



Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Independent Auditor's Report on Compliance With Public Act 85-1142 and Independent Auditor's Report and Financial Statements

December 31, 2022



Village of Hoffman Estates, Illinois
Lakewood Center TIF District Fund
December 31, 2022

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Independent Auditor's Report



1901 S. Meyers Road, Suite 500 / Oakbrook Terrace, IL 60181

P 630.282.9500 / F 630.282.9495

forvis.com

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Lakewood Center TIF District Fund (the Fund), a special revenue fund of the Village of Hoffman Estates, Illinois, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Lakewood Center TIF District Fund, a special revenue fund of the Village of Hoffman Estates, Illinois, as of December 31, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lakewood Center TIF District Fund and do not purport to, and do not, present fairly the financial position of the Village of Hoffman Estates, Illinois, as of December 31, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, schedule of fund balance by source, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of fund balance by source is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois
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statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS, LLP

Oakbrook Terrace, Illinois
July 31, 2023

Financial Statements

Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Balance Sheet

December 31, 2022

Assets

Cash and investments	\$ 166,261
Property tax receivable	<u>875,146</u>
Total assets	<u><u>\$ 1,041,407</u></u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities

Accounts payable	\$ 6,892
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Deferred Inflows of Resources

Unavailable revenue - property taxes	577,089
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Fund Balance

Restricted for economic development	<u>457,426</u>
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Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,041,407</u></u>
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Village of Hoffman Estates, Illinois
Lakewood Center TIF District Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended December 31, 2022

Revenues	
Property taxes	\$ 301,391
Investment income	1,478
Total revenues	<u>302,869</u>
Expenditures	
Current	
Economic development	<u>14,058,797</u>
Excess (Deficiency) of Revenues	
Over Expenditures	<u>(13,755,928)</u>
Other Financing Sources (Uses)	
Issuance of debt	<u>13,761,879</u>
Total other financing sources	<u>13,761,879</u>
Net Change in Fund Balance	5,951
Fund Balance	
January 1, 2022	<u>451,475</u>
December 31, 2022	<u><u>\$ 457,426</u></u>

Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies

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

Reporting Entity

The Lakewood Center TIF District Fund (Fund) was established to account for transactions related to the Redevelopment Plan and Redevelopment Project within the municipal boundaries established by village ordinance.

Fund Accounting

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

The Fund is classified as a Governmental Special Revenue Fund.

Basis of Accounting

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

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

Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Notes to Financial Statements

December 31, 2022

Investments

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

Property Taxes

Property taxes for 2022 attach as an enforceable lien on January 1, 2022, 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, 2023 and August 1, 2023, and are payable in two installments, on or about March 1, 2023 and September 1, 2023. The County collects such taxes and remits them periodically. Since the 2022 levy is intended to finance the 2022 fiscal year, the levy has been recorded as receivable and unavailable revenue. The revenues in the current year financial statements represent the 2021 property tax levy.

Fund Balance

The components of fund balance include the following line item:

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

Note 2: Cash and Investments

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

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Notes to Financial Statements

December 31, 2022

Deposits With Financial Institutions

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

At December 31, 2022, the Fund's depository account has a carrying value and bank balance of \$166,261. These amounts are fully covered by the FDIC insurance or fully collateralized.

Investments

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

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

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

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

Note 3: Long-Term Debt

Tax Increment Redevelopment Note Disclosures

The Village, pursuant to an economic development agreement dated January 7, 2019, has agreed to reimburse Somerset Development for certain project costs incurred as the Village's agent in furthering the economic development plan and project in an amount up to \$53,770,000. In 2021, the Village issued two notes to reimburse the redevelopment expenses incurred by developers

Village of Hoffman Estates, Illinois
Lakewood Center TIF District Fund
Notes to Financial Statements
December 31, 2022

related to Lakewood Center TIF Fund. During the year ended December 31, 2021, the Village issued \$6,089,956 and \$1,522,489 of notes payable A and B respectively, and during the year ended December 31, 2022, the Village issued \$11,009,503 and \$2,752,376 of notes payable A and B respectively. The notes are payable from and secured solely by the pledged incremental revenues deposited in the Fund.

The following is included in the Village's footnotes to its governmental activities financial statements. It is not recorded herein because long-term liabilities are not reported by special revenue governmental funds.

Issue	Balances January 1	Issuances or Accretions	Retirements or Accretions	Balances December 31	Current Portion
Tax Increment Redevelopment Notes, due in annual installments only if tax increment revenues are available	\$ 7,612,445	\$ 13,761,879	\$ -	\$ 21,374,324	\$ -

Debt Service Requirements to Maturity

The Lakewood Center 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 interest rate on the note is set at 6.50% until stabilization (defined as 75% of the office space is leased), then a one-time adjustment may be requested by the developer, depending on the prime interest rate at that time. Therefore, at December 31, 2022, no set debt service schedule is available.

Supplementary Information

Village of Hoffman Estates, Illinois

Lakewood Center TIF District Fund

Schedule of Fund Balance by Source

Year Ended December 31, 2022

Beginning Balance, January 1	<u>\$ 451,475</u>
Deposits	
Property tax	301,391
Investment income	1,478
Note proceeds	<u>13,761,879</u>
Total deposits	<u>14,064,748</u>
Beginning Balance Plus Deposits	<u>14,516,223</u>
Expenditures	
Economic development	
Other contractual services	<u>14,058,797</u>
Total expenditures	<u>14,058,797</u>
Ending Balance, December 31	<u><u>\$ 457,426</u></u>
Ending Balance by Source	
Property tax	\$ 457,426
Less surplus funds	<u>-</u>
Ending Balance, December 31	<u><u>\$ 457,426</u></u>

**Independent Auditor's Report
on Compliance With Public Act 85-1142**



1901 S. Meyers Road, Suite 500 / Oakbrook Terrace, IL 60181

P 630.282.9500 / F 630.282.9495

forvis.com

Independent Auditor's Report on Compliance With Public Act 85-1142

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

We have audited the Village of Hoffman Estates' compliance with the provisions of subsection (q) of Section 11-74.4-5 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for its Lakewood Center TIF District Fund for the year ended December 31, 2022. The management of the Hoffman Estates, Illinois is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

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 Village complied in all material respects with the requirements referred to above. An audit includes examining, on a test basis, evidence about the Hoffman Estates, Illinois' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Hoffman Estates, Illinois complied, in all material respects, with the requirements of subsection (q) of Section 11-74.4-5 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the Lakewood Center TIF District Fund for the year ended December 31, 2022.

FORVIS, LLP

Oakbrook Terrace, Illinois
July 31, 2023