,895,013	
2017	-	-	-	1,635,000	2,261,485	3,896,485	1,635,000	2,261,485	3,896,485	
2018	-	-	-	1,720,000	2,177,283	3,897,283	1,720,000	2,177,283	3,897,283	
2019	-	-	-	1,810,000	2,087,843	3,897,843	1,810,000	2,087,843	3,897,843	
2020	-	-	-	1,905,000	1,992,818	3,897,818	1,905,000	1,992,818	3,897,818	53.9%
2021	-	-	-	2,005,000	1,892,805	3,897,805	2,005,000	1,892,805	3,897,805	
2022	-	-	-	2,110,000	1,787,543	3,897,543	2,110,000	1,787,543	3,897,543	
2023	-	-	-	2,225,000	1,674,130	3,899,130	2,225,000	1,674,130	3,899,130	
2024	-	-	-	2,345,000	1,554,536	3,899,536	2,345,000	1,554,536	3,899,536	
2025	-	-	-	2,470,000	1,428,493	3,898,493	2,470,000	1,428,493	3,898,493	68.5%
2026	-	-	-	2,600,000	1,295,730	3,895,730	2,600,000	1,295,730	3,895,730	
2027	-	-	-	2,740,000	1,155,330	3,895,330	2,740,000	1,155,330	3,895,330	
2028	-	-	-	2,890,000	1,007,370	3,897,370	2,890,000	1,007,370	3,897,370	
2029	-	-	-	3,045,000	851,310	3,896,310	3,045,000	851,310	3,896,310	
2030	-	-	-	3,210,000	686,880	3,896,880	3,210,000	686,880	3,896,880	87.5%
2031	-	-	-	3,385,000	513,540	3,898,540	3,385,000	513,540	3,898,540	
2032	-	-	-	3,565,000	330,750	3,895,750	3,565,000	330,750	3,895,750	
2033	-	-	-	2,560,000	138,240	2,698,240	2,560,000	138,240	2,698,240	100.0%
	<b>\$ 21,235,000</b>	<b>\$ 3,033,088</b>	<b>\$ 24,268,088</b>	<b>\$ 54,935,000</b>	<b>\$ 51,969,996</b>	<b>\$ 106,904,996</b>	<b>\$ 76,170,000</b>	<b>\$ 55,003,084</b>	<b>\$ 131,173,084</b>	

**Village of Hofman Estates**  
**Local Share of State Sales Tax History by Month - Cash Basis**

<u>Cash</u> <u>Received</u>	<u>Liability</u> <u>Month</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u> <u>v. 2004</u>	<u>2004</u> <u>v. 2005</u>
January	October	\$ 481,093	\$ 559,934	\$ 427,729	\$ 401,340	-24%	-6%
February	November	530,054	788,755	457,278	380,001	-42%	-17%
March	December	502,593	550,082	514,378	422,742	-6%	-18%
April	January	384,286	465,901	358,744	437,891	-23%	22%
May	February	424,081	417,894	395,012	421,752	-5%	7%
June	March	451,636	416,798	484,410	408,345	16%	-16%
July	April	539,917	486,979	426,207	435,966	-12%	2%
August	May	790,163	463,453	441,877	411,570	-5%	-7%
September	June	697,072	500,697	392,301	473,621	-22%	21%
October	July	657,177	491,395	416,071	456,655	-15%	10%
November	August	631,021	468,495	454,719	459,373	-3%	1%
December	September	550,033	484,591	367,860	394,610	-24%	7%
<b>Year Totals</b>		<b>\$ 6,639,126</b>	<b>\$ 6,094,974</b>	<b>\$ 5,136,586</b>	<b>\$ 5,103,866</b>	<b>-16%</b>	<b>-1%</b>

Source: Village Finance Department